The European Research Council Project on China’s economic instability

Peter Ho was recently awarded a European Research Council (ERC) Starting Grant for Consolidators. With the 1.5 million Euro grant, Professor Ho will carry out research on China’s collapse and institutional development.

Today China has appeared as a globalizing force in every sense. At the same time, many observers’ feel that its development might come to a grinding halt or even collapse, because of its lack of political reforms, rising inequality, and rampant corruption. Contradictorily, since the start of the reforms China has exhibited relatively high socio-economic and political stability.

Prof. Ho’s proposed ERC project seeks to go beyond widely accepted dichotomous views on China’s development – be they on an impending collapse or on its booming future. Instead, it will attempt to analyze and explain China’s paradoxical development. To meaningfully study the multi-layered, contradictory dimensions of Chinese development, the project makes two choices: to study development around one of the means of production – land, and to do so by zooming in on its governing institutional architecture.

Unlike the other means of production, capital and labor, which have been largely privatized, land is one of the last vestiges of Chinese communism. As such, it is central to the Chinese leadership’s decisions about the nation’s future. This study will delve into the major issues that affect it – the bubble in urban real estate; landlessness and urban sprawl; rent-seeking; forced evictions; and ethnic conflict. It is hypothesized that China can maintain overall stability despite the rising conflict and inequality due to the credibility of its institutions.

“Credibility” was coined in economics and political science, yet, in general has been little researched, let alone, in the case of land-based institutional change. It is exactly for this reason that the ERC project has been proposed. As argued elsewhere, when it comes down to successful institutions it is the level of credibility that matters, not the extent of formality, security or privatization. Apart from cultural and historical factors, credibility might thus be a pivotal notion that is closely intertwined with the dynamics of dichotomous development. The proposed ERC project will demonstrate that China is a powerful case in point.