Foreword

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It is my pleasure to write this foreword to an important book. A few words stressing the nature of that importance are in order.

The global economy is coming full circle. The brief period of European dominance, which has stretched from the mid-seventeenth century to the present, is coming to an end. Led by China, Asia is reasserting its prime position in the global economy, and at its core is China. After more than 30 years of rapid growth, following the laying of the foundations of modern economic development during the Maoist era and the initiation of significant reform of the Maoist system in 1978, China entered the World Trade Organization (WTO) in 2001, marking in a symbolic way the arrival of China on the international stage as a major player. Many predictions are made extrapolating recent economic success in China into the future and predicting even greater success, the emergence of an economy which will rival the USA in size and strength. The validity of such predictions is often questioned, but they continue to be made.

The method of achievement in China is as striking as the achievement itself. To Western eyes the model of economic development pursued in China has been highly idiosyncratic. It truly represented a departure from the European model, if such an animal existed in the first place. Entry into the WTO put the seal on the accommodation of a market system to the existing highly centralized planning system, itself much influenced by the Stalinist model in the old Soviet Union. Entry also reinforced the validity of reform and of the reintroduction of important aspects of a market system, notably the opening up of the Chinese economy to international influences and interactions.

Both the achievement itself and the method of achievement demand attention. When I was a student back in the 1960s there was a pessimism about the prospects of the global spread of modern economic development. There was clearly a European miracle, but in the background the anomaly of the early development of Japan, often ignored. At that time the Asian economic miracle was in its early stages, but largely unnoticed. Initially it involved relatively small economies, notably the four Asian
China's economy in the post-WTO environment

tigers. It took the emergence of China to dispel the pessimism and to raise dramatically the question of how an Asian miracle was being achieved.

Over the years the Association for Chinese Economic Studies Australia (ACESA) has done sterling work in encouraging analysis of the Chinese experience. This book comprises a set of chapters by leading specialists on the Chinese economy, which were delivered in 2009 in Melbourne at a conference on China in the post-WTO environment. The Association has itself greatly encouraged studies which are very important to Australia, given the increasing importance of the economic relationship between the two countries. But they have wider significance. There is no doubt that continuing economic growth in China has partly shielded Australia from the global financial crisis. However the studies have a greater relevance and highlight the role of Australia in Chinese studies in general. It is natural that there should be a particular interest in China, and fitting that Australian specialists should be working so well in this area.

The chapters in this book explore the implications of both the extension of the markets mechanism into key parts of the Chinese economy and also the partial integration of China into the global economy. The main focus of the chapters in this book is on the role and nature of the financial system and its ability to transform Chinese enterprise and household behaviour and the sources of investment finance, notably in the context of the interaction of China with the outside world and a two-way flow of investment finance. Different perspectives are adopted in viewing China’s success. Some see the incompleteness of market reform as a problem, others are more willing to accept a pragmatic blending of the operation of the free market and government intervention in generating a successful economy.

All the chapters highlight the issue of sustainability – this is the theme which links the chapters. Can the story of economic success in China continue or is the rate of economic growth destined to slow down? Is Chinese economic growth simply a reflection of increased inputs of labour and capital or is there more to it, an increase in productivity arising from technological and organizational innovation which is therefore more likely to continue even when the increase in inputs moderates? As one chapter shows, there are enormous problems in measuring and accounting for an increase in productivity. It is not easy to answer most of the relevant questions.

China has repeatedly defied the doomsayers through its continuing success. The incompleteness of economic reform has repeatedly been identified as the factor most likely to hinder future economic growth. Proponents of the market can find much fault with the Chinese experience: they continue to do so. Will the success continue? In different ways the authors of the chapters in this book try to answer the questions posed in
the previous paragraph, or simply to provide an explanation of why China confounds the market proponents.

Sustainability is particularly important to Australia, but it is relevant in a wider context since it offers the prospect of other developing countries succeeding on the basis of similarly idiosyncratic policies and strategies. We live in a period of much greater optimism that the problem of economic development and world poverty will be solved. China is the source of much of that hope. Sustainability has many meanings and not the least of those is the sustainability of economic growth in the largest country in the world. It is interesting to note that in a world where all countries were developed economically there would be no population problem since fertility rates decline as income rises and a stable or contracting global population would relieve the problem of global warming.