

IPS Corporate Associates Breakfast, 4 May 2011:

“China: The Hope of the Next Recovery?”

**Speaker: Dr Anatole Kaletsky, Editor-at-large
and Principle Economics Commentator at *The Times***

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Dr Anatole Kaletsky, Editor-at-large and principle economics commentator at the Times spoke about Capitalism 4.0 at a recent IPS Corporate Associates' Breakfast.

IPS corporate associates gathered to hear Dr Anatole Kaletsky's analysis of how China would evolve in light of the current developments. The rise of China and its development may signal a new phase of capitalism, particularly how China responded to the economic crises in 2009 and 2010. Could the new phase of capitalism come from an authoritarian government? Dr Kaletsky, editor-at-large and principle economics commentator at the Times, referred to his latest book, *Capitalism 4.0*, where he explained the different phases of capitalism.

China continued to experience rapid economic development. Dr Kaletsky indicated that exports from the country had increased tremendously since 2005. China's economy to Asia had also grown akin to what the European Union's economy was to Europe. In the short term, China was perceived as an emerging market of opportunities by Europe in particular with regard to trade. However, its increasingly high consumer demand was driving up global commodity prices.

For the medium term, China’s economic growth would slow down as China appreciated its currency and restructured its economy. By restructuring the economy, inefficient drivers in the economy would give way to those with higher levels of productivity and innovation. Careful management of their currency exchange rates would also help bring down inflation by lowering the cost of production and the prices of imports.

Looking into the future, a shrinking labour force as a result China’s one-child policy coupled with dwindling land and natural resources would slow China’s economic growth. However, this slower economic growth could be mitigated. Dr Kaletsky highlighted that China had the willingness and economic capacity to reinvent and prepare itself for the future. For example, China was willing and able to venture into

new technology and energy markets. This was so even when it did not have any comparative advantage. It was also channelling large amounts of funds to groom its next generation through education.

The viability of an authoritarian government in China influencing capitalism was discussed. A free market was traditionally believed to exist only in a democratic society and there were doubts if an economy could benefit from capitalism where rules and regulations were dictated by an authoritarian government. There were also doubts if corruption could be avoided in the country.

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