
This paper aims to explore the political economy relationship between state-led economic development initiatives and industrial productivity in Shanghai’s Pudong special economic zone. Shanghai’s municipal government has made use of both physical (infrastructure provision, construction financing) and regulatory (tax breaks, deregulation) incentives to attract foreign capital and knowledge in the hopes of developing a globally competitive finance sector hub and spurring job growth and tax revenue gains. Do these investments provide positive economic spillover effects to the city’s historically vital manufacturing sector, or are their benefits isolated spatially or sectorally? Through an analysis of statistical indicators and interviews with stakeholders, I suggest that Pudong has successfully become a regional financial hub, but that the government’s large stake in property development has made municipal finance unsustainable and has alienated the manufacturing sector.