China’s Economic Reform Reboot

Reviewed by Tristan Kenderdine

This short book captures a historical juncture in contemporary China’s economic governance that has taken the world by surprise. Although the book dispels the hyperbole, its opening paragraph chimes the cliché that threatens to drag the global economy down, the near-endless parroting of “China’s inexorable rise.” This praise must come to an end. Lardy’s is one of the first voices in what must surely become a chorus of more sophisticated analyses of China’s economy as it matures.

Lardy elegantly floats to the top of the China economic analysis soufflé, offering a vantage point from which many have attempted to speak, but few have succeeded with credibility. From the start, he straddles the real danger facing the global economy: China’s continued success is dangerous; China’s failure would be a disaster. Against the hyperbole, though, Lardy takes huge chunks out of the hyperbole, its opening paragraph chimes the cliché that threatens to drag the global economy down, the near-endless parroting of “China’s inexorable rise.” This praise must come to an end. Lardy’s is one of the first voices in what must surely become a chorus of more sophisticated analyses of China’s economy as it matures.

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Lardy’s work is grounded, though, in strong metrics, measurable outcomes and a strong analytical ability to question conventional wisdom or loose thinking in the policy and economic sphere outside the neoclassical economics framework. There is, though, as with every economic agent, a purpose and a bias. That the objective findings of the book are a call for China to engage in more market liberalization policies is unsurprising. The policy prescriptions for a “path back to market-oriented reforms” are, however, a little naive and uninspired. The State Strikes Back is a title that sums up the gravity shift as China’s economic governance moves into the 2020s with a new economic power dynamic and a new role in the global economy, and yet Lardy’s policy prescriptions sound like formulaic World Bank-speak from 2010.

Ultimately, the title belies the book’s content. Lardy has identified the end of the reform era, but is still struggling to describe the post-reform era. The book sums up the end of a period of economic history, but it is not yet a window into the economic future of China.

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