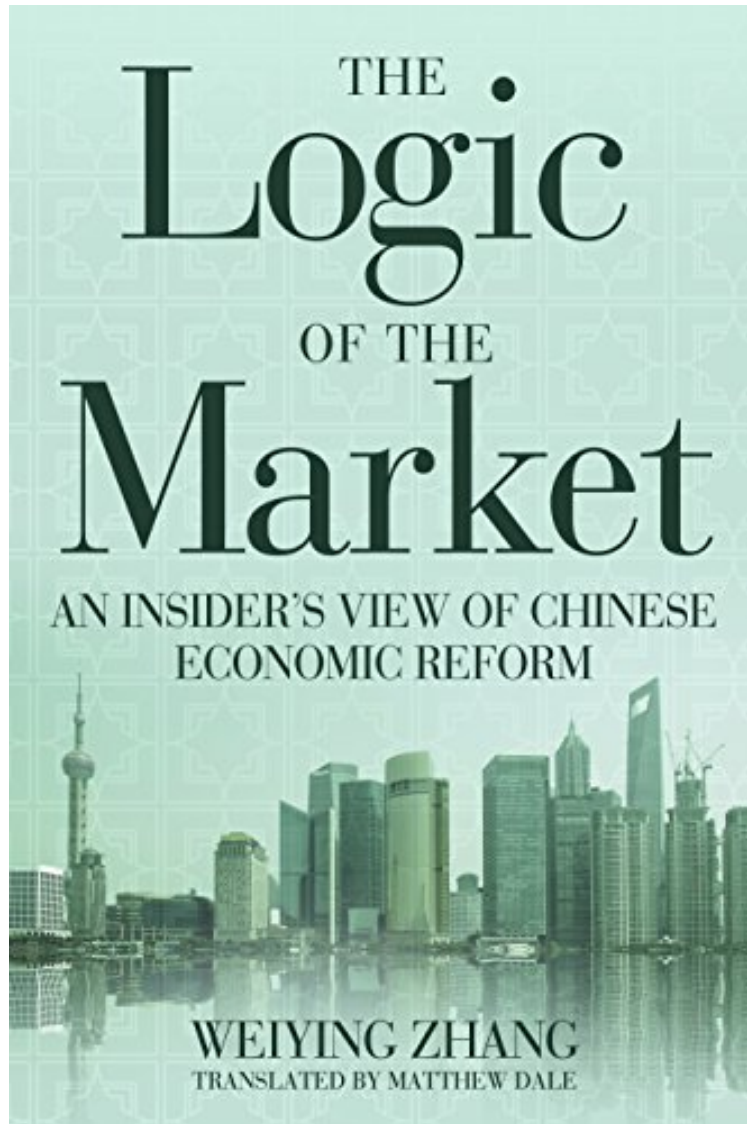


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# The Logic of the Market: An Insider's View of Chinese Economic Reform

*Weiyang Zhang*

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**Weiyang Zhang : The Logic of the Market: An Insider's View of Chinese Economic Reform** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Logic of the Market: An Insider's View of Chinese Economic Reform:

5 of 5 people found the following review helpful. Worth the effortBy Dave HoodZhang is slow reading, not helped by the translation, but it contains nuggets that make it worthwhile.Zhang avoids moral positions, avowing that an economist's task is to assess whether a given economic policy is likely to succeed in attaining its stated objectives. He

argues effectively that government policies are usually counterproductive. In the context of China's market liberalization, most of the progress resulted from the unintended consequences of government policies, in which at best the government was wise enough to stand back and let it happen. There remains an open question whether the government will remain equally wise in the future. One of the nuggets is recognition that reform can be blocked by vested interests, that the only way to achieve reform is by buying the vested interests out, and that the buy-out must be a one-time deal. "Take the money and get out of the way." The moralist's perspective is that this is a reward for corruption; the economist's perspective is that this is the only possibility for bloodless progress. Food for thought. (What Zhang does not go into is the possibility that there is no pot of cash with which to buy out the vested interests: how do we deal with Greece? Would the German taxpayer sign up for yet another bailout, even given credible assurances that it would be the last one?) Zhang argues that market reform should come first, because a strong middle class is essential for political stability, and political reform should follow. India did it the other way, and has as yet not demonstrated that leading with political reform is the better option. Just two of many thought-provoking observations. Agree with him or not, Zhang is well worth the investment in time and trouble. 3 of 29 people found the following review helpful. Way Off Base -By Loyd Eskildson The moment I saw that this book had been sponsored by the Cato Institute, I knew I'd been mistaken in buying it. The author's hair-splitting and misleading introduction quickly reaffirmed that initial assessment. Most objective observers credit China's rapid rise to well-thought-out government interventions (leading China through the world's greatest turnaround in economic thinking/values, as well as leading its carefully-staged evolution from a primitive agrarian society, then one maximizing non-agricultural low-skilled employment in export-focused segments to then working its way up in sophistication and technology, to one now moving towards high-technology leadership and much more consumer-oriented) and severe limits on democracy. (India's failure to match China's growth rates during this same period serves as a reminder of the downside of democracy - thanks to constant bickering and revisiting issues thought to have been settled, along with discussions dominated by distorted/false data and ideology. Our own more recent history provides another example.) The author, however, prefers to slant reality by emphasizing how China moved from a totally state-managed economy to a state-led economy - yes, government intervention and its proportion of state-owned-enterprises (SOEs) were greatly reduced, but those interventions still far exceed anything similar in the U.S. Author Weiyang Zhang's introduction also fails to note the strong logic of China's government placing development/protective priorities for certain segments of the economy - eg. green and nuclear energy, fossil-fuel energy, improved energy efficiency (obviously they weren't impressed by V.P. Cheney's scornful attitude towards conservation), improving healthcare services and education (the U.S. has major problems in both areas, and lacks major improvement goals), and protecting vital industries (the U.S. has allowed unrestricted free trade to large hollow-out our manufacturing capabilities). Finally, Weiyang Zhang ends his introductory/preface remarks by opining that 'The invisible hand directs people to do the right thing,' the Great Recession 'made the market into a scapegoat' and government assistance an unwarranted 'savior,' and criticizing Nobel-winner Joseph Stiglitz's understanding of the market as 'not up to current standards.' (He could have added Paul Krugman and Robert Shiller - two other recent Nobel-winners with similar views.) The first and second comments reflect basic ignorance, the third adds unmitigated gall. Weiyang Zhang also takes time to blast Chinese government corruption. However, that problem needs to be viewed in perspective. First, its current leader has made credible and substantial progress in reducing such. Second, and more importantly, corruption in the U.S. is also massive - it simply operates much more indirectly through enormously disparate political influence wielded by those making large political donations (businesses and business owners) and in-kind support (unions, especially public-employee unions). Third - China is not the only large nation to attempt transitioning from a government-dominated economy to something much more market oriented. Russia (U.S.S.R.) also did, under U.S. guidance, and far less successfully - enormous corruption in the sale of SOEs to those well-connected who became oligarchs as a result, and while lowering the standard of living and expected lifespans of average Russians in the process. China managed to accomplish this with far less corruption and while boosting standards of living for the average Chinese. And with that, Weiyang Zhang sets off down the wrong-way on a long, one-way street.

The Logic of the Market by Weiyang Zhang—considered China's leading market liberalist—comprises his most influential essays on economics over the past three decades. First published in China in 2010, this revised edition contains three new essays, which offer those outside China a deeper understanding of the Chinese economy. "Market competition is a really just competition to create value for others; Only through this approach did the Western economy advance over the past 200 years. It is also the reason for China's economic marvel over the past 30 years," writes Weiyang. Readers will appreciate Weiyang's ability to address both everyday economic issues and the questions that confront a nation's leaders, not the least a nation seeking to escape mass poverty. The economic reforms and subsequent growth in China may be the most astonishing and hopeful event of our age. Weiyang was among the leaders who set China on its path of change. Here he elucidates the pitfalls and the progress of economic reform, celebrating leaders who mixed sustained idealism with judicious compromise. Readers seeking to learn from China's successes will find much of interest here. Weiyang

emphasizes the importance of entrepreneurs in the new China. He concludes, "The key for China, as the country with the world's largest population, to return to being the largest economy lies in allowing the entrepreneurial spirit to develop the potential of the domestic market." For that to happen, Weiyang recommends that China continue to reduce the state-owned economy, lessen government control over the economy, and—over the next 30 years—emphasize political reform to build a constitutional democracy. His thinking is not limited to China. Some of these essays also focus on the global financial crisis—how Keynesian policies can only be effective for the short term and will bring long-term negative consequences. Weiyang provides a unique perspective on his country's market economy, implementation of economic policies, and the potential for Chinese economic development. "I hope that the logic of the market becomes every person's ideal," he writes. "That is my reason for writing this book."

**About the Author** Weiyang Zhang is a prominent Chinese economist and is Professor of Economics and director of the Center for Market and Network Economy of Peking University. He was formerly head of the Guanghua School of Management at Beijing University.