



THE CHALLENGES OF CHINA'S GROWTH

By Dwight H. Perkins

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China's strong economic growth since 1978 has transformed the country. People are richer, freer, and healthier than they have ever been, and if current growth rates are sustained, large-scale poverty will be eliminated in China by 2025. But China's economic growth has also created its own challenges. People seethe with frustration over their lost land and livelihoods in the post-reform economy. China's inefficient energy use puts growing pressure on its ability to procure the resources needed to sustain growth, and Beijing's growing military power threatens to put it on a collision course with the United States. In *The Challenges of China's Growth* (AEI Press, February 2007), Harvard professor Dwight H. Perkins addresses how these changes will affect China, Asia, and the world.

In particular, Perkins looks at the major obstacles that Beijing must yet surmount if it is to emerge as a rich country in the twenty-first century, and considers the steps that China must take to succeed. The author notes that:

- China's effort to cure corruption through severe criminal penalties is less efficient than simply ridding itself of the myriad licenses and permits that create these opportunities for official corruption.
- The movement of some 200 million farmers (and their 200–300 million dependents) to cities over the next two decades will create tremendous social pressures unless the Chinese government provides them with greater rights and an effective social safety net.
- Although tensions over the misappropriation of land by corrupt officials receive significant media attention, this problem has a straightforward solution: strengthening property rights and courts that will handle disputes efficiently and nonviolently.
- While many sources of China's high economic growth will diminish in the coming years, China still has the opportunity to privatize many sectors of its economy, particularly the remaining state-owned enterprises and the still-shaky financial system.

Perkins argues that although China will face many challenges over the next two decades, as with any other large and rapidly changing country, it already has experience with the types of reforms that it will need to cope with them. The author concludes that the United States has a great interest in helping China minimize the shocks that it may suffer from demographic changes, environmental degradation, and comprehensive reform of its financial system. While Washington will ultimately have to deal with risks posed by China's rapidly growing economic and political powers as well as its modernizing military, a strong record of cooperation will be the straightest path to attaining those goals.

Dwight H. Perkins is the Harold Hitchings Burbank Professor of Political Economy at Harvard University, whose faculty he joined in 1963. Mr. Perkins has authored or edited twelve books and over a hundred articles on economic history and economic development, with special emphasis on the economies of China, Korea, Vietnam, and the other nations of East and Southeast Asia.

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