Understanding the Change of Seasons

Economic Paradigms, Great-Power Competition, and an Enduring Transition

A white paper occasioned by the passing of economist Gao Shanwen (1971–2026)

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EXECUTIVE SUMMARY

The death of economist Gao Shanwen in July 2026 has prompted an unusually candid public conversation in China about the country's economic direction. That debate is a symptom of something larger than one man's legacy: a reweighting, not an abandonment, of the integrationist paradigm that guided China's rise for four decades. That paradigm, built on integration, open markets, and export-led growth, was optimal for a world that actively wanted China inside the system, a world shaped by Francis Fukuyama's "end of history" thesis. Yet, history never ended. That accommodating world has become increasingly hostile since roughly 2011. The turn is not China's alone; the United States is executing a mirror-image move toward self-reliance and economic nationalism, and the two powers now reinforce one another in a classic security dilemma. Artificial intelligence is the sharpest example of the fracture. Consistent with Karl Polanyi's "double movement," the present moment looks less like an aberration than a secular rebalancing within the long arc of history: a change of seasons that demands a whole-of-nation response, spanning economics, technology, finance, diplomacy, and defense, from a rising China and from the incumbent power alike.

A death that marks an era

Gao Shanwen spent nearly three decades in Chinese finance. A former researcher at the People's Bank of China, he served as chief economist at Everbright Securities from 2003 and then, from 2007, at Essence Securities, later renamed SDIC Securities. In the coverage that followed his death, he was widely described as one of the country's most respected macroeconomists, noted for the rigor of his analysis. He died of cancer on 7 July 2026, at the age of fifty-five.[1]

His death prompted an unusually wide public conversation about the direction of China's economy, reaching well beyond economists and investors. The argument runs along familiar fault lines: reform versus industrial policy, openness versus security, efficiency versus resilience. The intensity of that debate signals a questioning of China's economic direction and of the paradigm that shaped a generation.

The paradigm and the world that rewarded it

The reform-and-opening consensus rested on a clear operating manual: open up and integrate with the global economy, uphold the multilateral rules centered on the World Trade Organization, withdraw state support once industries become competitive, and let market forces take over. That line of thinking was not merely defensible; for most of a generation it delivered. Nearly 800 million people were lifted out of extreme poverty. What made the approach timely were the supportive global conditions around it, a world now vanished. In that era, the West actively welcomed China into the system, and the rules-based institutions of global trade still functioned and were respected. Both conditions have since eroded, along with the foundation the consensus relied upon.

The arc is visible when the leadership on both sides is placed side by side.

Period	Chinese leadership	US administrations	Character of the era
1978–1992	Deng Xiaoping	Nixon–Carter–Reagan	Reform and opening up; rapprochement with the West
1989–2002	Jiang Zemin	Reagan–Clinton	Deepening engagement; MFN; the road to the WTO
2002–2012	Hu Jintao	G. W. Bush–Obama	WTO accession (2001); world's factory; the 2011 "pivot" as hinge
2012–	Xi Jinping	Obama–Trump I–Biden–Trump II	Trade war, tech controls, and open multipolar contest

China's exports have kept setting records, reaching a new high in June 2026, and the country remains a major exporting nation. The latest surge was driven partly by exporters racing to beat a US tariff deadline, which tells us that demand for Chinese products remains robust. However, economic growth still fell short of Beijing's target in the same period, held back by weak household consumption.

Weak consumption has a common root: several forces push households toward precautionary saving, and they reinforce one another. A collapsed property market erased the principal store of household wealth, since residential real estate is where most Chinese families saved and invested. A difficult job market for new graduates compounds the effect. Retirement, healthcare, and long-term care remain largely self-financed. The hukou system ties services to a registered home locality, leaving internal migrants contributing to cities that do not fully count or protect them. The result shows in the price level itself, where consumer inflation has hovered near zero for three years.

None of this is a new insight, least of all in Beijing. Xi Jinping's dual circulation strategy, unveiled in 2020, casts exports as the outer loop and domestic demand as the inner one, with the home economy as the intended mainstay, and it has anchored two consecutive five-year plans. The diagnosis is official and the design is right; execution and speed are the challenges.

China leads the world in industrial robotics, dominates the supply chains for batteries, solar, and electric vehicles, and competes on capability rather than cost in a widening range of sectors. However, output per person remains far below advanced-economy levels, not because factories lack technology but because not enough of the gain has reached households as income.

Two structural constraints slow any remedy. The first is fiscal. Local governments that could fund a broader safety net and absorb new urban residents are themselves strained, having lost the land-sale revenues the property boom once provided, which is much of why necessary change proceeds slowly rather than boldly. The second is demographic, and it is more than a matter of numbers. The population is not only shrinking but aging fast, which drives up the cost of pensions, healthcare, and long-term care for the state even as the working tax base narrows, and gives households all the more reason to save against the years ahead. From this it is generally concluded that decline alone will cap China's prospects.

The shrinking workforce worry can be overstated. The same analysis that treats a falling headcount as decisive also celebrates automation for its gains in productivity, and it is rising productivity that both replaces the need for more workers and sustains growth. If machines deliver even part of what is promised, a smaller workforce produces more, not less. What does not dissolve so easily is the cost of age itself: a society with more retirees and fewer workers must still decide how the gains of a more productive economy are shared. The challenge shifts from production to distribution.

The remedies are already official priorities, and neither is new. A credible safety net is the most direct lever, since it removes the specific risks households currently insure against themselves; in September 2024 Beijing approved the first rise in the statutory retirement age in decades, a step in a pension overhaul underway since Xi took power. Hukou reform, which would let migrant families settle and spend where they work rather than save against their exclusion, took its first major step with the 2014 urbanization plan and has advanced only gradually since. Both remain incomplete more than a decade on, which is precisely the point: the design is settled, but the pace is slow.

Even under flawless execution, the pivot works slowly. A safety net introduced today would be a basic one, not a rich one, and it would not change savings behavior on announcement. Households adjust to demonstrated evidence rather than stated policy: they must watch a cohort retire and actually receive its pension, year after year, before precaution gives way to confidence. That is a decade or more of accumulated proof, and hukou reform runs on a similar clock. The urgency is not to act dramatically but to begin early, because the lag between reform and its effect on behavior is measured in generations rather than budget cycles.

The mirror image: two powers, one dynamic

China's turn inward has two causes. One is external: a hardening environment, led by the United States, that forces greater self-reliance and independence. The other is internal and would have materialized naturally: the recognition that export-led growth has its limits and that a vibrant domestic economy is needed. The external story is the more datable of the two. Washington's 2011 "pivot to Asia," framed as a broad rebalance with the Trans-Pacific Partnership pointedly excluding China, was read in Beijing as containment. That was the hinge. It was followed by the tariffs of the first Trump administration, the pandemic that President Trump branded the "China virus," semiconductor export controls under the "small yard, high fence" approach and "de-risking" under Biden, and a further escalation of tariffs and sanctions under the second Trump administration.

The United States is running its own countermovement, both building at home and holding China back: reshoring, the CHIPS Act, renewed industrial policy, and a "small yard, high fence" of export controls aimed at China's access to advanced technology. The rivalry is asymmetric at its root. A rising power threatens the incumbent by its rise alone, without needing to provoke, while the riser is not threatened by the incumbent so much as trying to close the gap. An incumbent unwilling to become second responds by containing the challenger, reaching for every available tool to slow its ascent. The logic is positional rather than personal: whatever power rose fast enough to threaten the top would draw the same response, and China is simply the one in that position now.

The mirror appears in the behavior that follows. Both powers turn inward, reach for industrial policy, ramp up military spending, and race to dominate the technologies of tomorrow. Same moves, opposite motives. China is also building alternatives to a Western-centered order and pressing for self-sufficiency in food, energy, defense, and core technology, hedges against the very containment it faces.

Industrial policy is the clearest case of this mirror, and the most misread. A word is owed about what the term means in China, since it travels badly. Western criticism generally pictures a central ministry selecting champions and funding them from Beijing. The larger reality is decentralized and competitive. Provincial and municipal governments act as sponsors and financiers for their own jurisdictions, offering land, credit through local financing vehicles, power, and infrastructure to attract and grow firms, and they compete fiercely against one another to do it. Beijing sets direction; localities supply much of the money and nearly all of the execution, chasing local employment, revenue, and prestige. That structure explains the duplication and the fierce internal price competition that puzzle outside observers.

Seen from Beijing, moreover, state direction is not a distortion of the market but a defense of the country's future. Export controls on advanced semiconductors, entity listings for major technology firms, pressure on allies to withhold lithography equipment, investment screening, and tariffs together read as an effort to hold China at a permanent technological disadvantage. On that premise, a government that left its firms to face subsidized foreign rivals unaided would be accepting subordination in the very industries that determine future standing. China can also point to precedent, from Japan's postwar ministry-led development to Korea's industrial conglomerates to America's own defense research programs and, lately, the CHIPS Act. None of this resolves the dispute. A foreign competitor still faces subsidized rivals, trade rules count sub-national support as state support, and the logic is self-reinforcing: the more Beijing directs, the stronger the case for restriction abroad, which in turn justifies further direction. It is the same spiral in economic dress. It also means the support cannot simply be switched off, woven as it is into how local governments finance themselves.

None of this leads to an exit from the world economy. China remains a trading civilization, from the Silk Road to Belt and Road, and a trading nation needs universal, agreed rules and secure routes as much as any of its partners do. Integration and multilateral trade rules are not being discarded; they are being reweighted, set alongside resilience and security rather than trusted to stand on their own. The old order has shrunk in emphasis, not passed; a season does not end so much as fold into the next.

Artificial intelligence: the fault line in real time

Nowhere is the split clearer than in artificial intelligence, a technology with vast civilian and military uses that is arriving just as the two powers turn inward. Rather than building one shared field, they are building two: separate models, separate chips, separate technical standards, and increasingly separate supply chains. One side restricts the export of its most advanced chips; the other responds by developing its own hardware and giving its models away for anyone to download and build on, a deliberate bid to win worldwide adoption without those chips. The security logic is hard to argue with in principle, since the same chip that powers a chatbot can guide a weapon. But almost any technology can be labeled a security risk, and stretching that logic turns a narrow barrier into wholesale separation, after which each side reads the other's caution as hostility. "Two systems pulling apart by design leave the world harder to govern, exactly where cooperation on safety and crisis management matters most, and more dangerous than one shared arena, because rivals who cannot see into each other's systems cannot coordinate when it matters.

Action and reaction: a change of seasons

For every action there tends to come an opposite and roughly equal reaction, and societies are no exception. When markets open up, societies tend to push back, demanding protection from the disruption that follows: a stronger state, safety nets, and limits on the imports and capital that do the most damage. The economic historian Karl Polanyi described this rhythm in the 1940s and called it the double movement, though the intuition is older and simpler than any single theory. What is distinctive today is that the countermovement is bilateral and international. Two great powers, each reacting to the other, are turning toward economic nationalism at once. Seen this way, the present moment is less an aberration than a secular rebalancing within the long arc of history.

The pattern rhymes with history, but it does not repeat. The last great unwinding, a century ago, was detonated by a worldwide depression and a world war; no comparable shock has yet arrived, and without one the present turn is unfolding more slowly, through policy and attrition rather than rupture. The players differ, too. That earlier crisis played out almost entirely within a single Western cultural frame, among powers that shared assumptions about diplomacy, law, and the state. Today's rivalry runs across a genuine civilizational divide, between the West and a China with its own traditions of order, sovereignty, and the relation of citizen to state. That gap makes each side harder for the other to read, and misperception more likely, and it means the old European scripts for how such contests end may not apply. What both sides share, for now, is the anticipation of shock: China in particular is preparing as though catastrophe could still come, hardening itself militarily and against sanctions, not from a desire for war but from a determination not to be caught unready for one.

The lesson is that no economic paradigm is applicable indefinitely. Each is a tool calibrated to a particular configuration of power and openness; when that configuration changes, the tool's reach narrows. For China, the task ahead is to design the balance between openness and security deliberately, across trade, technology, finance, and defense, rather than lurching from one to the other without a coherent framework to replace the one Gao's generation supported. The same challenge faces the United States, which is groping for its own post-globalization model.

It is a mistake, too, to assume the hegemon's chair simply passes to a successor. The waning of a US-led order does not summon a replacement of the same kind; the vacuum is unlikely to be filled by any single power, and more likely by several regional ones, each weighty in its own neighborhood and none underwriting the whole. That is a different structure, not a changing of the guard, and it will feel messy, ambiguous, and unfamiliar to a world long accustomed to a single anchor. Barring a rupture on the scale of the Second World War, the kind of devastation that once manufactured unipolar moments, no new unipolarity is likely to emerge; a plural order is the more probable steady state. There is, moreover, a heavy cost to being the sole hegemon, a burden the United States is visibly bearing in real time, and China shows little appetite to take it on. Its aim appears to be primacy in its own region and a seat at a multipolar table, not the exposure and expense of running the entire system, a distinction that much of the "one must replace the other" analysis misses.

This transition endures because it springs from no single event. It is the compound effect of many forces at once: great powers competing, technology fracturing into rival systems, power diffusing from one center to many, mounting public debt, climate and demographic stress, and the deeper wave of the Fourth Industrial Revolution reshaping work and production. This will be a period of muddling through, a long series of adjustments rather than a race to a fixed endpoint, shaped by all parties until it settles.

Conclusion

Gao Shanwen's death is an occasion for this discussion rather than its subject. He was one voice among many, and none of what is argued here would have surprised him or China. The timing carries a certain symbolism: a prominent economist of the reform-and-opening generation passes just as the model that defined it must evolve to meet new realities. What follows is not a retreat from the world but a rebalancing within China, an era in which self-reliance and domestic rejuvenation become the second engine alongside the export loop, this inner circulation taking its place next to the outer one, bringing rising incomes, deeper household wealth, and a confident consumer base that will complete China's passage from emerging to developing to advanced economy. The constraints behind it, weak domestic demand, an aging society, the limits of an export-led model, and a hardening external environment, are well understood by China's leadership and already addressed, plan by plan, in the country's own published strategy.

That the design is sound does not make it quick. China's leadership governs 1.4 billion people across a vast territory, under internal, external, and fiscal constraints at once, and scale is its own kind of inertia. The turn will take decades, not because it is resisted but because behavior changes slowly and a transition this deep cannot be compressed.

Seasons change by their own logic, not by anyone's choosing, and economies move much the same way. A paradigm is a tool fitted to a climate; when the climate shifts, it is retired, not because it failed but because its season has passed. Export-led growth carried China from poverty to the middle ranks of nations, and what follows is its sequel along its development path, not a destination reached but another turning of the season in the life of a country and a civilization.

Notes and sources

1. Gao Shanwen (1971–2026): a researcher at the People's Bank of China from 1995, chief economist at Everbright Securities (2003–07), then at Essence Securities, later SDIC Securities (2007–25). He died of cancer on 7 July 2026, aged 55. Sources: Caixin Global and Nikkei Asia obituaries (July 2026).

2. China trade and growth, 2026: exports reached a record 412 billion dollars in June 2026, up 27% year on year, led by AI hardware, semiconductors, and electric vehicles; second-quarter GDP grew 4.3%, below the official 4.5–5% target, amid an 18% first-half fall in property investment and the first monthly decline in retail sales since the pandemic era. Sources: General Administration of Customs data via the South China Morning Post, Reuters, and CNBC (July 2026); National Bureau of Statistics.

3. Reform milestones: China launched the current round of hukou (household registration) liberalization with the 2014 National New-Type Urbanization Plan, easing settlement rules first in smaller cities; reform remains partial. In September 2024 the Standing Committee of the National People's Congress approved the first increase in the statutory retirement age in decades, effective January 2025 and phased in over fifteen years, part of a broader pension overhaul pursued since 2012. Sources: State Council (2014); Xinhua and Reuters (September 2024); MERICS and CEPR analyses (2024–2026).