

### **The Supposed Chinese Economic Ascension**

Rapid development has occurred in China over the latter half of 20<sup>th</sup> century.

Economically, China has established itself as the second largest GDP and due to political policy this has been further amplified. Although China has not fully developed, it is a major player within the overall global market. Due to its arguable treatment of its lower class, it has many more challenges to hurdle. In fact, a middle class is growing, and with that the possible development of a civic society. Furthermore, the Chinese economy as a whole could be “slowly heading towards a ‘middle-income trap’” (The Economist, Beware the middle-income trap, 2). Overall, the implications for China’s future are uncertain. What does this mean for the prospect of the world market? Two opposing factors are struggling to determine the Chinese economic future. Economic prowess regionally and globally, in addition to possible indicators of another Chinese *shengshi*, and the possibility of a “middle-income trap” are in flux as the forthcoming rapid development of China determines the rate of Chinese economic ascension. The Chinese economic development is not a question of whether ascension will occur, but rather it is a question of when.

China historically has been underdeveloped. Like other underdeveloped states, it has allowed for the utilization of industrial economic policy. If China were to follow the precedent of the United States, Britain, Japan, and Europe, it would be very much on its way. As a matter of fact, China’s economic policies have been geared towards fast economic growth beginning almost immediately after the Second World War. Recovery measures and alliances with the Soviet Union, at the time, allowed for strong trading partnerships. After the collapse of

Communism, the western market became one of China's main sources of exportation. The pegging of the Yuan to the Dollar was strategic since this, in effect, allowed for economic stability and growth. Whereas the East Asian economic crisis drastically affected a majority of the region in the 1990's, it allowed the Chinese to advantage themselves against the Japanese economy. Fast forward to modern day 2011, and China has established near regional dominance and is a major preferred trading partner to the entire globe.

Economic success has come frequently for China within the turn of the century. "Last year [in 2010] China became the world's biggest manufacturer, displacing America from a position it had held for more than a century" (The Economist, Rising power, anxious state, 1). The major economic powerhouse that is the United States is no longer the primary industrial state of the world. It seems that industrialization and modernization are now old concepts to China. In moving from 73<sup>rd</sup> place to 17<sup>th</sup> in a global league of 'competitiveness,' China has outranked other major newcomers like India (The Economist, Rising power, anxious state, 2).

Although prosperity has transpired, the generation that achieved this marvel has grown old. In fact, "without huge and politically risky policy changes it will become increasingly difficult to maintain the rapid rate of urbanization" which has given China its edge (The Economist, Rising power, anxious state, 3). In truth, this overall problem is being experienced by many other industrialized states like Japan, Germany, and the United States. All of which were instrumental in their roles during the Cold war, they allowed for the global phenomenon of marketization to take shape.

This Chinese success is indisputable, but a middle income trap pertains to the economic opulence of China. Wen Jiabao depicted China's economy as unsustainable, destructive, and overall on the brink of disaster (The Economist, Beware the middle-income trap, 1). While the

Yuan is actually appreciating to the Dollar, it is causing a multitude of problems. The high inflation rates helps China become more competitive, but hurts the lower classes of the Chinese populous. The extent - that is the lowness - of the combined GDP per person has allowed for fears that the same experience might occur in China as in Latin American counter parts (The Economist, beware the middle-income trap, 2). Incentives are not in place for the common person to own part of the Chinese success. The everyday person will not move into cities, will not switch from farming, and overall will not participate in the industrialization process. "The legacy of ['people's communes']... still weighs heavily on rural China. So too does a decision to confer hereditary status on peasants, who would be all but bared from cities to stop them rushing in to find work" (The Economist, Where do you live?, 2) In short, the incentive structure does not exist. Even though every Chinese citizen is a member of the single-party government, every person is not actually considered part of the hierarchical collective. This alienation developed a dual class society of haves and those with none. In order for a truly industrialized country, the middle class must be developed in China. Yet politically this is not desired, in order for sustained economic growth, the middle-income trap should be avoided.

China is on the road to full development. It has ascertained the position of regional dominance, but is now struggling to maintain that position while attaining a better standing in the global arena. Economically, China will someday grow into an economic powerhouse. Whether it will occur in the next 10 years or the next 100 years is the real question. If China can attempt to build a middle class without an overall failure of its political superstructure, then the possibility of efficient and quick economic growth is apparent. Overall, the ascension on the Chinese state is a reality and an unstable one at that.