

China's Market Transformation and Classical Liberalism

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China and State Capitalism

- The economic rise of China re-ignites the debate on state capitalism.
- Capitalism, Chinese style, is viewed as a paradigmatic example of state capitalism.
- China is the nemesis of classical liberalism.

Did Beijing Engineer the Rise of China?

- “The secret to China’s boom: state capitalism” (*Reuters*, Nov 4, 2011)
- “China’s state capitalism” (*the Economist*, Nov 6, 2012)
- “The US must learn from China’s state capitalism to beat it” (*the Atlantic*, Nov 5, 2012)
- Naughton & Tsai (eds.,) (2015) *State Capitalism, Institutional Adaptation, and the Chinese Miracle*. Cambridge University Press.

Turn of the Tide

- *How China Became Capitalist* (Coase and Wang 2012)
- *Capitalism from Below* (Nee and Oppenheimer 2012)
- let the market play a “decisive role” -- Third Plenum of 18th Central Committee (Nov 2013)
- *Markets over Mao* (Lardy 2014)
- “The China that works”, *The Economist* (September 12th 2015)

How China Became Capitalist

- Marginal revolution vs. “top design”
- Cross-country comparison vs. historical comparison
- Economic rise of China has been made possible by the gradual withdrawal of the state.
- Market forces, entrepreneurship and limited government made China a story of success.

China's Unfinished Agenda

- State owned enterprises
- Chinese Communist Party

SOEs

- Foundation of China's socialist market economy vs. predator of market order
- SOEs are welcome to exist as long as they are subject to competition.
 - Monopoly is the root problem.
- SOEs may serve as an agent of change if they are subject to the rule of law.
 - John Hicks on the rise of city-states

CCP

- CCP has been flexible and adaptive.
- China is poorly governed.
- Political reform starts by introducing the rule of law.
 - This is more difficult than the introduction of markets and entrepreneurship.
 - CCP embraces the rule of law.
 - Is the rule of law possible?

From Capitalism to Capitalisms: Challenges of China

- Capitalism is an open system, the “beginning of infinity”
 - Freedom, entrepreneurship and growth of knowledge keep capitalism evolving.
- The market economy is path-dependent.
 - Convergence has its limit.
 - History brews diversity.

Politics without Parties?

- Dark side of party-politics/democracy
 - Knight, Hayek, Buchanan, Coase, Cheung, Olson
- Post-party governance
- Politics without parties
 - Is party-less politics possible?
 - Is “天下为公” more than an ideal?