

## **Abstract**

Inspired by Douglass North's work on the role of institutions in economic structure and change and in particular the role of state institutions, this thesis attempts to explore the process of economic transformation through analyzing state-business community relations in the city of Kunshan, Jiangsu, China. The author uses primary data from Kunshan to demonstrate how the open-door policy of China has led to changes in the institutional environment parallel to the economic transformation. Kunshan's institutional development is analyzed in terms of two factors. First is 'autonomy' as in the ability and capacity of the local state to define and pursue its own development strategy. Second is 'embeddedness' as in the local state developing a regular relationship with economic elites that share its goals of economic transformation. These two are seen as complementary necessities for economic transformation. This thesis shows how the local state in Kunshan has strengthened both its capacity and integrity to pursue economic transformation and the actual pursuit of it through closer and more institutionalized relations with the business community.

Keywords: New Institutionalism, Kunshan, Case Study, Foreign Direct Investment, State-Society Relations, Embedded Autonomy, China, Development Zone