

## China's Economy What Everyone Needs to Know

by Arthur R. Kroeber

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“China’s Economy What Everyone Needs To Know” by Arthur R. Kroeber, provides geographical, political and economic perspectives of the Chinese economy from 1960 to the current time period. This book helps to understand how various stakeholders’ interests aligned with China are maximized and safeguarded by the central government. This book narrates the ways in which the Chinese government replaced its old politics when China was facing negative indicators and it also tells us what enabled the Chinese economy to achieve double digit economic growth. The purpose of the review is to tell the readers about the author’s point of view on the Chinese economy.

The book’s first edition was published in 2016. The author of the book is a well-renowned journalist and an economic analyst having 15 years of research experience on China, Taiwan and India. Based in Beijing since 2002, he is currently employed as the Managing Director of GaveKal Dragonomics; an independent research firm and also performs his duties as an editor of *China Economic Quarterly Journal*. Mr Arthur is also a Nonresident Senior at the institute of Brooking-Tsinghua Center. With a vast experience in the field of academics and research, the author is a regular contributor to well-known journals and economics magazines such as Foreign Policy, Economist, Far Eastern Economic Review, Fortune and Wired, Financial Times, Wall Street Journal and Washington Post.

Consisting of thirteen chapters, this book explains a number of multifarious elements relating to the Chinese economy that worked to revolutionize China. A detailed account of all these factors has been examined that changed China’s policy paradigm from communist era policies toward a more open market paradigm. Chapter 1 is based on the Chinese political setup and how decision-making is done at central and provincial levels. Chapter 2 focuses on agriculture, land and the rural economy, as government objective was to ensure a large food supply. Chapter 3 tells the readers about the shifts in trade policies and how their implementations led the Chinese economy to grow. Chapter 4 explains the migration policies



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related to rural and urban dwellers and the steps to reduce inequality in the society. Chapter 5, 6 and 7 are all interlinked and inform the reader how the financial system and fiscal policies affected trade and enterprise. China's energy demand and production resources are highlighted in Chapter 8 with the recent incorporation of new efficient energy resources. In Chapters 9 and 10, new labor mobility policies and welfare schemes are discussed with an aim to increase production and meet the growing users' demands. Corruption is addressed in Chapter 11 with current leadership introducing policies for enhanced accountability and welfare. The last two chapters deal with the growth cycle and China's future trade prospects affecting its global position. After reviewing the book, we can safely suggest that chapters are well equipped with facts and figures making it beneficial for future researchers, students, potential businessmen and policymakers.

The author starts the book with Chapter 1 where China's political system is termed as a "bureaucratic autocratic one party setup" with power vested with the central government and local governments' setups in provinces. Till 1979, the Communist Party held three main positions which controlled all affairs related to Government and military. Deng Xiaoping's economic reforms allowed market forces to play their role in the economy; yet the state kept the role of resource allocation to prevent hegemony of super powers (USSR and USA). Deng established Western inspired economic stimulating programs and socially acceptable political reforms which aimed to provide a suitable business environment for foreign investors. FDI increased from US\$2 bn to US\$37 bn in the period of 1991-2001 because of establishment of key trading ports.

In Chapter 2, the author examines the agricultural and labor migration reforms which were meant to ensure a large food supply at affordable rates. Rural and urban family policies were reformed which allowed urban families to buy properties; meanwhile, rural social services were enhanced. Author maintains that the "Red Line" policy in 2006 set new minimum parameters for farming land. Chapter 3 of the book focuses on the trade and industry which achieved a double figure growth rate because of change from capital to labor intensive industry to maximize exports. Business shifted from Hong Kong to Shenzhen as Hu Jintao aimed on efficiency. Subsidies, low interest rates, managed exchange rate and patents allowed innovated and high quality products. By relaxing the Hukou system in 1980, smart cites increased. Authors briefly suggest that in 2006 families of migrant workers could reallocate with full social benefits. At the same time, residence system based on points was also introduced.

The author has studied the urbanization process in Chapter 4 where Zhu Rongji allowed residents to buy working units at subsidized rates which resulted in accumulation of US \$540 bn in 2003. Government further accommodated the masses in 2008 with flexible payment terms or low down payments under the 12th five-year plan (2011-2015) where 36 million housing units were made. The book includes practical examples of Shanghai where slums were upgraded into modern housing societies and the whole of Guangdong province was developed though inefficiencies also existed because of bureaucratic influence in infrastructure projects. Business and enterprises have been discussed by the author in the next chapter which takes into account the shift from state ownership to private entities. This is because of central government's main objective of profitability, efficiency and alignment with market forces that allowed implementation of the price mechanism in 1990s as well. Under Zhuada Fangxiao, inefficient state firms were closed or sold to private entities and specific industries were made lucrative for private firms. Strategic state firms were divided into large business groups to increase competition and profitability with global stock listing. Quoting economist Barry Naughton, the author terms it as "Growing out plan" for China, where competition is now highly encouraged.

Chapters 6 and 7 of the book broadly discussed the fiscal policy and financial system and how it impacts the relationship between the central and local governments. Central government has an autocratic approach in dealing with fiscal matters, appointment of officials and in ensuring accountability. Author gives development of special economic zones that required local governments to be more efficient in allocation of funds. Author has also discussed how precautionary methods helped to avert the 2008 financial crisis which included injection of RMB 4 Trillion. Also set of new reforms under Xi Jinping are discussed in this part where issuance of the bonds backed by the central government along with restructured taxes along enhanced accountability. The author also discussed how China's heavy reliance on coal has significantly contributed in global warming. Incentive programs such as "1000 enterprise Program" which focused on efficient energy alternatives reduced the usage of coal to 66 per cent in 2014.

Chapter 9 discusses the population aspects and how birth control policies have now created an acute shortage of labor, eventually allowing couples to have two children in 2015. According to "Lewis turning point", China has officially entered its turning point. Labor reforms in 2008 and 2013 safeguarded labor rights to ensure high salary and higher standard of life. With XI Jinping in office, new measures have been formulated to straighten corrupt officials and fiscal reforms have been introduced for better accountability.

Efficiency is another key areas discussed by author in the book. Efficiency is now the key goal for China in the 12th five-year plan and government has provided guidelines to be more efficient with new energy resources so that demand can be stimulated at local and international levels. Change management coupled with strict regulations are being implemented in this particular area. Xi Jinping introduced "Lenin capitalism" where free trade is allowed under government control to reduce inequality.

Lastly, the author has compared China and the world in the last chapter, speculating China to become a trade leader by 2029, stipulating that technological advancements are incorporated in production activity. Therefore, according to the author, R&D will be crucial in development of high-quality new products. On the political front, author recommends that both China and USA have to consider each other for joint prosperity.

This book has been written in a narrative way providing a detailed analysis on the Chinese economy from 1960 to 2015. Chronologically ordered events in this period, give sufficient place to all major developments from 1960 to 2015. The book mainly relies on secondary data retrieved from government sources and international research institutions. The author has also relied on Yale University EPI and policy references of the current Chinese leadership such as President Xi Jinping (2013 to present) and Chinese Premier Li Keqiang that addressed the shortcomings of the Chinese 12th five-year plan (2011-2015).

This book is highly suitable for policymakers and economists so that they can be well informed regarding culture and business norms of China, as it includes actual historical facts with trade figures and future speculations. We also recommend this book to all those students, scholars and faculty who intend to understand what options the Chinese had while making successful decisions and which options they had chosen and why. On the whole, this book is a must read for everyone who is interested in China. The book's comprehensible composition and reliability of sources of information makes it a good reference book for students and faculty of international business.

We categorize this book in the geopolitical and economic genre as it includes China's political and economic changes from 1960s till 2015 that enabled China to become a leading global power. After reviewing this book, we can safely suggest that the author has covered most of important macro and micro economic and political factors in detail. Notwithstanding the extensive scope, the author has not considered some important decisive

factors that transformed the nation such as technology development, advancement in logistics (massive railway network, aviation and road network with plans to link Europe), geographical political, military and trade alliance with international countries etc. Likewise, content on human resources practices, accounting procedures and government regulations affecting the business cycle in China, etc., can be included to make this book a single resource on the socio political and economic development history of China. Moreover, another limitation of the book is repetition of content relating to finance and fiscal, labor and migration policies' impacts. But it is not a big drawback of the book because of the highly interlinked chapters.

The author as adopted an easy-to-understand language with less use of jargons that makes it easy for the reader to analyze information. Rightly placed tables carrying sufficient information on economic variables fully support the contents of the book. In all of the four chapters of the book, content has been presented in detail so author has neither given foot notes nor summaries at end of the chapters.

Concluding, we highly recommend this book to students, scholars and policymakers. With the passage of every single day, stakes of most of the nations are increasing in China. Therefore, it is essentially necessary to understand evolution of Chinese society, culture, economy and politics to better understand the patterns that clearly predict the developments of Chinese and world economy and politics in future.

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