1. Introduction

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In this volume we present 12 chapters on key policy issues confronting China and the West with contributions by leading Chinese and western scholars and former policy makers. Each chapter comes in the form of a policy brief with a focus on the role of state in economic development, trade issues, and the part played by innovation, digitalization and leadership.

In Part I of the book, dealing with Recent Policies and Performance, Justin Lin and Jan Svejnar start by providing their perspectives on China's economic rise and implications for other countries and the global economy. Their briefs are followed by Jacob Lew's remarks about the role of state in China and the West, focusing on four core responsibilities of government in managing the economy (a) macroeconomic policies, (b) strength of a legal system, (c) investment in common goods such as education, basic research and infrastructure, and (d) managing externalities. Frank Song in turn reflects on the policies and effects of the Global Financial Crisis in China and the United States. He notes that, unlike in many other countries, policies in both China and the US were swift and effective, although both have left some long-term structural problems such as greater income inequality in the US and highly leveraged firms and local government in China. The first part of the book concludes with Ehtisham Ahmad, Isabella Neuweg, Nicholas Stern and Chunping Xie's discussion of structural reforms aimed at domestic rebalancing that would lead to sustainable growth both within and beyond China.

In Part II of the book, dealing with Trade, Tensions and Division of Labor, Robert Koopman leads with an assessment of the potential for cooperation and competition in international trade in light of the current global trade tensions. He illustrates the growth and changing geography of international trade in modern history and the relationship between trade and economic growth. He tackles the issue of what drives the growth in trade and concludes with thoughts on 'murky protectionism' and the importance of investment and consumer expenditures in growth

during a trade conflict. Lu Feng follows by analyzing the China–US Economic Disputes, focusing on what has actually happened and what driving forces may be identified in the US policy shift coming in with the Trump administration. He concludes by identifying the key issues in the China–US dispute. Ping Chen in turn examines the changing patterns of development and world order, identifying important shifts in China’s development mode, the world order and economic thinking. He argues that a more inclusive world order needs new approaches in economic and political thoughts. The final brief in Part II is Arvind Panagariya’s view of India and China in the context of rising trade tensions in the global economy. He notes the importance of India as the seventh largest economy in terms of GDP, with the prospect of becoming the third largest economy in a decade if current growth rates continue. He provides a brief economic history and analysis of policies in India, drawing lessons from the public and private sector and stressing the desirability of free trade between India and China in view of the rising protectionism in the US.

Part III delves into the important issues of Innovation, Digitalization and Leadership. Edmund Phelps starts by examining the challenges for Chinese, US and European economic policy with respect to innovation and the digital economy. Against the background of the US’s era of great innovation from the 1820s to 1960s, he notes the slowdown in the rate of increase of productivity and compares the policies of Donald Trump, Emmanuel Macron and Xi Jinping. He considers the impact of the development of artificial intelligence and robotization and concludes by arguing in favor of accepting and stimulating disruptive innovations. Debora Revoltella, Philipp Brutscher and Tessa Bending focus on issues related to the digitalization of Europe’s economy. They note that, after what could almost be described as a ‘lost decade,’ Europe was growing again and investment was picking up in the 2010s. The authors warn, however, that Europe’s longer-term prosperity depends crucially on reversing the slowdown in productivity growth and excelling in digitalization and innovation. They examine these issues using a unique data set of firms. Jianzhang Liang examines the prospects for China’s drive for innovation from the perspective of demographics. He posits that the scale effect (country size), agglomeration effect (presence of clusters) and population age effect are key to a country’s ability to innovate. He assesses China’s prospects in light of these effects and draws several policy conclusions. The final chapter, co-authored by Chong-En Bai and Eric Maskin, notes the importance of local leadership and proposes a re-design of the system of evaluation of local leaders in China. The

authors start by presenting local government's main achievements and failures. They subsequently outline the existing system of evaluation for local leaders and contrast it to some general principles for re-designing the system. They conclude by suggesting specific features that ought to be included in a new evaluation system.

In a challenging and rapidly changing world, this volume hopes to provide not only authoritative analyses and perspectives by authors of various chapters, but to stimulate further thinking and debates about the common future in China and the West. This thinking and debates are increasingly important in the world struck by the Covid-19 pandemic.