

# Chinas economic condition



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## Introduction

China's economy has been growing strong for the past 30 years. According to statistical data China's economy has grown by 9.9% a year since 1981 (Eui. com, 2008). This growth has been attributed to China's efforts to become a global player (Rogers, 2008). China's consistent growth in GDP has given them an appearance of having a strong economy; in fact, theirs is one of the fastest growing in the world in terms of production. However, when we contrast their GDP against their population, China's GDP per capita is at the same level of a developing country (Culture Grams, 2008). Therefore, in relation to market efficiency, it is evident that the condition of China's economy is not as grand as reports may lead us to believe. Factors that contribute to this are the political system in China as well as the economic system.

## Defining Market Efficiency

Market efficiency is achieved when a society is able to put all of its resources to use in order to reach a full level of production. The resources that a society has to employ are labor, land, entrepreneurial ability, and capital (Campbell & Brue, 2004: 24). It has also been noted that market efficiency cannot be obtained unless there is a healthy level of competition present (Clark, 2007: 989).

## China's Political System

China's, known as the People's Republic of China, is lead by the Chinese Communist Party. In a communist system, the government owns most property, resources, and businesses. They make major decisions as to what

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and how much will be produced. In this type of system, leaders are not elected; they are appointed by the CCP and have emerged from within the ranks of the party (Eui. com, 2008). In this type of system there is belief that all resources should be allocated equally amongst the citizens, however this is most often times is not the case.

#### China's Economic System

In 1978 China initiated free market reforms, which was a major change in its economic system (Eui. com, 2008). It has been speculated that while China has appeared to make efforts to encourage a free market the government still maintains control over much of the businesses and the overall direction of the economy (Campbell & Brue, 2004: 33). Also, average incomes have increased over the past thirty years, but they do not experience an equal distribution of wealth as we would expect in a pure Communist System, which is a topic of importance to many citizens (Culture Grams, 2008).

#### China's Economic Condition

China's GDP has been growing steadily since 1981. In 2007 their GDP increased by 11. 4% over 2006, with imports and exports growing by 15. 5% and 19. 5% respectively. Fixed investments follow with a 12% increase, with private and government consumption up by about 8%. Along with GDP, inflation has also been on the rise which was reported to be at 6. 9% in 2007 (Eui. com, 2008). There is some debate over the accuracy of the economic data reported by China and many feel that the data is skewed. Some feel that they are dishonest in their reporting to increase the value of their currency and encourage foreign investments. However, there is no doubt that China has made great strides economically (Eui. com, 2008).

#### Conclusion

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There is no question as to whether China's economy is strong and growing at a rapid pace. However, we cannot ignore the fact that their per capita GDP is extremely low. While China has lead on that they encourage entrepreneurship, it is believed by many that the government picks and chooses those that will actually own those businesses and continues to have a stronghold over most privately owned organizations. Given the facts it is natural to contend that where market efficiency is concerned, China is not at the top of its game. In fact, their GDP per capita is comparable to nations with very low productivity. Therefore, it can be concluded that they are not fully employing their resources to the best of their abilities and that market efficiency has not been obtained as of this point in time.

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