

How China Escaped Shock Therapy: The Untold Story of the Transition from Mao to Deng



How China Escaped Shock Therapy: The Market Reform Debate (Routledge Studies on the Chinese Economy) by Isabella M. Weber

★★★★☆ 4.7 out of 5

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In the early 1990s, as the Soviet Union collapsed and Eastern Europe embraced capitalism, many economists and policymakers believed that China would follow suit. After all, China was a communist country with a centrally planned economy. But to everyone's surprise, China did not adopt shock therapy. Instead, it pursued a gradual and pragmatic approach to reform.

How did China escape shock therapy? And what lessons can we learn from its experience?

In his groundbreaking book, *How China Escaped Shock Therapy*, Yuen Yuen Ang argues that China's escape from shock therapy was due to a

combination of factors. First, China had a strong and stable government that was committed to reform. Second, China had a large and diversified economy that was not heavily dependent on heavy industry. Third, China had a strong cultural tradition of saving and investment.

Ang's book is a must-read for anyone interested in China's economic development or the history of the post-Cold War era. It is a well-written and deeply researched book that sheds new light on one of the most important economic transformations of our time.

China's Gradual Approach to Reform

In the early 1980s, Deng Xiaoping launched a series of economic reforms that gradually dismantled China's centrally planned economy. These reforms included:

- Allowing farmers to sell their produce on the open market
- Opening up special economic zones to foreign investment
- Reducing government subsidies to state-owned enterprises
- Encouraging private enterprise

Deng's reforms were gradual and pragmatic. He did not attempt to dismantle the entire centrally planned economy overnight. Instead, he allowed the market to play a greater role in the economy while still maintaining a strong role for the state.

This gradual approach to reform allowed China to avoid the social and economic chaos that occurred in other post-communist countries. For example, Poland and Russia both adopted shock therapy policies in the

early 1990s. These policies led to sharp declines in output, high unemployment, and widespread poverty.

China's gradual approach to reform also allowed it to maintain a high rate of economic growth. In the 1980s and 1990s, China's economy grew at an average rate of 10% per year. This growth was driven by a combination of factors, including increased foreign investment, increased exports, and a growing domestic market.

The Role of the Government

The Chinese government played a crucial role in China's escape from shock therapy. The government provided a stable political environment that allowed for economic reform. It also invested heavily in infrastructure and education, which helped to create a more favorable environment for businesses.

In addition, the government played a role in managing the transition from a centrally planned economy to a market economy. For example, the government helped to create new markets and to provide social safety nets for those who were displaced by economic reform.

The Chinese government's role in economic reform was not always positive. For example, the government sometimes intervened in the economy in ways that created distortions and inefficiencies. However, overall, the government's role was essential in helping China to avoid shock therapy and to achieve a high rate of economic growth.

The Importance of Culture

China's cultural tradition of saving and investment also played a role in its escape from shock therapy. Chinese households have a high saving rate, which has provided a source of capital for investment. In addition, Chinese culture values education, which has helped to create a skilled workforce.

China's cultural tradition of saving and investment is deeply rooted in its history. For centuries, Chinese families have saved for the future. This saving habit has helped China to weather economic downturns and to invest in its future.

China's cultural tradition of saving and investment is also supported by its government. The government encourages saving through a variety of policies, such as tax breaks and social security programs. The government also invests heavily in education, which helps to create a skilled workforce.

Lessons for Other Countries

China's experience with economic reform offers valuable lessons for other countries. First, it shows that it is possible to transition from a centrally planned economy to a market economy without resorting to shock therapy.

Second, it shows that the government can play a positive role in economic reform. The government can provide a stable political environment, invest in infrastructure and education, and help to manage the transition from a centrally planned economy to a market economy.

Third, it shows that culture can play a role in economic development. China's cultural tradition of saving and investment has helped it to achieve a high rate of economic growth.

Of course, China's experience is unique. There is no one-size-fits-all approach to economic reform. However, China's experience offers valuable lessons for other countries that are seeking to transition from a centrally planned economy to a market economy.

China's escape from shock therapy is a remarkable story. It shows that it is possible to transition from a centrally planned economy to a market economy without resorting to shock therapy. It also shows that the government can play a positive role in economic reform. Finally, it shows that culture can play a role in economic development.

China's experience offers valuable lessons for other countries that are seeking to transition from a centrally planned economy to a market economy. It is a story of hope and inspiration.

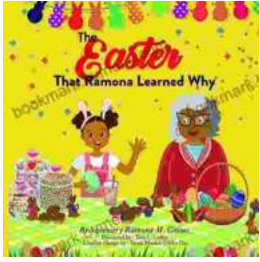


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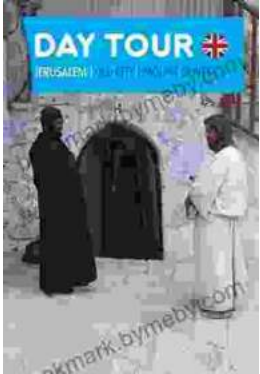
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