

Letter to Financial Times, September 3, 2015

China's rulers may opt to repudiate the market

Sir, Martin Wolf rightly warns with respect to China's economic woes, that "a big question is whether a market-driven economy is compatible with the growing concentration of political power" ("[China risks an economic discontinuity](#)", September 2). Yet it might be questioned just how market driven the Chinese economy indeed has been.

The recent crisis has exposed the mentality of the ruling Communist party as one mired in traditional Stalinist assumptions. We have arrests of journalists for reporting opinions and probable trends, and purges of minor officials as though stock market turmoil had resulted from conspiracy to undermine the state, all accompanied by public self-criticism confessions. The ruling party approaches intervention into the economy as though it were managing a five-year plan; hence the rude awakening when market forces suddenly prove uncontrollable and the frantic search for "wreckers".

Mr Wolf writes further that the next stage for China's economy "is a conundrum". Indeed, we may be witnessing the beginning of a "left-turn", whereby China's rulers repudiate the market and return to a "planned" command economy. I am reminded of Stalin's reaction to the Russian peasant demand to purchase industrial products directly from abroad round about 1929, thereby bypassing the state monopoly on foreign trade. He abruptly brought to an end Lenin's market-based New Economic Policy, instituted the first five-year plan, and launched the collectivisation of agriculture.

Chances are that the increasingly Maoist-sounding Xi Jinping will opt for something similar rather than chart a new course towards a more decentralised form of the current political system. Such reform doubtless would seem to him heavily freighted with the risk of pluralism.