

The State-led Model of Industrial Modernization and Its Impacts

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Abstract: Modernization, as a mainstream across the world, is mainly manifested by the industrialization in economy and democratization in politics. Industrial modernizations in Japan and Germany follow a catching-up and state-led model, which is a historical trend in the course of human society. Such a distinctive model is the result of their incomplete revolution, their strong remnants of feudalism, the late start of industrialization, and insufficient capital accumulation. Under the state-led model, both countries formed a unified national market, but also underwent an imbalance in political progress and economic development. Drawing from the experience of Japan and Germany, China must properly handle the relationship between the government and the market as well as economic development and socialist democracy, so as to advance modernization reasonably and effectively.

1. Introduction

Modernization is a historical trend in the course of human society. It has been magnificently transforming the mode of production while continuously promoting the progress of human society. Modernization is an integral process in various fields such as economy, politics, and culture, and industrial modernization plays a leading role in this process.

Luo Rongqu (1927-1996), a renowned Chinese historian and professor in Peking University, from the perspective of historical development, defines modernization as "the drastic changes that human society has undergone since the Industrial Revolution (1760s-1840s), a worldwide transformation from traditional agrarian societies to industrial societies with industrialization as the driving force. Modernization has enabled industrialism to penetrate various fields like economy, politics, culture and ideology, breeding profound changes."^[1] If the Industrial Revolution is the jumping-off point of modernization in human society, the modern capitalist countries in the west would be the pioneers. Compared with them, the industrial modernizations of Japan and Germany have distinctive characteristics due to their distinctive historical backgrounds.

Therefore, this article, by probing into the unique state-led model of Japan and Germany in their early stages of industrial modernization, will find out the upsides and downsides of this model in the two countries, and draw lessons from them for China's modernization.

2. Features and the State-led Model

Modernization is a process of growth, a course where backward countries catch up advanced industrial countries by learning from them and conducting planned economic and technological reforms. Japan and Germany are latecomers in terms of modernization among capitalist countries. If they want to take the lead in the fierce competition in the world arena, they must adopt a development model that suits their national conditions. Therefore, the two countries presented a unique development model in their early stages of modernization due to their distinctive features in economy.

2.1 Features—Catching-up and Imitating

In perspective of the reform in national systems, modernization can be divided into the endogenous form and the exogenous form.^[2] The former is the result of a country's internal forces or adjustments. Through long-term evolution, a country achieves modernization on the basis of independent innovation and development. In contrast, the later instead is generated by the impacts from external forces. In the exogenous form, a country achieves modernization through in part reforms, proactive or passive, in such fields as economy, politics, etc.

Obviously, Japan and Germany belongs to the latter form. Germany's modernization dates back to the War of Liberation (1813), which necessitated it getting rid of backwardness and proactively reforming its society, so as to be stronger. Thus under the influence of the broad Industrial Revolution, the country began its journey of industrial modernization by imitating and catching up the modernized countries. Japan's modernization took off with its Meiji Restoration (1860s-1890s). The invasive western colonialism and the worldwide expansion of the modern capitalism brought unprecedented shocks to the development of Japan.^[3] As the class conflicts and national contradictions at home and abroad intensified, the Anti-Bakufu Sentiment transformed the rule of the Shogunates to a centralized authority headed by the Japanese Emperor. That revolution brought Japan to the track of capitalism and a series of reforms, which highly promoted its industrial modernization.

2.2 The State-led Model

Modernization means a huge leap in economic productivity.^[4] In their preliminary stages, the most prominent feature of the industrial modernizations in Japan and Germany was that the government played an irreplaceable role. Thus a state-led modernization model gradually took shape. On the one hand, such model can be found in the specific measures for growth in both countries. The most telling measures are: promoting technological innovation through introducing advanced technologies, establishing various emerging industrial sectors under the influence of the Industrial Revolution and focusing on the heavy industry. On the other hand, the model results from the economic conditions of Japan and Germany at that time. Back then, individual private companies or institutions of both countries were not able to independently carry out industrializing projects. Therefore, all those measures for modernization were inseparable from the leading force of the state power. In the early stage of industrial modernization, the state-led model greatly promoted economic and military strengths and significantly pushed the process forward for both countries.

3. Contributing Factors of the State-led Model

Throughout the history of industrial modernization, different countries adopted different models according to their unique historical backgrounds. The turbulent domestic and international landscape is the background of the model Japan and Germany adopted. On the premise of a relatively complete market mechanism, the two countries with state power as the leading force, advance industrialization through catching-up policies, powerful government intervention, and military.

3.1 Political Factors—Incomplete Revolution and Remnants of Feudalism

The process of modernization is also the process of a major transformation from traditional agrarian societies to modern industrial societies. It is a trend compatible with the modern era, which requires all members of the international community to present a new posture in face of it. However, in the beginning, Japan and Germany were just emerging from capitalist mode of production and still holding massive feudal remnants, which were destined to impact on industrial modernization in its early stage. In the process of industrial modernization, such impacts were presented in two aspects.

For one thing, due to the remaining forces of feudalism, the traditional authoritarian dictatorship would reemerge during the course of system reforms. Specifically, the combination of the royalties

and the old autocracy in leading Germany's revolution strengthened the authoritative development pattern after the unification. Under the influence of militarism, Germany focused even more on its military development after its unification. Those examples show how a superstructure with massive feudal remnants boosted the growth of the state-led model.

For another thing, since the remaining forces of feudalism impeded social progress and modernization, the barriers in front of productivity development, which need to be removed quickly, cannot be resolved without the intervention or even the leading of the state power. Finally, The absolute dominance of politics over the economy violates the law.^[5]

3.2 Economic Factors—Late industrialization and Inadequate Capital Accumulation

Regional development is closely related to industrialization and modernization.^[6] Modernization is driven by industrialization. Both Japan and Germany did not start their industrial revolution until the earliest bourgeois revolutionists like British, French, and the United States had completed their industrial revolution and were preparing to carry out the second one. In Japan, before the Meiji Restoration, the feudal forces were very strong and the level of productivity was very low due to its closed-door policy. In Germany, the rule of the Junkers (Prussia) never permitted the promotion of advanced productivity. Moreover, the split of the country entailed its capital accumulation insufficient and its society backward compared with other western capitalist countries.

The late industrialization would make a country seem immature and incapable in terms of utilizing advanced productivity to perfectly resolve the problems emerging from modernization. Meanwhile, the inadequate capital accumulation would make the sprouts of modernization hard to grow. In this circumstance, if Japan and Germany, as catching-up capitalist countries, want to gain a remarkable position in the increasingly fierce international competition, they must effortlessly develop industrial enterprises and innovate their production technology. However, the power of private enterprises and family businesses was far from adequate to participate in the process of modernization. Therefore, state-led industrial modernization played a pivotal role. The state-led model rose from the economic bases of the two countries so that it can further promote the development of their industrial modernization.

4. Impacts of the State-led Model on Japan and Germany

The state-led model of Japan and Germany has its upsides and downsides. Forming in the beginning of their modernizations, it significantly promoted their industrialization. However, since there were inadequate capital accumulation in their economic bases and strong remnant feudalism forces, a series of problems emerged in the process of advancement in both countries.

4.1 A United National Market Formed under the State-led Model

Establishing a united market is a priority.^[7] By using the state power to organize production, a government can round up all forces to improve the country's competitiveness by forming a united market with regulations and plans. In Germany, the sign of the unified market was the foundation of the German Empire after the success in the Franco-Prussian War (1870-1871), which ended the split of the country. Japan's unified market was formed though Meiji Restoration (1860s-1890s), which set up a centralized government with the Japanese Emperor at the center and officially replaced the shogunal domains with a prefecture system.

The unified markets can remarkably remove the obstacles for economic development, expand the scope of resource allocation, improve economic efficiency, and help the government to collect effective resources and invest them in public utilities and infrastructure. Furthermore, when there is an economic crisis, the government can also increase military expenditure, using military orders to stimulate market demand. Also, under the leading of the government, Japan and Germany gradually changed from importers to exporters in international trade.

4.2 The Imbalance between Economic Development and Political Progress Caused by the State-led Model

Modernization, as a mainstream across the world, is mainly manifested by industrialization in economy and democratization in politics. The coordinated development of the two is an important yardstick for measuring a country's level of modernization. Nevertheless, as catching-up capitalist countries, Japan and Germany neglected democratization due to their over-emphasis on the economy. In order to quickly transform into a modern society, the Junker in Germany, on the one hand, used heavy-handed policies to continuously reinforce its autocracy; on the other hand, it resolutely reformed the country's social and economic systems to meet the demands of new environment. This approach greatly advanced Germany, but when economic modernization entered the right track and boomed, the shortcomings of the political system became increasingly evident. It deepened its domestic and international contradictions. Finally, Germany became the creator of evil in the two world wars.

In Japan, the economy made substantial progress after the Meiji Restoration, especially after World War II. The rapid development of the economy inevitably led to conflicts among multiple interests groups, for they held different political appeals. Nevertheless, traditional political systems and structures could not fulfill all those appeals. In addition, traditional Japanese militarist ideas kept inciting and affecting those conflicts. Finally, Japan went downhill.

5. The State-led Model's Message to China

Anyway, the state-led model adopted by Japan and Germany fitted in the needs of their advancement and promoted their industrialization to some extent. As socialism with Chinese characteristics enters a new era, in order to advance the supply-side structural reform, it is increasingly significant to draw lessons from Japan and Germany, so China should pay attention to industrialization and improve the quality and efficiency of it, we need to modernize governance.^[8] The messages from Japan and Germany's state-led model are as follows.

5.1 Coordinate the Relationship between State and Market

The relationship between state and market has always been a pivotal issue of modern society. China's economic system has evolved from the coexistence of multiple economic forms in the beginning of the People's Republic of China to a government-led economy established upon accomplishing the socialist reforms; from a system with state as the leading force and market a supplementary in the start of the reform and opening up, which abandoned the exclusive state ownership and command economy to a socialist market economy today. In summary, each reform is to adjust and optimize the relationship between the government and the market in China.^[9] China's economic system has continued to advance with the times and has gradually integrated with the international market.

Modern market economy requires the government and the market to play a synergistic role. "The reform of the economic system is the core of comprehensively deepening reforms. We must give full play to the decisive role of the market in allocating resources and better arrange the role of the government."^[10] Such guidelines issued by the party central committee in 2013 explicitly showed that China has been continuously deepening its economic reform and they further emphasized on the importance of correctly and reasonably assigning the role of the government and the market. That is an important message from the state-led model of Japan and Germany. The state-led model did significantly promoted modernization of the two countries. However, the two examples also showed over-emphasis on the government's leading role will inevitably hinder market operation and inhibit market vitality and result in a stagnant market.

5.2 Coordinate the Relationship between Economic Development and Socialist Democracy

The relationship of economic development and political progress, a hotspot issue among people, is supposed to be a harmony. Economic development is an important propeller of democratization

in a society, but it will never ensure democracy. Therefore, as an organic part of the society, the government should play an active part in maintaining democracy while developing the economy. Economic base determines the superstructure, and the superstructure has an adverse effect on the economic base. In the process of modernization, too much focus on economic development and little attention to democracy would make superstructure incompatible with the evolving economic base and eventually affect the operation of the economy and the society. While industrializing, Japan and Germany only focused on advancing heavy industry and military industry and cast little attention to achieving democracy. As a result, the dictatorship and heavy-handed tactics of the ruling class deepened over time, which together with the influence of strong feudal forces, incited them to resort to militarism.

Drawing from this lesson, China, on its way to socialist modernization, must consummate its political system while vigorously promoting its economy. In a word, China should integrate economic development with socialist democracy so as to bring them together onto the track of socialist modernization.

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