

BOOK REVIEWS

Review 1

Title: 'Why Has China Grown So Fast So Long?' By: Khalid Malik (2012).
New Delhi, India: Oxford University Press.

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At the outset, it must be stated that this is a brilliant account of how China has become in gross national product (GDP) the second largest economy in the world. Mr. Malik is a United Nations economist and the analysis contained in the book primarily is from an economics parameter, however, the forte herein is that the author moves from a purely economics explanation of China's economic success to an additional breakdown of how "Chinese culture" has affected the rise to a world class economy. Furthermore, although numerous politically sensitive issues are not addressed, the author does not shrink from presenting daunting issues such as increasing income inequality and air, water and land pollution which certainly present major challenges to future economic development in China.

Mr. Malik addresses the question of a "right" set of policies for world-wide development. China is considered an "outlier" in that they have a top down communist political system with, although tightly controlled, a burgeoning free market economy. He states that: "All countries are unique in their sense of history and institutional context." (p.65). Whereas the Soviet Union (Union of Soviet Republics – USSR) imposed a tight bureaucratic control over the economy, China gradually loosened up control to allow features of a market economy. They did this with guidance of Confucian philosophy. In 1979, Deng Xiaoping, the Communist leader, outlined a policy using the term "Xiaokang" a Confucian term meaning the development of a comfortable society with social equity including "qualities of a leader like impartiality, truthfulness, and concern for others." (pp. 23-24 and 79). These concepts are from Confucian text. This represents a sort of new beginning in the face of a "failed" and "disastrous" attempt to transform Chinese society under Mao (Zedong) in the Great Leap Forward and the Cultural Revolution which sought to erase traditional Chinese culture (p. 45).

This reviewer must enter a caveat explaining these comments about Mao. Mao was a greatly loved leader of the Communist revolution, however, his policies are considered as having gone too far. The professional/bourgeois class was decimated during this period. Universities were closed. Medical doctors, professors, bureaucrats, artists, those in power were sent to rural areas where they died by the millions being often unable to adjust to

farming and hard labor. The Red Guard all over China attempted to obliterate symbols of the Emperor/warlord feudal society. For example, in Qufu where Confucius was born and lived the Red Guard toppled all the large etched stones containing the teachings of Confucius. Today, these stones have been reassembled and Qufu is a favorite visiting place for Chinese. Deng Xiaoping began this healing process with the beginning of a reintegration of classical Chinese culture with communism.

It must also be mentioned that this reintegration of older Chinese society with a contemporary highly centralized political system is seen as a grafting of centralized feudal control into a broader leadership control without elections. China has a President and a Prime Minister who are members of the Standing Committee of the Politburo which is the center of decision making. The Standing Committee recently was reduced from nine members to seven in order to streamline decision-making. The point here again is that there is a hybridizing of the old with the new unique to China.

Malik points out that the conventional Western free enterprise framework including private property, rule of law, competitive markets with scarcity pricing mechanisms, free entry of producers, relative autonomy from government and so forth have not or only partially been introduced in China. Only slowly and in a monitored fashion from above have these free enterprise principles been introduced. Chinese leaders cultivated “social capital” (gaining popular cooperation) by gradually introducing private ownership, deregulating market flow, liberalizing banking, creating social safety nets, greatly expanding education, and attracting foreign investment in a reform period.

Malik points out that “...China is a fascinating story of how the largest country in the world managed to pull itself from dire poverty to growing prosperity and across the board improvements in the lives of people” (p. 114). It must be pointed out that China probably is going to become the biggest economy in the world with a GDP larger than the United States (US). However, when it comes to per capita income this is not an apt comparison. With one billion, three hundred million people, even if the economy did match the American economy the income level of the average Chinese citizen would be one fourth that of the US (three hundred million plus population) counterpart. Even so, the Chinese economic achievement is awesome. China accomplished this growth with a mix of macro and microeconomic measures. It has moved from 1) a command to a more market oriented economy (the USSR failed to do this), 2) mostly rural to urban, 3) agriculture to manufacturing and services, 3) fragmented and informal economic activities to a more centralized formal set of rules and 4) opened up to a global economy. At the same time citizens benefited in many ways. Health care (still quite bad), education (tremendous progress from about three per cent to a majority attending higher education), and social insurance all improved dramatically. In the 1970’s there was a fifty-fold growth in per capita incomes. A unique characteristic of the Chinese experiment according to Malik was the use of local initiative and experimentation contrary to the highly centralized Soviet model. Deng Xiaoping’s advice was to cross a stream by feeling the stones (p. 118). In other words, test each stone getting across and if one is perhaps wobbly, try another. This was a bottom up, not a top down approach. Later in the Twentieth Century, the recent President Hu Jintao referred to this process as a scientific process of looking at facts (what works and what does not) to development (p. 119).

An important element in the Deng and post-Deng economic reform period was leadership. Conservative factions emerged in a post-Tiananmen period (the 1986 Tiananmen Square, Beijing “uprising” – not a much discussed topic in China) favoring an end to economic reforms. Deng mobilized opinion for the reforms through a Southern tour of China, generating cables and letters to party headquarters in Beijing calling for a reform continuation. The spread of local ownership helped gain popular support. Malik points out that even in ancient times a sense of local ownership was the case for “the sky is high and the emperor is far” (p. 122).

The Chinese economic reforms are not without negative developments. Today China is behind India on the Gini Coefficient a measure of income equality. In other words, especially rural China is falling behind urban China in income. Billionaires have emerged in the successful Chinese economy. Coastal Provinces have prospered far beyond the interior Provinces. The top five of thirty one mainland Provinces are Shanghai (first), Beijing, Tianjin, Zhejiang and Jiangsu (all coastal) with the bottom five being Tibet (last), Guizhou, Yunnan, Gansu and Qinghai (all interior) (p. 160). The reforms may have created a too “fractured” society as opposed to a “harmonious” society. That is local control has become too strong with possible attendant corruption and instances of runaway development especially in housing.

What of the future of China? Malik states that China still is a developing country. One hundred countries still are ahead of China in per capita income terms. He states that are “... a staggering 400 million people who exist on incomes between \$1 dollar and \$2 dollars a day.” And he states that: “In 2007, 251 million people were without access to an adequate supply of safe drinking water and other basic public infrastructure” (p. 202).

On the other hand, China in a few years is likely to become the world’s highest GDP economy. China is open to foreign investment and technology. Per capita incomes are growing fast. Overall yearly growth is about seven to eight per cent, which is way beyond the European Union, Japan and the US and beyond their neighboring emerging giant India. (p. 213) Malik contends that it is China’s willingness to go global which makes it a candidate for future continued growth (p. 214). Whether it is in the automotive industry or technology including semi-conductors and solar panels China is on the move. It is exploring the world for crude oil, gas, iron ore and other commodities essential to growth. It probably will move to large-scale commercial agriculture.

There are immense challenges ahead. “Ecosystem degradation, such as through soil erosion, desertification, the loss of forests, and the reduction of biodiversity puts sustainable development at risk” (p. 219). Coal remains the dominant source of energy (69 per cent). The global economy is shaky. Investment in education needs to increase and there should be more emphasis on creativity than rote learning. Health care needs development. In fact Malik refers to the “three big mountains” for the Chinese people – jobs, accessing medical care and education (p. 225). He maintains that: “Civil society is rapidly developing” (p. 226). This development may bode well for solving China’s problems. China likely will move from more of an export economy to higher domestic consumption. The author is vague on the value of the Renminbi (RMB or Yuan). A revaluation could hurt imports suggesting that revaluation should be part of an overall package of reform (p.233). China must continue to reduce income inequalities. A possible

housing bubble needs monitoring. The “rule of law” needs strengthening. Pragmatism and courage will be needed from Chinese leaders.

This would seem to be a book that should be “must” reading by China’s leaders.