

# Preface

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The transformation of the Chinese economy has been impressive. In the past three decades, China has experienced a remarkable rate of economic growth that has propelled it from being one of the poorest countries in the world to becoming its third largest economy. It is also a complex economy with a mix of characteristics derived from being both a transition economy and a developing country. That is, a country that is dismantling the previously planned economy and moving toward a market one, while at the same time contending with all of the well-known challenges of economic development. Due to its rapid emergence as the world's third largest economy, China's prospects are increasingly intertwined with those of the global economy. During the 2008 global financial crisis, the ability of China to sustain its growth in the midst of the worst downturn since the 1930s has become an issue of interest to a wide set of policy-makers, academics, as well as interested observers.

This book sets out to introduce the reader to the path of China's economic development since 1979. The intention is to provide a picture of this economy to a wide range of readers interested in gaining a better understanding of the complex Chinese growth path by emphasising the ways in which institutional change – laws, policies, institutional reforms – has played a key role in developing the market mechanisms central to China's success. Although a book of this kind can have a tendency to focus on the trees and miss the forest, that will be resisted here. This book is an introduction to the economy of China. There are other works which can provide a deeper treatment of each of the topics. I hope to show the forest in this book, and what a remarkable forest it is.

Although no book will be comprehensive given the scale of the economy and the remarkable pace of transformation over three decades, this volume will highlight the key areas of this extraordinary economy. The book's analysis of the main topics will give an overview of developments within China's economy so that the reader can better assess the prospects of continuing growth. For instance, the book assesses the reforms of the labour market and asks whether China has achieved a sufficient degree of productivity to sustain its growth, which I consider important in thinking about how the economy will evolve and where it is in need of further reform. Also, given China's importance in the global economy, the final

chapter analyses the various ways in which China's opening has affected not only its own development but also how it has influenced the world in the past few decades. Undoubtedly, China's future is intertwined with the rest of the world, such that its prospects will affect the path of the global economy. Despite its success thus far, China's tale is not finished and there is still a long way to go before it reaches the standard of living of the West. For the sake of one-fifth of the world's population, my hope is that it will do so.