



Can a Communist Government Run a Market Economy?

An Informal Discussion on the Case of China

Yan Hao

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1.30–3 p.m., Room A 310

The Communist Party of China (CPC) celebrated the 90th anniversary on 1 July 2011. This coincides roughly with the 60th anniversary of the CPC's coming to power in China and the 30th anniversary of China's market-oriented reforms. While most industrialized countries are still struggling to find a way out of the global financial crisis, China's economy keeps growing at near-double-digit rates.

The CPC's birthday celebration triggers the question: Can a communist government run a market economy – and can do so successfully? Yan Hao gives some insights based on his personal experience as a researcher at a government think tank in China. His basic argument is that the CPC has never been tied up by ideology and is flexible enough to adapt to changes if necessary. The Chinese economy is a mixed economy where both the government's visible hand and the market's invisible hand play mutually complementary roles. China's success story is all about good governance or bad governance – not about parliamentary democracy or one-party dictatorship, nor about liberal market economy or command economy.

The Chinese case offers lessons about: 1. pragmatism, flexibility and innovation; 2. government leadership and administrative capacity; 3. reform and growth based on economic, social and political stability; 4. poverty reduction and living standard improvement; 5. gradualism and effective prioritization vs. shock therapy; 6. mixed economy; 7. opening-up and globalization. To sustain its success, China has to make great efforts to overcome emerging problems, such as inequality, corruption and environmental destruction. Gradual political reform that enhances transparency, accountability and public scrutiny has also been put on CPC's agenda.

Yan Hao is a research fellow of the Research Institute of Social Development of the National Development and Reform Commission, Beijing, China. From July to September 2011 he is a guest of the WZB Research Unit of Inequality and Social Integration headed by Jens Alber and of the Research Group Globalization, Work and Production headed by Ulrich Jürgens.

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Invitation

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