



**Tao Wang, *Making Sense of China's Economy* (Abingdon: Routledge, 2023).**

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In the book '*Making Sense of China's Economy*,' Dr Tao Wang, Chief China Economist at UBS Investment Bank in Hong Kong and formerly an economist at the International Monetary Fund (IMF), untangles the complex nature of China's economic system. She discusses the evolution of China's economy, its challenges, opportunities, contradictions, its economic policymaking process, and

the country's future development course.

Wang begins by highlighting the dichotomies characterising modern-day China (p. 3): It is the largest economy by some measures, yet remains underdeveloped, and despite its alarmingly high debt levels, it has not experienced a typical debt crisis. Modern Chinese cities co-exist with poor inland regions, and State-Owned Enterprises (SOEs) operate alongside vibrant private firms. However, Wang also highlights that China's progress over the past 40-some years has been tremendous, allowing it to emerge as the second-largest economy with a vibrant private sector and modern manufacturing from being one of the poorest, centrally planned, and closed economies (pp. 19-76). Today, 60-70% of the Chinese economy is in the hands of the private sector compared to the year 1978, when the entire economic activity was organised through the central planning system. China has achieved this by adopting an adaptive and pragmatic approach to development strategy and economic policy alongside introducing

numerous reforms since late 1978. The reform process was undertaken in three phases: the first having 'reforms and opening to liberate productivity,' the second comprising 'establishment of a socialist market economy,' while the third involving 'deepening, rectification, and rebalancing' of the reforms.

In terms of the policymaking process, the author discusses that while the central government in China makes the most important economic policy decisions and has more direct control over exchange rate policy, monetary policy, and fully funded fiscal policy; the process of formulating long-term policies on selected trends and issues also seeks proposals from official think tanks and other research institutes (pp. 80-102). A semblance of a bottom-up approach is more visible in the policy implementation process, where the local governments are often the most important entities, although this sometimes complicates things as the local governments' interests may not align with those of the central government or they may not have the resources required to execute the national policies. On the subject of the property market and local government finance as well, Wang highlights that local governments are directly involved in the Chinese property market (p. 130). However, this gives local governments strong incentives to boost land and property prices, pushing them beyond the usual fundamentals of housing market supply and demand.

Dr Wang also talks about the disparities in China embedded in the *hukou* system, i.e., a household registration system where the place of birth determines a person's entitlement (pp. 110-112). As a result, individuals are often excluded from many entitlements outside of their *hukou* locations. Furthermore, Wang answers one of the pressing questions many readers might have, i.e., '*Why has China not had a traditional debt crisis?*' She highlights that the reasons China's high debt levels have not translated into a traditional debt crisis are that the majority of its debt is in the form of loans possessed by state-owned banks, the government sector and the SOEs owe 60% of the country's non-financial sector debt, and the country has extremely high levels of national savings rate (pp. 172-173). Additionally, the author lauds the

evolution of the Chinese public management system, stating that '*it is a testament to its pragmatic and self-correcting mechanism of governance*' (p. 184).

From a global context, the author contends that in an environment of mistrust and tensions, it is difficult to predict a future characterised by China's further integration into an inclusive and open global economy (p. 218). Hence, in the final chapter, Wang highlights the challenges that could complicate China's sustainable transition into an advanced economy, including its rising debt levels, ageing population, ubiquitous state, inefficient SOEs, an increasing focus on party control, and high inequalities, which could be further deepened due to technological progress and greater automation (pp. 224-225). According to her, addressing key domestic challenges will majorly determine the future of China's development (p. 237).

The book's comprehensive exploration of various themes within a central topic, coupled with its accessible language and abundant factual data, makes it an informative and enriching read. The most commendable feature of the book is Dr Tao Wang's visible effort towards presenting a balanced overview and analysis of China's economic growth alongside the modern Chinese economy. She gives due credit to China's phenomenal progress over the past few decades but does not shy away from highlighting the contradictions that the country exhibits, avoids painting a rosy picture and lays the major onus of its future development path on its ability to address domestic challenges and shortcomings rather than great power competition.

However, one aspect the book does not explicitly delve into is the question of China's lack of political freedom and whether it could become a challenge for the country's sustainable transition into an advanced economy. The absence of a detailed exploration of this issue overlooks the prevailing view that the status of a country as developing or developed should also take into account the political freedom and human rights afforded to its citizens.

Nevertheless, apart from this shortcoming, even a casual reader may not be able to deny the relevance, comprehensiveness, and lucidness of the information offered in the book. It is relevant for a wide range of audiences, from students studying a beginner's course on the Chinese economy to policymakers from anywhere across the world aiming to deepen their respective country's relationship with China or seeking valuable lessons worthy of being replicated.