



## Will China's Reforms Succeed?

China's leaders remain confident, but some Chinese economists aren't so sure.

By [Shannon Tiezzi](#)

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Chinese President Xi Jinping continues to emphasize the importance of China's reform project. The Central Leading Group for Deepening Overall Reform, of which Xi is the head, recently held its 12th meeting in Beijing, sparking Xi's comments on the trajectory of reform.

[According to Xinhua](#), Xi urged officials to "grasp the larger picture of reform." He also promoted the idea of the "Four Comprehensives," Xi's own slogan, which refers to "comprehensively building a moderately prosperous society, deepening reform, advancing the rule of law, and strictly governing the Party." Instituting the necessary reforms will be an uphill road for China, pitting reformers against both vested interest groups and structural limitations. Xi said that officials, in pushing through reforms, "should subordinate themselves to the overall situation and have the courage to face up to challenges."

However, not everyone is convinced Beijing will be able to achieve its goals. At a recent conference in Vancouver, Canada, Chinese economic and legal scholars voiced their concerns about the challenges facing the country.

Mao Yushi, a prominent Chinese economist, has long been a leading critic of China's state-controlled economy. In 2012, the U.S. Cato Institute awarded Mao the [2012 Milton Friedman Prize for Advancing Liberty](#), calling him "one of China's most outspoken and influential activists for individual rights and free markets." Speaking in Vancouver on May 3, Mao traced a history of constant chaos in China from the First Opium War (1839-1842) to the violent political movements under Mao Zedong, including the Cultural Revolution (1966-1976). While Chinese Communist Party (CCP) rhetoric identifies 1949, the year the People's Republic was established, as the beginning of modern China, Mao puts the advent of true peace and stability much later: 1978, when Deng Xiaoping began the "reform and opening up" movement.

Mao noted China's progress since then, but said the larger question still facing China is how to continue its development. On this point, China is divided – "leftists" emphasize stability and equality above all else, while "rightists" advocate for a marketized society and economy. Meanwhile, Mao pointed to the corruption and greed of certain officials (such as Xu Caihou,

who previously served as China's top military leader) as a major obstacle to continued reform. The corrupt will resist reform, and there's little China's leaders can do to solve this issue.

To many of the speakers at the conference, China's economic reforms cannot be fully realized without accompanying political reforms. The problem of corruption and government resistance to reform, for instance, is based on structural issues and will be difficult to overcome without structural change.

Cheng Xiaonong, an expert in Chinese political and economic issues based at Princeton University, said that China's economic "new normal" is an attempt to solve "old problems" with "old models." Since the 1980s, China's government has felt political pressure to keep economic growth at 8 percent per year – 30 years later, China is still facing the same issue. Yet the "old model" of a hybrid state-controlled and market economy still dominates in China. "The more things change, the more they stay the same," Cheng said.

In particular, China has a long way to go if it wants to transition its economy to one based on domestic consumption. As Cheng pointed out, according to the latest World Bank figures, household consumption makes up 68 percent of the U.S. GDP. In China, it's roughly half that – Chinese consumption has stagnated at around 35 percent of GDP since 2006.

He Qinglian, another Princeton-based economist who has long pointed to the connections between political and economic reforms, described the flip side of this problem. The Chinese government has dominated the space for thought, political participation, and discussion in China based on the unspoken bargain that by doing so, Chinese people would prosper. The only right left to China's people, He said, is "the right to a full stomach." Should that right begin to come under fire, thanks to a flagging economy and rising unemployment, China's leaders would face a serious legitimacy crisis.

Despite these concerns, Mao at least ended on a hopeful note. No one can predict China's future, Mao said, but if the country has "good luck," it will become a nation of freedom, quality, human rights, and the rule of law. To Mao this is just a matter of time – no matter how twisted the path China takes, it will eventually arrive.