Conclusion

Different from coordinated market economies and liberal market economies, a dual structure of market economy is found in China

China's state sector is dominated by the state ownership coordinated firms' governance structure, which operates with a logic similar to that in coordinated market economies, while the private sector is dominated by the market-based firms' governance structure, which operates with a logic similar to that in liberal market economies.

The connection between the institutional environment and the two types of strength, and the starting time of the dual market economy in China

Chinese society is a Confucianism-influenced society with two basic institutional traits: highly centralized authority to the state and lack of institutionalized coordination. They support the two types of strength to grow: coordination by the state through its controlling shareholding, which matches the highly centralized authority to the state; and the market mechanism, which matches the lack of institutionalized coordination similar to that in other liberal market economies. Chinese reformers started to build up the dual market economy in China from the mid-1990s. Therefore, this research focuses on the last decade.

Differences between China's state ownership coordinated firms' governance structure and coordinated firms' governance structure in coordinated market economies, and the reason why a dual structure can be founded in China

In China's state ownership coordinated firms' governance structure, the coordination role is played by the state through its controlling shareholding. The state ownership coordinated firms' governance structure is constrained within the state sector. In the coordinated firms' governance structure of coordinated market economies, the coordination roles are fulfilled by the institutional coordination arrangements, whose coordinating mechanisms cover the whole economy.

Why can the dual structure be established in the Chinese economy? In the state ownership coordinated firms' governance structure in China, the coordination mechanism is coordination by the state through its controlling shareholding. It has clear boundary and can be constrained within the state sector. Outside the state sector,

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private firms can develop a different kind of firms' governance structure – the market-based firms' governance structure, which matches the institutional environment in the private sector. Therefore, two different types of firms' governance structure coexist in the Chinese economy.

The state ownership coordination is different from the state direction

State ownership coordination implies that the state plays a coordination role based on a state-controlling shareholding. Only in the Chinese state sector, where the state continues to be the controlling shareholder, can the state play a coordination role based on state ownership; while in the Chinese private sector, where there is no state ownership control, there is no state ownership coordination.

State direction can be carried out without state ownership, like in some of the Asian countries, such as Japan, South Korea and some other Southeast Asian countries. In such cases, the boundary of the "state direction" role cannot be clearly defined. This type of state coordination normally applies and covers the whole economy and cannot be constrained within a certain part of the economy. Therefore, the state direction cannot support a dual-structured economy as the state ownership coordination can.

Is the dual structure in the Chinese economy consistent with the theory of institutional complementarities, and will it generate friction between the two sectors?

The above explanation of the reason why a dual structure can be found in China also makes it clear that the dual structure in the Chinese economy is consistent with the theory of institutional complementarities. Because of the clear coordination boundary between the two sectors, the institutional complementarities have been intact in each sector.

The consistency of the dual structure of the Chinese economy with the theory of institutional complementarities minimizes friction between the two sectors. The friction is mostly generated when the institutional complementarities a face challenge or are endangered. In the Chinese case, the institutional complementarities would be endangered if there were no clear boundary of coordinating mechanisms between these two sectors. As it is has been found that the coordination boundary clearly divides these two sectors, the institutional complementarities in each sector are therefore intact and it can minimize the friction.

Whitley's theory also supports this finding. His theory places high priority on the ownership dimension, which mostly determines all other dimensions in the firms' governance system. Therefore, the different ownership types determine the different logics of the institutional complementarities in different business systems. In China, different ownership between the state sector and the private sector results in different logics of institutional complementarities between the two sectors which prevent the friction.

State-owned enterprises (SOEs) and private enterprises operate in different sectors and market niches, with little head-to-head competition in-between, which leaves the big domestic market nourishing their respective development

SOEs operate in the state strategic sector, while private enterprises operate in the competitive sector. Private firms are excluded from entering certain industries and areas of business where the state firms continue to dominate. In accordance with that, research has found little head-to-head competition between private enterprises and SOEs.

Interactions between the Chinese state sector and private sector are unlikely to generate a convergence effect between the two sectors

Here the crucial point is that the convergence issue is only a political decision. Both sectors are embedded in the same cultural and historical institutional environment. What generates the basic difference in the logic of the business system between the two sectors is state ownership. If the state keeps the controlling shareholding in the state sector, the state sector business system will keep state coordination arrangements, and therewith retain a systemic logic different from that of the private sector. Even interactions cannot lead to the convergence of the different logics in each business system. Only if the state were to make a political decision and give up state ownership would this change the configuration of the Chinese dual business system and lead to the convergence of the state sector toward the private sector.

In reality, some more findings would contribute to this argument. Firstly, both sectors are constrained within different industries and constitute different markets. Secondly, there is little competition-driven convergence between the two sectors. Competition is one of the most important factors for generating the convergence effect between competitors, especially when they are within the same markets (Hollingsworth and Boyer 1997, pp. 33–4). As the Chinese state sector and private sector constitute two different markets, the competition in-between is low (Garnaut et al. 2001, p. 49). Thirdly, the sector boundary also minimizes the poaching effect between the two sectors. Fourthly, neither can other interactions between the two sectors – such as some supply and demand linkages which exist between the state sector and the private sector (Garnaut et al. 2001, pp. 48–9) – generate the convergence. Both sectors value highly their own comparative advantages, because they support their firms to compete successfully in the respective industries. The convergence would make them lose their own particular comparative advantages which are valued by their particular industries. Last not least, the intact institutional complementarities in each sector prevent the convergence. Because of the clear coordination boundary between the two sectors, the institutional complementarities in each sector are intact and this prevents convergence. Whitley's theory about different ownership types determining different logics of institutional complementarities also supports this point. The different ownership types between these two sectors result in different institutional complementarities which prevent the convergence.

The dual structure of the Chinese economic model generates a dual innovation system and dual core competitiveness, which is strong support for Chinese economic development and growth

Different economic models have different kinds of core competitiveness and innovation capacity; therefore, a particular economic model only enhances competitiveness in certain industrial sectors, but limits the capacity to compete in others (Hall and Soskice 2001). Liberal market economies have market competitiveness and a market-oriented radical innovation system, but they are constrained to develop organizational competitiveness and a coordination-based incremental innovation system like coordinated market economies. The same logic also applies for the analysis of coordinated market economies.

In contrast, the dual structure of the Chinese economy generates dual core competitiveness and a dual innovation system, which is the strong support for Chinese economic development and growth. The state ownership coordinated firms' governance structure in the state sector generates the organizational core competitiveness and coordination-based innovation system, while the market-based firms' governance structure in the private sector generates market competitiveness and the market-oriented innovation system. The dual innovation system and the dual core competitiveness have enabled the Chinese economy to compete more successfully than liberal market economies and coordinated market economies, which have only one type of innovation system and core competitiveness, respectively. With such an overall competitiveness and innovation system, the Chinese economy can develop successfully in much broader industrial sectors, technological sectors, and scientific research fields than other liberal market economies and coordinated market economies. Table (in conclusion)summarizes the result of the comparison of different core competitiveness and innovation systems based on different firms' governance structures between Chinese state firms, Chinese private firms, German firms, Japanese firms, US firms, and UK firms.

Chinese economic growth in the last decade has been overwhelmingly supported by endogenous factors and driven by domestic sources. It has not been export-led. Even though the contribution to Chinese economic growth from exports and trade surplus has become a common assumption in recent years, it has just occupied a secondary position. China's economic growth can therefore sustain high single-digit growth rates for decades, unfettered by world market limitations (Keidel 2008).

China's state coordination through the state's controlling shareholding is based on the corporatization of state banks and state enterprises and the Company Law. In the meantime, the state shareholder function is scientifically separated from the state regulation function. Therefore, the state ownership coordination does not stifle economic initiative and productivity gains as in the former central planning economic system. In contrast, it helps the state sector to implement long-term development strategies and also helps to sustain confidence in the economy.

Based on the state coordination and the advance in macroeconomic management, China's policy makers have increasingly shown an ability to manage cyclical ups and downs, to sustain the economic growth.

China's state-controlled financial system pursues a combination of developmental and commercial goals. After the reform during the mid-1990s, it became economically efficient. In the meantime, because of on the state ownership coordination, it also directs credits to state strategic industries and public investments, especially in infrastructure. China's financial system is not only a strong support for, but also a source of confidence in, optimistic economic development and growth.

Table (in conclusion) Comparison of the Chinese market economy with coordinated market economies (Germany and Japan) and liberal market economies (the US and the UK)

Economic model	Coordinated market economies with coordinated firms' governance structures		Chinese dual-structured market economy with dual firms' governance structure		Liberal market economies with market-based firms' governance structures	
Business system	Alliance-controlled firms dominated business systems		Coordination-based firms dominated state sector	Direct owner-controlled firms dominated private sector	Direct owner-controlled firms dominated business system	Market arm's length controlled firms dominated business system
	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
Coordinating type	Institu-tionalized coordination	Institu-tionalized coordination	Coordination of the state through its controlling shareholding	Market coordination	Market coordination	Market coordination
Ownership and control	Cross-shareholding; interlocking directorship; concentrated shareholding with a few block shareholders rarely trading their shares; rare hostile takeover;	Cross-shareholding; interlocking directorship; concentrated-shareholding with a few block shareholders rarely trading their shares; insider-dominated	SASAC and its local organizations as shareholders of state assets; the state as direct or indirect (through state-owned enterprises) controlling shareholders;	Firms owned and controlled by individuals, families, or groups of individuals; owner-managed firms	Firms owned and controlled by individuals or families; personal management or family-managed	Arm's length control type of ownership; clear ownership boundaries; widely held shares; market for corporate control; hostile takeovers; top management unilateral control;

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
	insider-dominated corporate governance; "voice" instead of "exit" as corporate control; consensus decision-making; long-term managerial contract	corporate governance; "voice" instead of "exit" as corporate control; consensus decision-making; lifelong managerial contract	cross-shareholding; interlocking directorship; concentrated shareholding with majority state shares not being allowed to be traded; the power to appoint and to remove the top management by state shareholders; insider-dominated; "voice" instead of "exit" as corporate control			freedom to hire and fire; freedom to impose a new market-oriented strategy; typical managerial management
Employer–employee interdependence	Long-term labor contract; highemployee high employment protection; employee representatives in works council and	Long-term employment relations and job security; participatory work management; consensus decision-making;	Employee representatives in the supervisory board; codetermination structure; long-term labor contract;	Market-oriented employment relations; procedural informality; short-term employment contract; high	Fluid external labor market for employment; short-term employment contract; high level of labor turnover;	Fluid external labor market for employment; short-term employment contract; unilateral freedom for management to

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
	supervisory board; codetermination structure; high-skill labor; substantial work autonomy; collective wage bargaining; highly centralized trade unions and associations; industry-specific skill training	employee loyalty; job rotation and flexible labor assignments; intensive on-the-job and firm-specific training; seniority-based wage and promotion system; small gap in the distributions of the profits and wages; company welfare capitalism; common company unions	employment protection; seniority-based wage system; state- and company-based welfare benefits; legal role of labor union and worker's congress; collective contracting and collective wage bargaining	level of labor turnover; inadequate employment protection; unattractive worker training; unilaterally determined employment terms and conditions by owner-managers; market-oriented wage and benefits; inadequate employment welfare benefits; lack of labor unions and collective bargaining; individualized process of pay bargaining between employer and employee	substantial amount of job movement among firms; lack of investment in skill training; unilateral determination by employers; procedural informality; individualized process of pay bargaining between employer and employee; lack of trade unions, works councils, and collective bargaining	hire and fire employees; considerable job mobility from firm to firm; substitutable workers with narrow job assignments and skills; lack of incentive by both employers and employees to invest in specific training and skill development; high degree of distrust between labor and capital; weakly developed business associations, trade unions, and collective actions

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
Interfirm relations	Representatives of other firms on the supervisory boards of firms; cross-shareholding-induced consensus decision-making; inside information sharing and network monitoring among firms; close relationships with suppliers and clients; business associations and collective coordination	Cross-shareholding-encouraged long-term relations; main bank centered business group; interdependence among member firms in the business group; long-term stable relationships between producers and suppliers; clustering and cooperation among complementary firms; trade associations' coordination roles	State-owned enterprise groups resemble the Japanese business groups; cross-shareholding and interlocking directorship among member firms; finance company for the group; primarily deal with suppliers and clients within the group; state coordination role in the group through the state's controlling shareholding	Lack of institutionalized coordination; short-term opportunistic market relations; a combination of market relations and personal networks; personal networks as an informal market-supporting institution; benefit-oriented personal network functioning like a market; market-based logic of a personal network different from the institutionalized coordination in coordinated market economies	Lack of institutionalized coordination; short-term and opportunistic market relations; loose contractual cooperation	Standard market relationships; enforceable formal contracts; lack of collective coordination, business networks, and associations; high degree of distrust and instability between the firms and their suppliers; opportunistic relationships among producers and suppliers; a low degree of cooperation among competitors; hard-nosed bargaining over prices

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
Financing pattern and performance criteria	Access to finance that is not dependent on balance sheet financial data; bank-based financing; substantial proportion of shares held by banks; banks exercise stock voting rights and serve on the supervisory boards of firms; long-term relationship between banks and firms; less well developed security markets; "inside" information	Bank-based financing; long-term bank–firm relationship; bank-centered business group; important role of banks in corporate governance; poorly developed equity and bond markets; no exposure to fluctuations of the stock market Long-term growth instead of short-term profit maximization as the main performance goal	Access to financial capital which is independent of short-term profitability; bank-based financing; combination of development and commercial goals of banks; important role of banks in corporate governance; state controlling shareholding based coordination between banks and firms; preferential access to stock market; majority state shares not allowed	Self-financing; limited bank loans with hard budget constraints; limited access to the stock market Short-term maximization of profitability, high turnover rate of working capital, as well as family wealth as the most important performance criteria	Little need to seek investment from financial institutions; insignificant role of banks in investments in firms; initial investments from the founding families; financing expansion of firms from retained earnings or by issuing debentures or other nonvoting securities Profits and a large income instead of long-term growth as primary performance objectives	Less dependent on the banking system; arm's length banking system; heavily dependent on liquid financial markets; strongly dependent on valuation of firms in equity markets; publicly available balance sheet information for dispersed investors to value the company; well-developed venture capital markets Current profitability, share price, as well as short-term maximization as the main performance criteria

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
	sharing and networking reputation monitoring; exempt from fluctuation of the equity markets	to be freely traded; no exposure to fluctuations of the stock market; insider-dominated corporate governance				
	Long-run returns and long-term growth instead of the maximization of current returns as the main performance criteria	Long-term strategies oriented to development and innovation instead of short-term profit maximization; the pursuit of stakeholder value instead of shareholder value				
Core competi-tiveness and innovation system	Coordination-based incremental innovation system; organizational competitiveness; rapid diffusion of the latest technology to the production of traditional	Coordination-based incremental innovation system; organizational competitiveness; lack of market-oriented radical innovation and competitiveness; productive	Coordination-based incremental innovation system; organizational competitiveness; productive efficiency based on the long-term commitment of major	Market-oriented competitiveness; market-oriented innovation system; allocative efficiency; lack of coordination-based incremental innovation; lack of	Market-oriented competitiveness and innovation system; allocative efficiency; lack of coordination-based innovation and organizational competitiveness; lack of productive	Market-oriented competitiveness; market-oriented radical innovation system; allocative efficiency; excellence in developing new products and industries;

Table (in conclusion) (continued)

	German firms	Japanese firms	Chinese state firms	Chinese private firms	UK firms	US firms
	products; better competing on the basis of high performance and high quality rather than cost; productive efficiency based on the long-term commitment of major stakeholders for collective learning and intensive horizontal cooperation; lack of market-oriented innovation and competitiveness; lack of allocative efficiency; highly competitive in machine tools and automobile industries; less competitive in IT industries	efficiency instead of allocative efficiency; enormously successful in improving upon existing products; less successful in developing new products; well competing in machinery, electronic products, cars and trucks, and machine tools; less competitive in IT industries	stakeholders for collective learning and intensive horizontal cooperation; rapid diffusion of the latest technology to traditional products; better competing on the basis of high performance and quality rather than cost; lack of market-oriented innovation and competitiveness; lack of allocative efficiency; highly competitive in heavy industries and capital-intensive technological sectors, such as power, steel, chemicals, machinery, automobiles, and infrastructures; less competitive in IT industries and consumer electronics	organizational competitiveness; lack of productive efficiency; highly competitive in cost-sensitive businesses, such as consumer electronics and other consumer goods; highly competitive in the new technological sectors, such as IT industries and bioengineering; less competitive in developing heavy industries and capital-intensive traditional technology areas, such as new energy sources, new materials, and automobiles	efficiency; the large industrial firms cluster in much the same broad categories as those in the USA do, but concentrate in different subdivisions; produce consumer goods instead of industrial ones; compete well in the production of branded or packaged products – food, drink, and tobacco; devise new technology in packaging and branding products	highly developed commercial applications of creative innovations; highly competitive in the production of low-cost standardized products; lack of coordination-based incremental innovation and organizational competitiveness; lack of productive efficiency; less successful in improving upon the products; lack of ability to achieve a high level of quality competitiveness; compete well in IT, nuclear power, pharmaceuticals, soft drinks, breakfast cereals, soaps, paper, advertising, and entertainment industries

China's new "scientific development" strategy, which is based on state coordination and academic studies, promotes the goal of a combination of economic growth with goals involving environment protection, social welfare systemization, even-handed courts and judicial proceedings, professionalization, and nongovernmental civil society empowerment. Especially, civil society empowerment is an important element for improving the institutionalized trust in the private sector, and thus for the future development of the Chinese private sector from personal management toward managerial management. If the goals are reached, the Chinese dual-structured economy will be updated to its even more advanced stage: market-based firms' governance structure with advanced managerial management (instead of previous personal management) in the private sector, and state ownership coordinated firms' governance structure in the state sector.

Extraordinary poverty reduction and rapid income improvement everywhere in China markedly weaken the significance of the modest increase in interregional gaps and the gaps between social groups. This is also a sign of policy success (Keidel 2008).

The dual structure of the Chinese economic model supports the dual economic convergence of the Chinese economy toward both kinds of advanced market economies (coordinated market economies and liberal market economies). Foreign direct investment and technology transfer drive this dual economic convergence

Even though the theory of institutional divergence and continuity of business systems does not support arguments for economic convergence among different business systems, it can support the argument for the dual convergence of the Chinese economy toward both advanced liberal market economies and coordinated market economies. Such a dual convergence is driven by foreign direct investment and technology transfer and the dual institutional affinity.

Therefore, the dual-structured Chinese economic model not only generates a dual institutional advantage, core competitiveness and an innovation system, but it also generates a dual convergence effect. All these joint strengths contribute to the remarkable Chinese economic growth during the last decade.

The Chinese dual innovation system is also a dual self-rationale system. It is an important empirical proof of "the system theory of Mode 3" and the theory of a national innovation system

Firstly, the Chinese dual innovation system consists of the system theory of Mode 3 and the theory of a national innovation system by Carayannis et al. According to the system theory of Mode 3 and the theory of a national innovation system, market rationale makes a specific type of system. There is also nonmarket rationale, which makes an alternative type of system. Not all national knowledge and innovation systems are purely market oriented. Nonmarket aspects of knowledge and innovation systems stress a knowledge-based and high-quality-oriented developmental and incremental innovation process (Carayannis and Campbell2005; Carayannis and Formica 2008; Carayannis and Mike Provance 2007; Carayannis 2004). The

Chinese private sector innovation system belongs to the former case, while the Chinese state sector innovation system belongs to the later case.
Secondly, the Chinese dual innovation system is consistent with Carayannis's principle of systemic self-rationale. According to the principle, self-rationale is the basic logic for a system. Every system has a specific self-rationale which distinguishes one system from the other systems and makes the borderlines more visible. There are no restrictions with regard to the possible design of the specific configuration of the system and its self-rationale. But the system design should not be self-contradictory and the self-rationale should be kept consistent. Applications of Anglo-American systems underscored market orientation as self-rationale, while the Germanic area emphasized an alternative focus on a nonmarket mode of coordination as self-rationale (Carayannis and Campbell 2005; Carayannis and Formica 2008; Carayannis and Mike Provance 2007; Carayannis 2004). Similarly, the self-rationale of the Chinese private sector innovation system is market orientation, while that of the Chinese state sector innovation system is a nonmarket mode of state coordination through the state's controlling shareholding. The different self-rationales of these two sectors make the coordination boundary very clear. The complementarities in these two sectors have been kept intact, which just shows the consistency of the self-rationales in both sectors.

The pitfall of the Chinese-style dual business system

The pitfall of the Chinese dual business system is related to the high-technology development potential of the Chinese private sector. Chinese private firms can develop successfully in IT high-technology industries and electrotechnical industries because these industries are not particularly capital intensive and do not initially require a large capital outlay. But owner-management style cannot be supportive for the development of high technologies in other industries that are even more important to the nation's development, including nuclear power, military, machinery, organic chemicals and electrochemicals, and metals.

The future of the Chinese economy

The future of the Chinese economy is mainly based on a political decision. If the state makes a political decision to give up state ownership, it will change the configuration of the dual market economy into a liberal market economy. Because currently the dual-structured Chinese economy has already reached a strategic equilibrium, such a shift will not likely happen in the near future. The dual structure of the Chinese economy is therefore sustainable. The stabilized dual structure, as a strong base, will sustain the strong development and growth of the future Chinese economy and create a cycling miracle.

The emergence of a dual-structured Chinese market economy declared the end of the transition economy

The research presented here is different from that presented in all other books on the Chinese economy, which regard the Chinese economy as a transition economy. There have been many attempts to capture the specifics of the Chinese transformation: Authors like Wlodzimierz Bruz referred to a "Soviet–Chinese divergence" in terms of political control to explain China's success story vis-à-vis the transformational crises in Eastern Europe, Jeffrey Sachs pointed to China's specific development characteristics (especially a large unproductive rural sector and the absence of a welfare state), while Joseph Stiglitz stressed the gradual character of the Chinese reforms as apposed to IMF-style "shock-therapy." The recently published book *The Chinese Economy in the 21st Century Enterprise and Business Behavior* edited by Barbara Krug and Hans Hendrischke (2007) still sees China as a transition economy which focus on micro-level relations between regional administration and private firms. These general theories of transition and classifications of the "reform economies" focus on the different transitional specifics, but lack a deeper understanding of the overall context of the Chinese national business system, tell little about the types of market economy that emerged, and overlook several key issues, like different types of coordination, especially state ownership based coordination, different types of firms' governance structure, especially the coordinated firms' governance structure in the state sector, different types of innovation system, especially the state coordination role in the technology modernization and innovation system, different types of core competitiveness, especially the state coordination based organizational competitiveness, and technology transfer and economic convergence.

I use the relatively new perspective of the comparative studies approach (the framework of comparative market economies/business systems/innovation systems), which operates on a more concrete middle-range level of theory-building. The comparative studies approach allows for complex combinations of variables regarding ownership and management structure, industrial relations, interfirm relations, the banking system and the stock market, the financing pattern and performance criteria of firms, the innovation system and core competitiveness, foreign direct investment and technology transfer, etc. This is a significant methodological advantage, especially when it is used to analyze the Chinese business system.

On the basis of this suitable approach, this research finds the result. Through the determinative reform approach since the mid-1990s, the dual-structured Chinese market economy has already emerged: on the one hand, a state sector which is organized according to a coordinated market economy model of coordination and coordinated firms' governance structures, and, on the other hand, a private sector, organized according to a liberal market economy coordinating mechanisms and market-based firms' governance structures. Therefore, my dual structure analysis of the Chinese market economy analyzes the Chinese market economy/business system from a totally different perspective and results in totally different conclusions from those of the transition economy framework analysis.

Why cannot liberal market economies and coordinated market economies support the dual structure?

Because the coordinating mechanisms in firms' governance structures of the two apply and cover the whole economy – they do not have clear boundary and cannot be constrained within a certain part of the economy, a different type of firms' governance structure has no ground to be rooted in each type of economy.

Can the Chinese dual-structured market economy be intentionally replicated in other countries?

The determinative factors for the setup of the dual-structured Chinese economic model are the state ownership coordination, which inherently has a clear coordination boundary, and a market economy framework. The replicability of the Chinese dual-structured economic model in other economies lies in the probability of their being state ownership coordination, because the market mechanism is an easy mode of a coordinating mechanism and can be easily set up in any contemporary economies. Liberal market economies, like those in the USA and the UK, could have the potential to intentionally build up the dual-structured economy especially when there is an economic crisis. The government stock-injection plan and the nationalization of financial institutions in liberal market economies (the USA, the UK) during the current financial crisis is an effort to build up the dual structure. If these liberal market economies further nationalize some of their strategic industries, they will successfully build up the dual structure. Especially, if the economy recovers from the financial crisis, the US style of dual structure will probably show superiority to the Chinese style of dual market economy in the sense that its private sector develops in much broader high-technology fields than the Chinese private sector. However, the Chinese economy will indeed reach the goal of developing into a more advanced dual economy with managerial management integrated into its private sector. For coordinated market economies, it would be more complicated to develop a dual structure because of extensively internal institutionalized coordination, which is not supportive of the liberal market concept. In the meantime, the nationalization of the banking system in the current financial crisis can only lead to a double coordination (its original institutionalized coordination and the newly established state ownership coordination in the financial sector), but not the dual structure. The state direction in some coordinated market economies (like those in South Korea and other Southeast Asian countries) also belongs to the state coordination strategy. Such a kind of state coordination can be played by the state government without being based on state ownership. It does not have a clear coordination boundary and its role covers the whole economy; therefore, it also cannot support the dual structure as can the state ownership coordination in the Chinese state sector. For coordinated market economies to intentionally build up the dual structure, they have to nationalize the financial and some other strategic industries, and at the same time to deregulate and liberalize other competitive industrial sectors. The socialist developing countries, which plan to duplicate the Chinese economic development strategy, have the potential to do so. The strong precondition is to start a reform and open policy and to build up a market economy framework.

Comparison of the Chinese economy with liberal market economies and coordinated market economies regarding stability to avoid an economic crisis

The Chinese dual structure has more stability than coordinated market economies and liberal market economies. Chinese state ownership coordination in statist financial systems and in capital control mechanisms always keeps the risks in the financial markets and the housing markets under control. At the same time, the owner-managers in Chinese private firms and personal networks tend to place more emphasis on the balance between the risk taken and profit derived than managers in the USA. In contrast, the managers in the USA place more emphasis on expansion and balance sheet performance, while taking less consideration of risk. Coordinated market economies have stronger internal stability than liberal market economies, but cannot avoid an economic crisis induced by external influential factors or world markets. Their institutionalized coordination has less ability to keep the critical situation under control than Chinese state ownership based coordination. The housing market crisis in Japan in the 1990s and the current financial crisis in many liberal market economies and coordinated market economies are examples. The Chinese economy is an example of how China successfully avoided the East Asia financial crisis in the late 1990s and the current worldwide financial crisis.

The Chinese dual-structured economic model is a business model rather than a political economic model

Because the Chinese dual-structured economic model is based on the analysis of firms' governance structures and business systems, it is actually a model of a dual business system. Therefore, the focus of this research is a business model rather than a political economic model.

The institutional advantage of dual-structured market economy and its state-led innovation sector.

This book proves that Chinese economy is a market economy. It also shows the institutional advantages of Chinese dual-structured market economy and state ownership (the state as a controlling shareholder), in building up the state innovation sector and developing state high technological programs, and in keeping the market risks in control, injecting confidence in the economy and avoiding the economic crisis.

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