



The Political Economy of Development in China and Vietnam

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Abstract

Two theories predominate in discussions of why China and Vietnam have, over the past three decades, achieved such rapid economic growth. The first argues that their startling performance can be explained by economic factors associated with late industrialization. The second proposes that China and Vietnam represent novel models of political economic organization that need to be better studied and understood. In this essay we review the voluminous literature on the political economy of China and Vietnam, evaluating the critical debates over the economic benefits of decentralization, experimentation, and state-led development. Although the debate remains unsettled, analysis suggests that growth in the two countries was most robust during periods of state withdrawal from the economy and that current economic difficulties in both countries are now arising from the scale and character of the state's role in both economies.

INTRODUCTION

The economic performance of China and Vietnam (hereafter C&V) over the past two decades challenges prevailing explanations of economic development (Qian 2003, Xu 2011). Since 1990, C&V along with Laos stand out as the three fastest growing economies in the world, with average growth estimates greater than 10% in China and 7% in Vietnam (World Bank 2012). In this period, C&V experienced historically unprecedented declines in poverty. A commonly cited statistic for China is that, since reforms were initiated in 1978, some 500 million people have been lifted out of poverty (World Bank 2013). Poverty in Vietnam has declined even more sharply. In 1993, an estimated 59% of Vietnamese lived on less than \$1 a day. Today, that figure is below 15% in a population of over 90 million (World Bank 2012). In contrast to other transitional countries, C&V have seen sustained growth over their entire reform periods.

The C&V experience challenges basic assumptions of political economy and prevailing normative theories of development. Both C&V remain solidly authoritarian, and both are governed by entrenched single-party regimes that maintain a pervasive presence in economic governance. Property rights in C&V have been strengthened over time, but they remain poorly protected; legal institutions are opaque, highly arbitrary, and not independent; political opposition is severely repressed; and participation in political decision making remains limited to a select few. Commonly used international measures of governance show no discernible improvement (Abrami et al. 2013), and some even suggest a decline: In Polity IV measures, China achieves exactly the same score it did at the start of the Cultural Revolution (Marshall & Jaggers 2012). In addition, although the two countries have transitioned to market-based economies, traces of the institutionalist mechanisms that have been invoked so widely in explanations of high economic performance in Central and Eastern Europe and the Former Soviet Union are hardly evident. This combination of rapid economic growth and “dysfunctional” institutions has led Xu (2011) to speak of “the China puzzle.”

Faced with these glaring anomalies, political scientists, economists, and other analysts of C&V have generated two sorts of explanations. The first may be aptly characterized as the economic advantages of backwardness. What we are witnessing in C&V is the rapid, extensive growth that is characteristic of the initial phases of industrialization. The advantages-of-backwardness arguments downplay the significance of institutions and instead assert that C&V's transitions occurred under material circumstances fundamentally different from those in other transition states. As C&V industrialize, growth will moderate to a more recognizable pace as disparities in factor prices equalize.

By contrast, the second set of explanations proposes that C&V represent a novel model of political economic organization whose institutional foundations need to be studied and understood. A normative form of this new-model argument is the “Beijing consensus” perspective (Ramo 2004), which puts forward the Chinese leadership's vision of economic development as a model for other countries to follow (Breslin 2011). In recent years, an influential critique of this argument has emerged that goes as follows: although C&V's particular combination of institutional features and high growth outcomes diverge from standard economic prescriptions, these countries' institutional features have ultimately led to the development of distorted economies and are likely to handicap future growth (Pei 2006; Huang 2008, 2011; Naughton 2008).

We review the literature on the national political economies of C&V. In contrast to much of the work on these countries, we compare the countries' experiences and attempt to link insights from C&V scholarship to wider discussions of economic transition. We avoid the inclination to discount the case of Vietnam on the grounds that both C&V are large countries with key institutional similarities, but we emphasize that these countries exhibit key differences that are of theoretical import.

Two decades of scholarship on C&V's political economies have generated stimulating analyses and spirited debates about the sources of their economic success. Yet our survey of the literature suggests that, thus far, no explanation survives unscathed when held up against the historical record. The grand debates simply do not yield definitive explanations for these countries' success. Political and economic turbulence that emerged in C&V between 2011 and 2013, however, has added renewed credence to the critical assessment of the Beijing consensus, which notably suggests that (a) growth was higher during periods of state withdrawal and (b) with "better" institutions, growth and welfare gains in C&V would have been more impressive still.

AN EXTRAORDINARY BUT ULTIMATELY FAMILIAR STORY OF LATE INDUSTRIALIZATION?

To engage with the first prospective explanation of C&V's success (the economic advantages of backwardness thesis), it is helpful to review the contours of the two countries' extraordinary economic growth and attendant improvements in living standards. We can then ask whether patterns of growth in C&V are signs of regression to the mean and finally address the late-industrialization thesis head on.

Growth

C&V's growth figures are impressive. Over the past three decades, real GDP in China has increased at an annual rate of 10%, meaning that its development has been more rapid than that of Japan and Korea, whose achievements are incontestable (Williamson 2012). Although some have questioned China's growth figures (e.g., Huang 2011), there is little question that China's growth is among the most rapid in modern history.

Vietnam has averaged a slightly slower growth of 7.3% over the same period, but its story is no less dramatic. One of the poorest countries in Asia just two decades ago, Vietnam is now approaching lower-middle-income status—a feat that seemed impossible when the *Doi Moi* reforms were initiated in 1986. **Figure 1** presents a simple scatterplot of average annual economic growth since 1990. Note that C&V not only produced higher average growth over the reform, but also show far less variability even during the periods of striking global economic crises in 1997 and 2007 that had strong effects in the other transition cases. Both C&V encountered downturns in 2007, invested heavily in extensive stimulus packages, and resumed patterns of high economic growth (Dinh et al. 2013, World Bank 2012). GDP is certainly not the only measure of economic performance, but it provides a consistent metric and a useful starting point for thinking about development trajectories.

Not Just GDP Growth

Almost all citizens of C&V have benefited from economic growth to some degree. This is most apparent upon examination of poverty trends, which indicate that between 1981 and 2012 the number of poor in the two countries has fallen precipitously. In China, hundreds of millions of people have been lifted out of poverty, leading Lau et al. (2000) to refer to China as a case of "reform without losers," whereas Malesky et al. (2011) demonstrate that Vietnam exhibited a relatively equal distribution of wealth over the course of its boom years, with a Gini coefficient of 0.37 compared with 0.47 for China. More narrow measures of welfare have also advanced over the time frame, including access to electricity, potable water, television, schooling, and health insurance. Evidence suggests moderate inequality growth in Vietnam may stem in part from its more

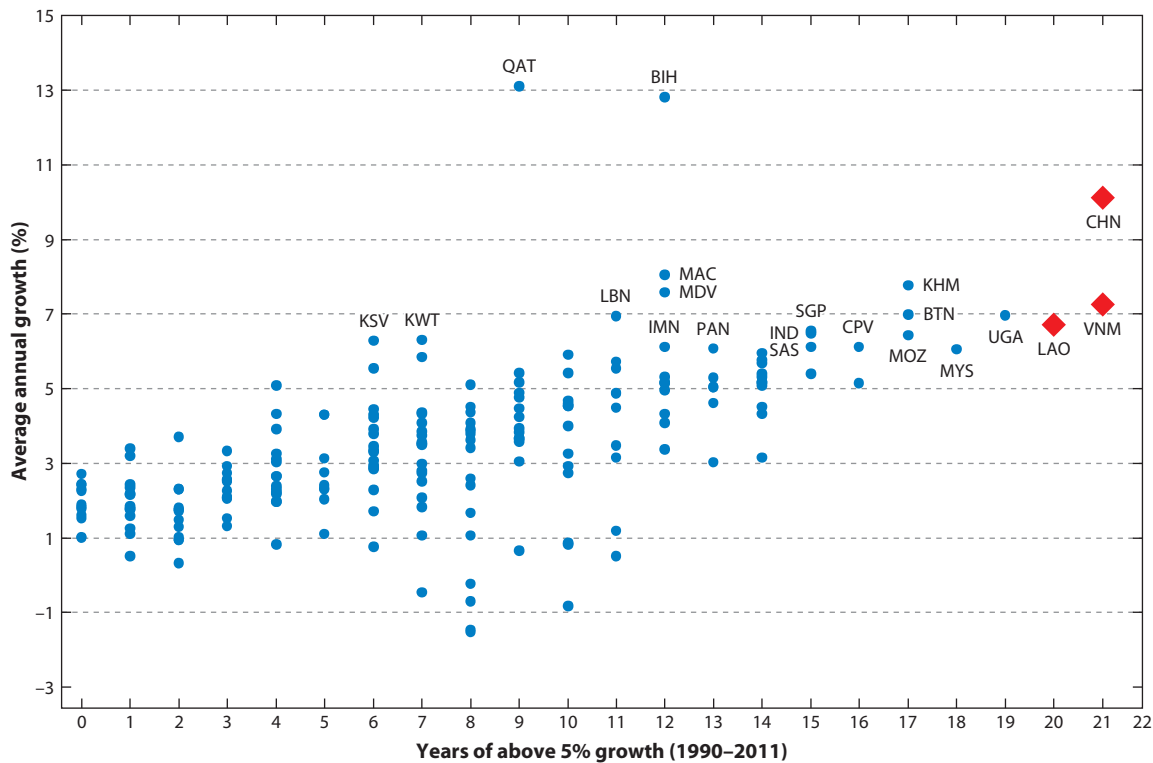


Figure 1

Evidence of the stellar economic performance of China and Vietnam. The y-axis tracks the average annual economic growth since 1990. The x-axis displays the number of years over the period when the country had 5% growth or higher to demonstrate the consistency of economic performance. Compared with all other countries (*blue circles*), China, Vietnam, and Laos (*diamonds*) stand alone in the far right portion of the graph. Source: *World Bank Development Indicators* (World Bank 2012).

pluralistic elite structure, which tends to encourage the construction of broader policy-making coalitions, more competitive selection processes, and more constrained executive decision making than are observed in China (Malesky et al. 2011). As a result, there are stronger political motivations for Vietnamese leaders to provide equalizing transfers that limit inequality growth among provinces. Thus, although China’s social protection policies are more substantial, Vietnam’s are much more progressive (Gao et al. 2012). However, this same institutional attribute also appears to disperse the central state’s limited financial power and helps explain why the development strategy in Vietnam has seemed to encourage fragmentation and redundancy (Malesky et al. 2011).

We should be careful here. Large swathes of populations have benefited, but not all citizens have shared equally in the economic growth—inequality in both countries has been considerable. China’s Gini coefficient remains high, and data point to an intensification of poverty in both countries. Consequently, the literature on inequality in C&V is large. At the macro level, the scholarship has centered on the political economy of development (e.g., Sutherland & Yao 2011). Broadly, it suggests that a great deal of inequality emanates from the national and regional growth models pursued in both countries. At local levels, research on inequality and social policies has probed how political status, economic status, geographical location, citizenship, and gender and migrant status, among other variables, condition economic opportunities and welfare outcomes (Tsai 2007, Van Arkadie et al. 2010). Some of the most interesting scholarship has delved deeply

into an analysis of distributional logics within specific settings and/or across large numbers of localities (Naughton & Yang 2004, London 2013).

Regression to the Mean?

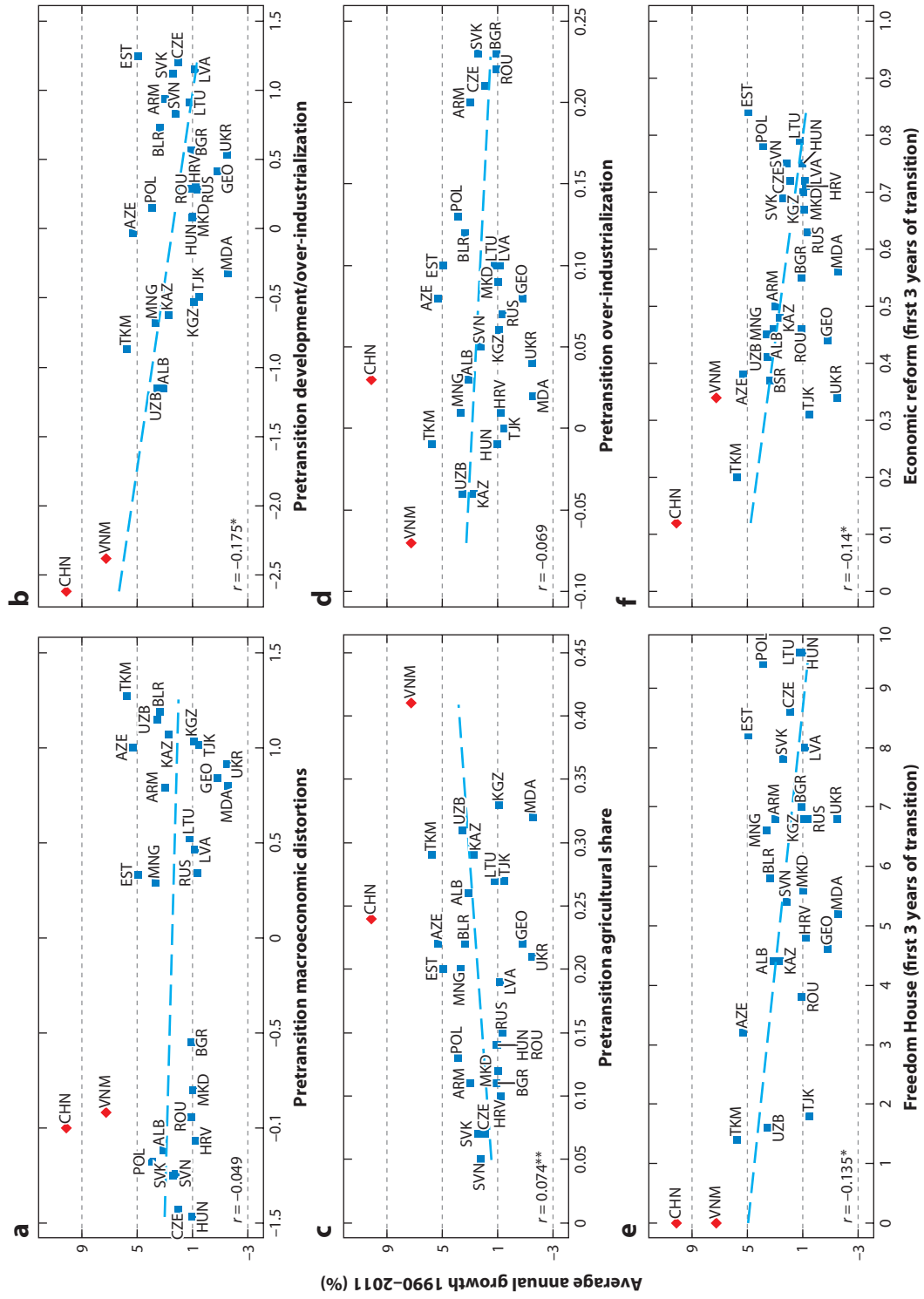
An important epistemological shadow haunts every analysis that attempts to draw firm conclusions about what C&V have to teach us about the political economy of growth: Should we be concerned about regression to the mean? Are we merely making conclusions from a segment of the growth curve that will eventually decline?

The debate around these points is summarized in **Figure 2**, which depicts the estimates by de Melo et al. (2003) of initial conditions for economic reform and performance among transition states. In this seminal paper, the authors collected data on the economic conditions that prevailed in the countries prior to the fall of the Berlin Wall in 1989. Using a principal component analysis, they grouped these data into two baskets: (a) initial levels of development and (b) market distortions at the point of transition. **Table 1** charts the country scores for a selected group of transition states.

de Melo et al. (2003) also estimated a system of equations to disentangle the simultaneous effects of inflation, growth, and economic performance, drawing two primary conclusions. First, there is no direct relationship between initial conditions and economic growth; rather, the effect passes through economic liberalization. Highly distorted economies (primarily in the USSR) faced more difficulty pursuing a reform agenda and therefore achieved lower economic growth rates. Second, the effect of initial conditions on growth is conditional on political liberalization: “Political reform emerges as the most important factor determinant of the speed and comprehensiveness of economic liberalization, raising the important question of what determines political liberalization” (de Melo et al. 2003, p. 1). These conclusions have subsequently been confirmed and refined by the political economy literature (Fish 1998). Hellman (1998), in particular, demonstrated that economic reform, particularly escape from the partial-reform trap, was correlated with having a political system that was more inclusive of different interests.

Given their conclusions, de Melo et al. (2003) struggled to explain the rapid growth of C&V, both of which were included in their dataset but achieved far faster growth than their peer groups. Neither of their two attempts to account for the rapid growth of C&V proved satisfactory. Their first approach simply soaked up the additional variation in growth outcomes with an East Asian dummy variable, which was statistically significant and substantively enormous, adding an additional 8.8% to the predicted annual growth rates for the two countries. To put this in perspective, one standard deviation in macroeconomic distortions has approximately one-third this effect. To have so much variance explained by a geographic dummy is disconcerting, because it is essentially a form of surrender, as if to say, “We don’t know what it is about C&V that is causing them to excel. It could be institutions, history, culture, or the type of food they eat, so we’ll just call it the East Asia effect.” Their second approach was to interpret the outliers as additional evidence for their theory. This claim, however, is fundamentally at odds with the causal pathway articulated by the authors in their conclusion—that limited distortions generated greater economic reform. As shown in **Figure 2f**, C&V are among the laggards in terms of economic liberalization indices created by the World Bank and European Bank of Reconstruction and Development.

The deeper mechanisms for economic growth described by other transition authors are also not apparent. C&V clearly did not benefit from the auspicious legacies of prewar experiences with Weberian bureaucratic legacies (Kitschelt 2003), prewar democracy (Pop-Eleches 2007), property rights (Grosjean 2011), or precommunist literacy movements (Darden & Gryzmała-Busse 2006). In fact, their greatest leaps in literacy and education were experienced during communism. And their growth commenced without elections contested by noncommunists (Fish 1998) or political institutions that placed constraints on executive decision making (Hellman 1998).



De Melo et al. (2003), however, should at least be credited for attempting to incorporate the C&V experience into their analysis; most other scholars have simply punted—characterizing their transition needs as simply so different that they defy comparison (Hellman 1998, Frye 2010). Motivations for this dismissal can be identified in **Figure 2**. Compared with the average state at the point of transition, C&V had far more rural economies. Agriculture accounted for 42% of pretransition GDP in Vietnam and 20% in China. Urbanization measures were even more striking: Only 18% of Chinese lived in urban centers in 1978 and 19% in Vietnam in 1986, compared with an average of 55% in the other states. The only countries remotely comparable were Albania (37%) and Tajikistan (32%).

Finally, C&V had far smaller state-owned industrial sectors to unwind through massive privatization. At the peak of the centrally planned era, China had close to zero overindustrialization, and Vietnam was actually underindustrialized. The share of industry in GDP was 23%, compared with the 30% that would be predicted by Syrquin & Chenery (1989) for an economy its size. In more qualitative terms, when China started its reforms, the number of products directly accounted for under the central plan was 791 and never passed 1,000 (Qian & Xu 1993). Vietnam's war economy, and decentralized state-owned production in 1986, meant that this number was counted in the dozens, with informal enterprises and collectives filling in gaps in the plan that could not be produced by state-owned enterprises (SOEs) (Phong 2005). By way of contrast, at the peak of central planning in the USSR, the *Gosplan* accounted for 48,000 plan positions and 12 million different products (Nove 1983; cited in Xu 2011).

These differences in initial economic conditions mean that C&V could benefit tremendously from growing anew. The two countries did not need to break down the state industrial apparatus; rather, they could simply promote growth around it, in what have come to be known as “dual-track” reforms. In both countries, the initial economic reform strategy included the liberalization of agriculture, which freed up labor and facilitated (especially in China) rural savings, which were key drivers of a new industrialization (Perkins & Yusuf 1984, Rozelle 1996). Thus, while other transition economies were dismantling distorted industrial sectors, C&V were erecting new ones suitable to the globalized era. By this account, there is no C&V miracle; we simply witnessed improved incentives and the effects of massive amounts of new labor and capital being channeled into the economy. Standard economic growth theory predicts that the introduction of labor and capital can empower growth for a time, but eventually economies will experience diminishing marginal returns to each unit of capital or labor. Growth from new inputs will reach zero, and economies have to grow by generating productivity improvements through better institutions, technology, or firm-level management (Young 1995, 2000). Li et al. (2012) hint at this threat to Chinese development when they chronicle the rising wage rates in every sector and forecast the end of growth propelled by cheap labor.

A late-development story, however, has difficulty explaining the startling growth in total factor productivity (TFP, a measure of efficiency improvements) over the course of Chinese

Figure 2

Initial conditions and long-term economic growth. These six scatterplots are derived from the de Melo et al. (2003) dataset of initial conditions for economic development. The y-axis charts average annual growth since the start of economic reforms in the respective countries: China in 1978, Vietnam in 1986, Central and Eastern Europe in 1989, and the former Soviet Union in 1991. The top row presents the two composite measures that De Melo et al. calculated using factor analysis: (a) macroeconomic distortions and (b) development. The second row shows (c) individual measures of the reliance on agriculture and (d) the distortions caused by long-term central planning of industrial outputs. The third row shows early scores on (e) democracy, obtained from Freedom House, and (f) economic reform, obtained from the World Bank.

Table 1 Selected indicators of initial conditions and Beijing consensus^a

Initial conditions	Country		Source	China	Vietnam	Czech Rep.	Poland	Romania	Estonia	Russia	Ukraine	Uzbekistan
	Start of reforms	Indicators		1978	1986	1989	1989	1989	1989	1991	1991	1991
Development level		GNP/capita 1989	800.0	1100.0	8600.0	5150.0	3470.0	8900.0	7720.0	5680.0	2740.0	
		Urbanization	18.0	19.0	65.0	62.0	53.0	72.0	74.0	67.0	41.0	
		Industry (% of GDP)	49.0	23.0	58.0	52.0	59.0	44.0	48.0	44.0	33.0	
		Agriculture (% of GDP)	24.0	41.0	7.0	13.0	14.0	20.0	15.0	21.0	31.0	
		Growth (1985–1989)	9.0	5.0	1.6	2.8	-0.8	2.7	3.2	2.4	3.9	
Market distortions		Repressed inflation (1987–1990)	2.3	15.0	-7.1	13.6	16.8	25.7	25.7	25.7	25.7	25.7
		Trade dependence (%)	1.0	7.2	6.0	8.4	3.7	30.2	11.1	23.8	25.5	
		Black market premium (%)	208.0	464.0	185.0	277.0	728.0	1828.0	1828.0	1828.0	1828.0	1828.0
		Year under central planning	46.0	21.0	42.0	41.0	42.0	51.0	74.0	74.0	71.0	
Beijing consensus		Indicators	Source									
	Gradualism	Progress toward complete reform in 1991 (0 to 1)	0.40	0.53	0.79	0.68	0.36	0.32	0.10	0.10	0.04	
		Progress toward complete reform in 1995 (0 to 1)	0.50	0.62	0.90	0.86	0.68	0.89	0.66	0.26	0.43	
		Progress toward complete reform in 1999 (0 to 1)	0.47	0.42	0.83	0.81	0.68	0.82	0.60	0.59	0.48	

Experimentation	Total score of transition indicators in 1999 (1 to 4.3) ^b		2.0	1.8	3.6	3.5	2.9	3.5	2.6	2.6	2.6	2.1
	Standard deviation of transition indicators in 1999	EBRD (2000)	0.6	0.6	0.6	0.6	0.7	0.6	0.8	0.5	0.7	
	Leading reform area in 1999		Price liberalization	Price liberalization	Small privatization	Trade/small privatization	Trade	Small privatization	Small privatization	Small privatization	Small privatization	
Experimentation	Subnational expenditures/total (% , 1995–2005)	Mountfield & Wong et al. (2005), IMF (2012)	69.0	48.0	21.0	21.5	12.8	20.6	37.7	33.0	42.0	
	Number of tiers		4.0	4.0	3.0	4.0	2.0	2.0	4.0	4.0	4.0	
	Local experimental initiatives (not measured)											
State led	EBRD large privatization score (1999)	EBRD (2000)	2.3	2.0	4.0	3.3	2.7	4.0	3.3	2.3		2.7
	Heritage freedom from government (2000) ^c	Teorell et al. (2011)	91.2	81.6	52.0	49.1	68.3	61.8	65.0	53.7		58.7
	Private sector output/GDP (% , 1995)		50.7	60.0	65.0	59.0	40.0	62.0	60.0	39.0		30.0
	Private sector output/GDP (% , 2005)	EBRD (2012)	59.2	61.0	80.0	75.0	70.0	80.0	65.0	65.0	65.0	45.0
	Private sector output/GDP (% , 2010)		68.8	60.0	80.0	75.0	70.0	80.0	65.0	65.0	65.0	45.0

(Continued)

Table 1 (Continued)

	Country		China	Vietnam	Czech Rep.	Poland	Romania	Estonia	Russia	Ukraine	Uzbekistan
	Start of reforms	1978	1986	1989	1989	1989	1991	1991	1991	1991	1991
Authoritarian	Polity IV five years after start (-10 to 10) (1995-2010) ^d	-7.0	-7.0	9.6	8.9	7.3	7.6	4.5	6.4	-9.0	
	Winning coalition size (1995-2010) ^e	0.5	0.5	0.9	0.8	0.8	0.7	0.8	0.7	0.5	
Internationalization	FDI inflows/GDP (1991-2010)	3.86	6.36	4.81	3.22	3.36	8.71	1.77	2.94	1.32	
	Exports/GDP (1991-2010)	26.30	55.34	57.19	29.91	28.78	73.46	33.40	46.33	31.17	

^a Abbreviations: EBRD, European Bank of Reconstruction and Development; FDI, foreign direct investment; GDP, gross domestic product; IMF, International Monetary Fund.

^b China and Vietnam were ranked only in a special issue of the EBRD transition indicators in 1999; time-series data for these countries do not exist.

^c Heritage freedom from government is the weighted average of two components: government expenditure as a percentage of GDP and revenues generated by state-owned enterprises and property as a percentage of total government revenue. Original source: Heritage Foundation (2014).

^d Original source: Marshall & Jaggers (2002).

^e Original source: Bueno de Mesquita et al. (2003).

economic development, which averaged about 3.8% growth between 1978 and 2005, achieving an eye-watering rate of 6.7% during 1995–2005. As Perkins & Rawski (2008) demonstrate, the TFP contribution to growth has increased from 11% before 1978 to 40% by 2005. In Vietnam, the late-development story has slightly more currency, but it is still insufficient. Estimates of TFP in Vietnam range between 0.2% and 2.38%, accounting for only 19.7% of the changes in growth (Minh & Long 2008, Vu 2009), and are, therefore, less striking. Nevertheless, they are always positive and show major increases over some periods, unlike many of the “tiger economies” exposed by Young’s (1995) tyranny of umbers. Positive and growing productivity calls out for a fundamentally different explanation of C&V growth and invites the question of whether C&V exhibit a unique model of economic development. Before addressing that thesis, however, it is important to confront two variants of an explanation that connects C&V economic and productivity growth directly to their backwardness.

The Advantages of Backwardness

The first explanation adapts Gershenkron’s (1962) seminal piece to the present, arguing that C&V have benefited from late development and have been able to apply more technologies from elsewhere, skipping generations of advances in management, finance, and telecommunications that have propelled growth (Harvie & Lee 2002; Lin et al. 2003, pp. 29–37). There appears to be some evidence for the impact of new management techniques on TFP growth (Jefferson et al. 1996). Recent revelations about China’s treatment of foreign investors and its attempts to extract technological know-how—either as an explicit condition of the investment arrangement or later and more surreptitiously—provide evidence for this form of catch-up (Segal 2009). By contrast, a Gershenkronian explanation is limited by the fact that other countries, also situated with low industrialization and large agricultural sectors, were unable to reap the benefits of new technology.

More persuasively, Qian & Xu (1993) and Xu & Zhuang (1998) draw a different line between C&V’s inherited economic structure and future productive growth. Central and Eastern Europe and the former Soviet Union possessed highly centralized economies that diversified economic production across subunits, leading to regional specialization in particular products and industrial concentration in particular locations. By contrast, in C&V the lack of fully implemented central planning left provinces (and tertiary subunits) internally diversified. Some scholars have argued that the redundancy in the centrally planned system was deliberate to avoid disruptions in production caused by fear of invasion or bombing during the American War (Phong 2005). Subnational diversification generated competition between rival producers that have similar products, whereas duplicative production sources insulated the economy from regional shocks (Yang 2004). A recurring debate in Vietnam about whether each province should be agriculturally self-sufficient to ensure food security echoes this thinking (Minot & Bauch 2005). Experimentation, as we discuss below, was a natural outgrowth of this structure, because central authorities could tolerate localized experiments as they posed less danger to the rest of the economy (Cai & Treisman 2006). Echoing Qian & Xu (1993) and others, Cai & Treisman (2006) stressed China’s M-form (multiform) structure, as opposed to the U-form (unitary form) structure of the USSR, generated opportunities for yardstick competition between subunits that could be observed by top officials (Maskin et al. 2000), who could then promote or punish local administrators.

The M-form structure of the two economies is a persuasive account of how late development led directly to the local experimentation and competition that many analysts credit for C&V’s growth and efficiency gains and economic success. Nevertheless, the theory accounts for only a small portion of the stylized facts associated with C&V’s success. It offers little insight into the survival and growth of the SOEs, the benefits of economic openness, and the maintenance of

authoritarian rule over a sustained period of time. Primarily with these examples in mind, Ramo (2004) laid down the gauntlet by coining the term Beijing consensus: “What is happening in China at the moment is not only a model for China, but has begun to remake the whole landscape of international development, economics, society, and by extension politics” (p. 3).

A NEW MODEL OF ECONOMIC DEVELOPMENT?

It is worth reviewing the notion of the Beijing consensus (Ramo 2004, Yao 2010, Huang 2011, Halper 2010, Williamson 2012) and other characterizations of C&V’s political economies that have sought to underscore their distinctive features, including Sino-capitalism (McNally 2013), state capitalism (*Economist* 2012), capitalism with Chinese characteristics (Huang 2008), and market Leninism (London 2009, 2013). The question of whether C&V represent an alternative model has gained great attention in political science and policy debates, especially owing to the perception of China’s quicker rebound from the subprime crisis (Breslin 2011).

There is, however, no consensus about the normative implications of C&V’s experience. There is also no agreement about the essential features of C&V’s political economies. On the contrary, observers have disagreed fiercely on the most rudimentary questions related to the growth models of these two countries. This is unfortunate, as answering these questions correctly has critical implications beyond the worlds of scholarship on C&V. Students and practitioners of development policy are critically concerned with generalizable lessons that can be learned from both countries. McNally (2013, p. 4), for instance, draws on the Varieties of Capitalism theoretical framework to suggest that the ascent of Sino-capitalism is “the first time since 1850 that the global capitalist system is experiencing the rapid rise of a continent-sized capitalist power that espouses values, international viewpoints, and domestic institutional arrangements and power relations fundamentally different from those characterizing the dominant Anglo-American system of capitalism.”

The exact features of the new model that China exemplified and Vietnam apparently followed are hard to pin down.¹ Even Ramo (2004, p. 23) struggles to define it, writing that it “is flexible enough that it is barely classifiable as a doctrine.” Williamson (2012), who coined the term Washington consensus, attempted to add more meat to the discussion by summarizing the literature to distill the Chinese model into five components: (a) gradualist approach to reform choices; (b) willingness to experiment with policy choices; (c) export-led growth; (d) state capitalism or an explicit role for SOEs in production, where they are allowed favored access to land and capital and dominate strategic industries or “the leading heights” of the economy; and (e) maintenance of an authoritarian regime during dramatic economic change. The final two ingredients have made the model especially attractive to authoritarian leaders (if not their citizens) around the developing world (also see **Table 1**, which operationalizes each of Williamson’s dimensions with data drawn from publicly available sources). McNally’s (2013) definition of Sino-capitalism largely echoes these sentiments with extra emphasis on the role of interpersonal relationships in business transactions.

At first blush, this menu seems quite tractable. When we push deeper into the underpinnings of any of these components, disagreements even among knowledgeable experts quickly emerge. Equally fascinating is how often the same attributes employed to describe success are used to predict the eminent collapse of the system (e.g., relationship lending becomes crony capitalism). Although the debates among all six dimensions are interesting, space constraints allow for a full elucidation of only the gradualism, experimentation, and state-led pillars of the model.²

¹Conventional wisdom holds that Vietnam is always 10 years behind China in its reform trajectory.

²The other three pillars (exports, authoritarianism, and relationships) are equally lively debates. Branstetter & Lardy (2008)

Gradualism

C&V did not unleash a “big bang” strategy of economic reform, pursuing a wide spectrum of reform initiatives simultaneously rather than sequentially. Rather, they pursued a more cautious and less liberalizing reform trajectory than their transition peers and found an alternative to reform sequencing that may have helped them avoid the reform traps feared by scholars of economic transition (Przeworski 1991, p. 138; Sachs 1996; Hellman 1998; Hoff & Stiglitz 2004). Qian (2003, p. 2) described these baby steps as “feasible, imperfect” transition institutions, which “evolved to complement the initial conditions and to function as stepping stones in the transition toward the goal.” Students of economic transition have connected the gradualism to their growth trajectories by arguing that flexible, intermediate institutions allowed C&V to respond more rapidly to unanticipated problems while simultaneously building new coalitions for further reform (Woo 1994, Blanchard & Shleifer 2001, Svejnar 2008). Indeed, **Table 1** shows that, whereas C&V started the reform era with a slight head start, Eastern European countries quickly moved ahead with faster liberalization, especially in the arena of state-sector reform and privatization.

Gradualism has been used in two different ways by scholars of C&V. First, scholars have used “gradualism” to characterize a reform process that was incremental but had no long-term vision or goal. Each reform was initiated to resolve a particular set of economic problems (or crises), even as the solution to any given problem generated a new set of challenges requiring future reform efforts and experiments (Van Arkadie & Mallon 2003, Kerkvliet 2005, Tao & Xu 2006). Second, scholars have used the term gradualism to indicate that the Chinese approach was to “grow out of the plan” (Naughton 1995). This was particularly relevant to enterprise reform. Fearing the dramatic labor and social dislocations caused by rapid privatization of SOEs (as in Czechoslovakia and Russia) as well as the potential insider privatization that propelled Russian oligarchs, C&V authorities pursued a dual-track approach to reforms. Firms and individuals were obligated to meet a quota of output at a particular state-provided price, but they were allowed to sell output above the quota at a market price (Lau et al. 2000). In Vietnam, this was called the “three-plan system” (Fforde & De Vylder 1996). By proceeding in this way, both countries allowed the private sector to expand alongside the state sector until eventually the private sector outpaced the formal state sector, particularly in China (Naughton 1995, Qian 2003). Private producers and local town and village enterprises (TVEs) covered the gaps between plan estimates and actual production. Eventually, both countries would allow losers in the form of layoffs from liquidated SOEs (mostly small and local) that proved too inefficient to compete in the new economy (Oi 1999, Van Arkadie & Mallon 2003). **Table 1** also itemizes C&V’s reform progress relative to other transition states.

Although C&V took a more incremental approach to reform and drew out the sequencing of reform over an extended period of time (Svejnar 2008), linking their gradual approach to their economic performance is suspect on three grounds. First, as indicated, the distinction between big bang and gradualism undervalues the tremendous variation within Central and Eastern Europe and the former Soviet Union in regard to reform progress shown in **Table 1**. Second, it can be misleading to assign the gradualist label to both countries over the entire reform era. As Naughton (2008, p. 126) has argued for China, “almost every characteristic of the transition process through 1992 has been shown to be inapplicable after 1993.” In the first era, a highly fractured regime pursued reform cautiously, because there was little consensus and a number of interest groups could block reform. Post 1993, the decision-making process was more concentrated, and it was

rebut the notion that global openness was China’s miracle elixir: “In a narrow accounting sense, it is simply not true that net exports have been a consistently important driver of growth in the 1990s” (p. 647). Easterly (2011) similarly dismantles the benign authoritarian argument by showing the wide variance in authoritarian outcomes, even within individual states.

easier to push through more radical approaches (Naughton 2008, p. 128). Similarly, the era of large conglomerates after Vietnam's entry into the World Trade Organization (WTO) is fundamentally distinct from the period of rapid private sector growth that occurred between 2000 and 2006, in terms of the decision-making process and their distributional consequences (Pincus et al. 2012). Third, "gradual" severely understates the vigor and concentration with which certain reforms were introduced when necessary. For instance, facing hyperinflation in 1991, Vietnam engaged in price liberalization and a macroeconomic stabilization effort that was straight out of the International Monetary Fund playbook (Van Arkadie & Mallon 2003). Naughton (2008) makes a similar case for fiscal and corporate reforms adopted between 1993 and 1998, along with the imposition of hard budget constraints on SOEs.

Experimentation

The second component of the Beijing consensus framework is the use of experimentation. It is the focal point of the new book *How China Became Capitalist* (Coase & Wang 2013), whose authors emphasize that the secret ingredient to Chinese development was the willingness to "seek truth from fact" (p. 2), using regional pilots and motivating regional competition to identify successful policies that were then implemented on a broad scale. Advocates of the importance of pilots in C&V highlight the fact that experimentation reduces the uncertainties of policy reforms, while insulating the rest of the economy from any negative externalities caused during the effort (Xu 2011).

The most commonly cited examples of such experimentation in China are the dual-track pricing discussed above; TVEs that promoted local government ownership; special economic zones, which allowed for foreign investment in a contained setting that would insulate the rest of China from any dangers until their relative benefits could be assessed (Branstetter & Lardy 2008); and elements of fiscal federalism that allowed provinces to retain revenue and therefore aligned local government and business interests (Shirk 1993, Woo 1994, McMillan et al. 1996, Qian 2003). In Vietnam, experimentation has also been an important part of the policy process, with practices including household rice contracting, investment zones for foreign enterprises, allowing land titles to be mortgaged and exchanged, and even administrative innovations such as one-stop-shop business registration (Kerkvliet 2005, Fforde & De Vylder 2006, Malesky 2008). In Vietnam, state enterprises and service delivery units' reforms, which in the first instance took the form of survival strategies, have often preceded and even inspired the design of national experiments.

Less celebrated, but critically important, has been experimentation with modes of governance. In the final section of this review, we show that these smaller reforms likely unleashed the entrepreneurial potential of the two countries. Florini et al. (2012) provide a lucid account of these experiments and document their initiation and implementation at the local level. In summary, governance reforms include (a) innovations that improve accountability of decision makers to citizens through semicompetitive elections at the village and township levels in China (Manion 2006, 2008; Tsai 2008; Martinez-Bravo et al. 2012) and also at the national level in Vietnam (Malesky & Schuler 2010); (b) innovations in citizen participation, allowing citizens to provide feedback on draft legislation before promulgation and opportunities to complain about aggressive local officials (Gueorguiev 2012, Dimitrov 2013a); (c) transparency innovations, such as the Chinese Open Governance Initiative (Horsley 2008), which is China's first attempt at a "freedom of information" act, allowing citizens, businesses, and civil society to request documents from government agencies and subnational administrations (Ma & Wu 2011, Lorentzen et al. 2012); (d) meritocratic promotion predominating over factional and familial connections through the use of cadre evaluation systems; (e) increased institutionalization, with tasks specifically assigned to specialized agencies with technical expertise (Yang 2005, Shirk 2007); (f) the shaping

of parliaments that provide information and represent constituency views (Malesky & Schuler 2010, Truex 2012); (g) pilot recentralization in ten Vietnamese provinces (Malesky et al. 2014); and (h) the partial liberalization of the media and internet to gather current information on societal grievances (Lorentzen 2009, Shirk 2009, King et al. 2013).

Nevertheless, experimentation within the political framework of communism was not invented in C&V. Pilot reforms were an important part of economic decision making in pre-1989 Eastern Europe. In fact, many of the reform efforts implemented in China actually had precursors in the Eastern bloc. Famous examples include Hungary's New Economic Mechanism in 1986, which foreshadowed China's dual-track pricing by allowing sales outside the plan, permitted decentralized economic decision making, and provided opportunities for producers to select imports over domestically produced inputs (Hare 1976). The Sovharkhoz experiment in the Soviet Union tested M-form decentralized appointments of SOE directors (Markevich & Zhuruvskaya 2011).

If experiments are such an important part of C&V's development story, why did they work in East Asia and not in the Eastern bloc? The most prevalent answer to this question—that experimentation worked in C&V because of regional decentralization—has been the subject of spirited debate. Xu (2011, p. 1,107) argues that in China “almost every major step on the path of reform was tried out by a few regions first before being launched nationwide.” There were also widespread and well-documented cases of bottom-up diffusions of innovation in which local governments' successful experimentation were adopted and implemented nationally. Montinola et al. (1995) suggest a kind of “market-preserving federalism” (MPF) existed in China, within which provinces and municipalities had room and incentives to pursue reforms that could lure both labor and capital. In Vietnam, a parallel discussion highlights the role of local leaders in engaging in policy experimentation that, when successful, paved the way for agricultural liberalization (Fforde & De Vylder 1996, Kerkvliet 2005), trade openness (Van Arkadie & Mallon 2003), SOE reform (Fforde 2007), industrial zones, and land titling (Malesky 2008).

Turley & Womack (1998) tied C&V together through an extended comparison of the role of Guangzhou and Ho Chi Minh City in generating reform initiatives and momentum. A key distinction scholars note between the two countries, however, is that in Vietnam, local leaders were aware they were violating central policy and could be punished for their actions. Scholars use the term fence-breaking to highlight the illegality. Van Arkadie et al. (2010) note how de facto decentralization in Vietnam has contributed substantially to policy innovations. In China, however, the early emphasis has been less on de facto violations of central strictures, and more on the institutionalized process that granted and rewarded autonomy. Shirk (1993) best exemplified this discussion by showing how reciprocal accountability between local and central leaders allowed elite leaders to stay in power but also granted policy space for experimentation on the southern coast.

The notion of decentralization as the driver of local experimentation became immediately controversial. Whiting (2000) was particularly critical of the application of MPF to China. She emphasized that the cadre promotion system preserved central control of the reform process, as local leaders, who were eager for promotion, sought to do the Chinese central government's bidding. To demonstrate this point, Whiting provided the first empirical evidence of cadre promotion criteria in China. Because of the importance of central party control over promotion, Mertha (2005) showed that Chinese authorities had the ability to recentralize unilaterally, violating a key assumption of MPF. Yang (2006) attacked the Shirk (1993) notion of reciprocal accountability by testing whether coastal provinces benefited disproportionately from the 1994 fiscal reform. Huang (1996) and Sheng (2010) pointed out that China's central leaders warded off challenges to their leadership caused by greater economic openness by coopting local leaders into elite decision-making process through party promotions.

Arguments by Gainsborough (2003) for Vietnam echoed the Chinese critique. Gainsborough showed that leaders in some of the main “fence-breaking” provinces had similar career histories and party roles to those of less innovative leaders, suggesting that all local leaders were tied together by the party hierarchy. In addition, Gainsborough (2007) showed that central leaders used major corruption cases to rein in provincial leaders who were gaining too much power. As Malesky (2008) points out, however, cadre evaluation as a constraint on decentralized experimentation had less bite in Vietnam, because that country has made far less use of rotation and promotion to move leaders out of their home provinces. Whereas only 18% of Chinese provincial party and state officials serve in the province of their birth, 70% of top Vietnamese provincial officials do so. In fact, if one includes Vietnamese officials who spent the bulk of their career in a province after arriving at a young age, 90% of Vietnamese officials can be considered native to the province they serve (Pincus et al. 2012). As a result, the long-term time horizons of Vietnamese officials are more likely to be associated with the economic success of their home province, as opposed to careers in the central bureaucracy.

Other scholars have attacked another key link in the MPF argument by demonstrating that China lacked the capital and labor mobility necessary to incentivize competition over policy. By requiring possession of a certificate to attain eligibility for public health and education, the *hukou* system (*ho kbau* in Vietnamese) limited labor mobility to experimenting provinces, although the policies were always imperfectly enforced and have been relaxed over time (Young 2000, Gordon & Li 2003, Naughton 2003, Bai et al. 2006).

Recognizing these difficulties, Landry (2008) and Xu (2011) have adapted the MPF theory. Termed regionally decentralized authoritarianism (RDA) (Xu 2011), this version of the theory argues that central authorities designed a system that links regional economic performance to promotion. This essentially creates a tournament for local officials that encourages market reforms and innovations. A number of studies have demonstrated associations between economic performance and promotion (Yang 2004, Chen et al. 2005, Landry 2008). A second feature of the RDA model is that central authorities tied experimentation into the decision-making process by comparing local initiatives and selecting from them to resolve major national policy issues. The RDA argument improved upon previous local experimental explanations by illustrating how regional experimentation was connected to cadre evaluation and management.

Nevertheless, RDA has severe limitations. First, careful empirical analysis has demonstrated an association between economic performance and promotion but not necessarily between reform innovations and promotion. There is an important difference. Indeed, evidence suggests perverse effects of such a policy, as when local officials attempt to use state investment and manipulation to generate spikes in growth directly prior to key promotional periods (Guo 2009, Wallace 2011). Second, models of promotion of local officials have not considered selection effects carefully enough. In particular, there is a concern that favored officials may be sent to high-growth localities so they can claim credit for growth that would have happened without them. For scholars adopting a factional theory of promotion (Thayer 1988, Shih 2008), this is a serious concern, as particular factions may lobby strongly for their future leaders to have high-growth locations on their resume. As noted above, this is a greater concern in China owing to the greater propensity of officials to serve outside their home province. To address this problem, scholarship needs to account for the growth trajectory of a locality prior to an official’s arrival and then calculate the official’s contribution beyond that original trajectory. Shih et al. (2012) apply such a method in their study of promotions to the Central Committee and find that economic performance history has no effect on promotion to this critical party legislature.

Selection effects on where officials are sent are crucial when we consider the final challenge to the notion that decentralization in C&V generated experimentation. Cai & Treisman (2006) have

studied the underlying mechanisms connecting decentralization to local experimentation and find all of them wanting. Their proposed alternative theory is that rival factions in the center seek to win competition for national leadership by appointing their supporters to certain provinces to initiate and demonstrate the effectiveness of new policies. This theory, they argue, explains the generation of growth-producing local initiatives, but it also explains why some successful policies were not implemented on a broader scale and why other local initiatives fared so poorly.

Huang's (2012) contribution picks up on this insight that national politics influences local experimentation but provides a tighter theoretical logic. Huang shows that factional political debates among central leaders generate uncertain signals as to the policies that local officials should pursue. Reformist central leaders want to avoid counterattacks from central leaders if policies prove unsuccessful, so they adopt conservative language while allowing local reform efforts. As a result, local leaders do not know whether they are dealing with a reformist or conservative center and therefore proceed cautiously. Reforms happen, but they begin as cautious local experiments until they prove successful. Huang helps explain some troubling issues for the notion of C&V as avid experimenters. First, the compelling stories of well-known reforms always were balanced by antireform statements from top leaders, including those thought to be in reformist camps. Gainsborough (2010, ch. 2), for instance, catalogs a large number of statements supporting Marxist-Leninist theory and SOEs by Vo Van Kiet, the southern-born Prime Minister who has been heralded as the spiritual leader of Vietnamese reform. In Vietnam, state-run newspapers also sharply criticized ongoing fence-breaking activities (Malesky 2008). Huang argues that the antireform rhetoric possibly represents a need to keep the experiments parameterized until they prove successful. They can then be discussed publicly and implemented nationally.

State-Led Development

Although the transition from central planning did entail an expansion of the private sector in both countries, state-owned and state-linked companies remain a pervasive feature of economic life. Whereas the state sector has shed labor in both C&V, the SOE sector continues to play a prominent role in investment and economic output. Noting the continued importance of the state in the economy, some scholars have speculated that SOEs may be a key contributor to C&V's economic success (Masina 2006, Beeson & Pham 2012).

The insertion of SOEs as a core pillar of the Beijing consensus has received a quasi-formal endorsement from famous economists (Stiglitz 2006; Rodrik 2007, p. 87), because of the salience of TVEs in the early stages of Chinese economic growth (Oi 1999). As Stiglitz noted, "These were public enterprises and the standard ideology would have said that you cannot succeed with public enterprises, but they were enormously successful" (quoted in Huang 2011, p. 16). The formal theoretical justification of the economic success of TVEs was that they were guaranteed property rights in a weak institutional environment (Che & Qian 1998, Lau et al. 2000), aligned the interests of central and local governments (Li 1996), and prevented the threat of public assets. Masina (2006) makes a similar case for the role of SOEs in Vietnam: they were institutions that helped mediate the internationalization of the economy.³

SOEs continue to play a role in C&V's economies. In Vietnam in 1990, for instance, the state sector accounted for about 23% of industrial employment and 30% of GDP. The share of SOEs in GDP actually grew in the early period of the reform era to about 40% of GDP (Hakkala & Kokko

³For those interested in US relations with C&V, the role of the state sector in the economy has had unique influence (Szamoszegi & Kyle 2011).

2007) and began to decline significantly (to 24% of GDP) only after Vietnam's entry into the WTO in 2006. Nevertheless, SOEs still control 70% of fixed assets and 45% of new investment (Pincus et al. 2012), in addition to possessing privileged access to land and capital (Malesky & Taussig 2009). In China, SOEs dominate the finance, energy, telecom, and distribution industries. As Pei (2012, p. 352) notes, "Even after three decades, the Chinese state-owned and controlled firms account for close to 40% of GDP." Nathan (2006) notes that China's economy did not achieve full marketization because that was not the government's objective. Economic reform under former Premier Zhu Rongji and current Premier Wen Jiabao, often considered reformers, sought to improve the performance and competitiveness of carefully chosen SOEs by subjecting them to market discipline from international and domestic competitors, but they never planned to fully relinquish state ownership. Rather, they sought to substitute for the incentives of private ownership by relying on the careful oversight of technocrats in regulatory offices (Nathan 2006). The dominant role of the SOE sectors as the leading engine of the economy is explicitly accounted for in Vietnam as well, specifically referencing Singaporean SOEs and Korean chaebols as role models for their policy of consolidating small SOEs together into larger conglomerates to serve as national champions. (Pincus 2009). The 10-Year Socio-Economic Development Plan emphasizes the leading role of government corporations: "The leading role of the State economic sector is to be enhanced, governing key domains of the economy; State enterprises are to be renewed and developed, ensuring production and business efficiency" (Communist Party of Vietnam 2010, p. 9).

Nevertheless, scholars who emphasize the size of the state sector as an element of a new model of development confuse association and causality. Although bias toward the state economy was an important feature of the development strategy and the state sector has grown alongside C&V's economies, it is far from obvious that SOEs contributed to economic performance. Although we lack counterfactual evidence, it appears likely that SOEs were more often beneficiaries, rather than engines, of growth. For instance, Brandt & Zhu (2008) show that between 1978 and 2007, total factor productivity (TFP) growth in the state sector (1.5) was one-third that of the private sector (4.6), which has proved to be the more powerful engine of growth and innovation. Recent analyses of the role of the state sector in Vietnam have demonstrated even more profound underperformance. As Pincus et al. 2012 demonstrate, SOEs in Vietnam can no longer claim to be the vanguard of the working class, at least in a numerical sense, as they account for only 11% of employment and have actually seen net employment drop by 22% between 2006 and 2010. Growth decompositions show that the state sector accounted for only 19% and 8% of GDP and industrial growth, respectively, between 2000 and 2010. Moreover, given their tremendous advantages, SOE contributions to export have been absurdly small, with most exporting accomplished by small-scale farmers and foreign investors. From textiles (Vinatex) to shipbuilding (Vinashin), Vietnamese SOEs have failed to be competitive on world markets. TFP studies by ownership in Vietnam have not been credible, because they fail to properly account for the contribution of free land and cheap capital to SOEs' bottom line. For now, London's (2013) characterization of Vietnam's poorly performing industrial policy as "chaebol dreaming" remains apt.

With even modest assumptions about these cheap inputs, the state sector seems to have been a net drag on the Vietnamese economy. Three distortions have been documented: First, even though SOEs have not been successful at exporting in their core competencies, they are protected in those core competencies by Group A investment restrictions on private entry and phase-in requirements on WTO tariff-reduction obligations (Auffret 2003). Second, protections in core businesses, cheap land to rent to private producers, and cheap capital have generated tremendous cash flow that SOEs have funneled into subsidiary investment projects in unrelated businesses, as SOE managers seek to maximize their individual revenue. Vinashin, for instance, had 445 subsidiary businesses and 20 joint ventures, which ranged from real estate to hotels and karaoke.

These sideline businesses crowd out more dynamic and entrepreneurial businesses (Nguyen & Freeman 2009). Third, Phan & Coxhead (2013) demonstrate adverse effects of these policies on labor markets, showing that state-sector activity has both depressed returns to skills in nonstate sectors and crowded out more skill-intensive forms of private-sector growth. The effect arises directly from the privileged role of the state sector and the lack of oversight to ensure meritocratic hiring. Because SOEs are capital intensive and protected, the returns to skills in SOEs are higher than in the private sector. Therefore, employment in SOEs is highly coveted. Nevertheless, hiring into SOEs is based on nonmarket mechanisms, such as familial connections, relationships, and outright corruption. Those without such connections have less incentive to invest in high-level skills, leading to lower-quality labor available for private-sector producers.

Critical to the debates about a new economic model is the demonstration by fine-grained scholarship that SOEs are remarkably unproductive relative to nonstate competition. Furthermore, scholars have shown that the greatest periods of growth and poverty reduction occurred when the state sector was at its weakest. In Vietnam, the 2001–2006 boom was correlated with robust growth in private investment; the post-2007 decline correlates with the return of SOEs. Huang (2008, 2011) similarly demonstrates that peak growth of the Chinese economy occurred under the stewardship of Chairman Hu Yaobang and Premier Zhao Zhiyang between 1979 and 1988, when China pursued a far more liberal set of economic and economic policies (Pei 2006). Huang (2008) shows that much of the credit given to TVEs as exemplars of growth-promoting state ownership during this period is actually misplaced. The vast majority of the 12 million TVEs were fully private, and their private ownership was well known. These were not red-hat corporations. According to Huang (2011), TVE was a geographic concept that referred to location, which Western economists misunderstood as a classification of ownership. To be fair, Huang may be overplaying his hand, as Oi (1999) was careful to distinguish state-owned from private TVEs but noted that state-owned companies were bigger and contributed more to total output. Nevertheless, after assigning credit properly, Oi demonstrates that it was actually private growth that propelled the economy during the 1980s, the period when personal income growth achieved its highest rates.

CONCLUSION

The large macro debates about C&V's development and its implications for development theory have been revealing. Analysts disagree on the most fundamental features of the recent economic history of the two states. The changing view of the role of state-led development is particularly enlightening, given the current difficulties the two states face with further economic reform, as the policy process has been captured by elite state conglomerates (Pincus et al. 2012, World Bank 2013). Because the periods of highest growth in both countries were during periods of state withdrawal, this should give us pause about the countries' future growth trajectories.

Although fascinating and important, these macro debates tend to overemphasize structural features while losing sight of developments on the ground. Major political reforms have yet to materialize, but quite significant reforms in governance at the national and local levels have already taken place in both countries. These have fundamentally altered the two states' interactions with their citizens, often for the better. Recognizing that these countries are authoritarian and use coercive policies regularly should not blind us to the significant, well-documented governance changes that are improving people's lives. Recent scholarship has done an excellent job of presenting these adaptive strategies and establishing the individual-level impact.

Nevertheless, there remains tremendous room for improvement in C&V scholarship. Most depressing has been the lack of engagement between students of the two countries. There are two areas where comparative research is critical for political economy to make progress. First,

researchers rarely look next door to see if their conclusions about particular policies or institutions in single-party regimes hold up to comparative scrutiny. The literature emphasizing the critical roles of the household registration system and special economic zones in China, for instance, would benefit from asking whether the same systems have similar effects in neighboring Vietnam. Second, as they fail to notice similarities, scholars too often fail to notice critical institutional differences between the two countries that affect policy making. At the elite level, the greater importance of the Central Committee in decision making and the policy autonomy of the Prime Minister in Vietnam affect how economic reform decisions are made (Abrami et al. 2013). At the local level, the lack of regional rotation of officials, the more indirect rule of the party, and implicit as opposed to explicit cadre evaluation criteria have led to a hometown bias in policy making and transfers in Vietnam that is not evident in China (Do et al. 2013). The bottom line is that work on micro processes in C&V is advancing, but a more explicit comparative framework for studying these market-Leninist systems will allow it to blossom.

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