

# The Challenges and Policies of Economic Growth in China

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## Abstract

Economics plays a pivotal role in the world and not only in terms of the ways in which societies produce, distribute, and use scarce resources but also, and perhaps more importantly, how people can improve the quality of their daily lives through the efficient allocation of those scarce resources (SOAS, 2018). Within this broader endeavor, economists attempt to generate insights into the complex idea of “the economy” and analyze the individual and aggregate behaviors that shape and inform our economic activities (The Economic Times, 2021, November 10). The resultant frameworks for understanding economic behavior and enhancing people’s quality of life provide possible solutions for mitigating many of the world’s social and economic challenges including poverty, environmental destruction, and wealth redistribution. Although economists do not provide a miracle cure for resolving these challenges, they certainly increase the possibilities for engaging with and addressing them in creative ways (Dellink, Rob, & Ruijs, 2008).

## Keywords

China, Economic Growth, Compulsory Education, Domestic Competitive Pressure, Chinese Culture

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## 1. Introduction of Chinese Economic Situation

Governments around the world look to economists to shape economic policy and to confront domestic economic problems. China is one example of a country that has utilized economic tools to accelerate economic growth, increase prosperity, and revive a stagnant economy. The resultant rapid growth in the Chinese economy has increased prosperity and led to an enhanced quality of life for its citizens (Harrison & Palumbo, 2019). Because of the extraordinary rate of economic development, in the last decade, China’s economy (total Gross Do-

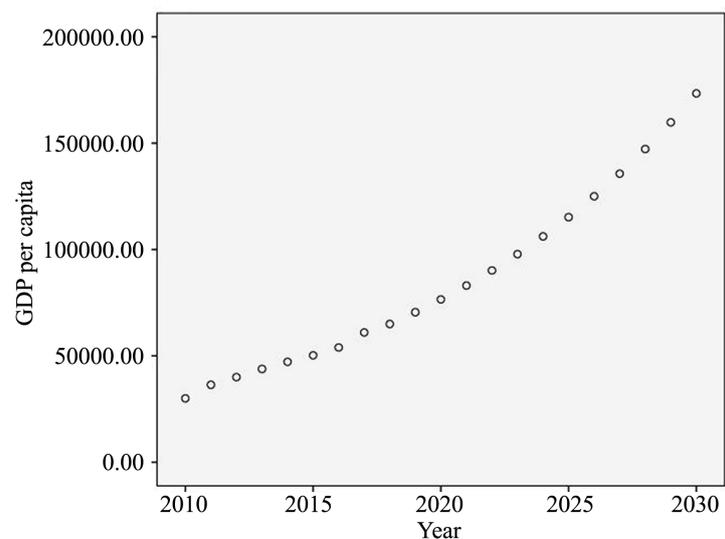
mestic Product, or GDP) has outpaced that of many European countries (*Global Times, 2021*). GDP per capita in China has also changed a lot throughout these last few years. **Figure 1** shows China's GDP per capita between 2000 and the 2030 prediction. As can be seen in the graph, Chinese GDP per capita showed a stable increase between 2010 and 2020. Forecasts predict that China's economy will grow further and result in even greater prosperity and social efficiency (*World Bank Group, 2021*).

## 2. Problems and Solutions to Chinese Economic Growth

A range of unique and innovative policies have set the tone for China's rapid economic transformation (*Every CRSR Report, 2019*). However, from my perspective, three main factors have been pivotal in securing China's dominant economic position in the world: the popularization of compulsory education, excessive domestic competitive pressure, and strong government spending. In this article, I will explain these factors and outline the ways in which they have underpinned Chinese economic growth. I will also explore the ways in which China can further develop these policies and accelerate development.

### 1) Wealth Gap and Education Policy

One of the primary issues that face China in its development trajectory is the wealth gap or the disparity between the rich and the poor. This problem has consequential effects on all levels of society, ranging from individuals and communities to social and business systems (*Goodman, 2021*). The popularization of compulsory education has aimed to reduce disparities in wealth through urban and rural integration, thus narrowing the social and economic gap between rural and urban areas (*Trines, 2019*). Through the implementation of compulsory education, people were encouraged to acquire basic literacy and vocational skills and to equip themselves with qualifications to increase prosperity, employment,

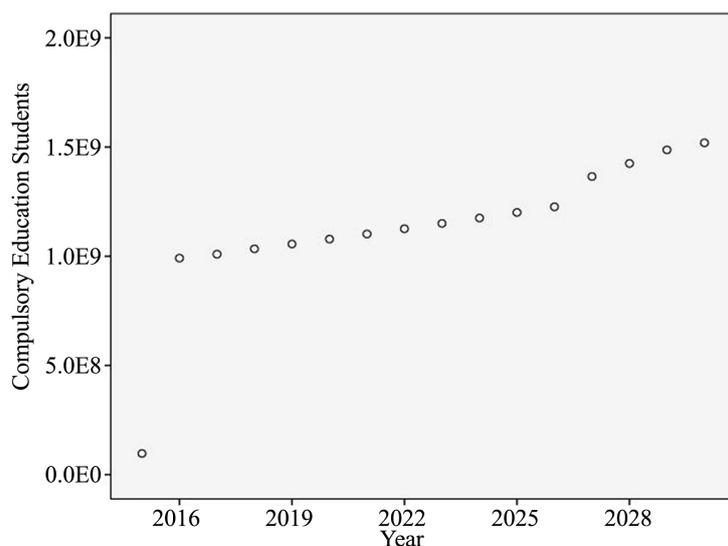


**Figure 1.** China's GDP per capita each year between 2000 and 2030 (The figure comes from OECD from 2000-2021 and predicted by mathematical model after 2021).

and quality of life (Chu, 2019). The implementation of this policy has also resulted in businesses having greater efficiency, output, and productivity since the workforce is better equipped to deal with the challenges businesses face in a complex economic environment (Zhou, 2012). In January 2001, the Chinese government announced that it had achieved its basic strategic goals of popularizing compulsory nine-year education targets and eliminating basic illiteracy. By November 2011, China announced that it had achieved the stated strategic goals of totally popularizing nine-year compulsory education and eliminating illiteracy (China.org.cn, 2011). The most recent policy directive from the Chinese government lays out the foundations for education provision within the context of a 12-year compulsory education plan (Beijing Review, 2009). **Figure 2** shows the number of students enrolled in compulsory education between 2016 and 2020. As can be seen from the graph, there has been a steady increase in students enrolled in compulsory education. Forecasts suggest that this trend will continue and there will be further huge increases in enrollments from 2026 onwards (Zhou, 2021).

The focus on compulsory education has had many positive social effects. A more educated population commits less crime and possesses a greater moral awareness, thus allowing the government to focus on priorities like building infrastructure, creating jobs, and increasing prosperity. More education also leads to a decrease in crime rates, resulting in less domestic spending on policing, safety, and security (Criminal Justice, 2020).

While the popularization of compulsory education in China can be viewed as a resounding success, there are several suggestions for its further development. The recent education policy focus has necessarily been on domestic education. This has many limitations for China as a global economic player. International business and trading are central components of China's strategic growth. The



**Figure 2.** Student enrollments in Compulsory Education in China 2016-2031 (The figure comes from OECD from 2011-2021 and predicted by mathematical model after 2021).

workforce needs to be equipped with international insights to maintain its competitive edge. For example, multinational corporations with diverse employees operating in China require Chinese employees that speak multiple languages, understand cultural diversity, and promote global values (Jian, 2016).

Also, Chinese companies that trade internationally need staff that can work within different cultural contexts and are equipped with inter-cultural sensitivity and communication skills. A lack of these skills and attitudes may result in negative impacts on the Chinese economy and on China's international reputation (OECD Education and Skills Today, 2014). Possible solutions to this challenge include encouraging a greater focus on Chinese students studying abroad and implementing a domestic curriculum that incorporates intercultural curricula (Wang, 2017). This would help avoid the pitfalls of a workforce culturally ill-prepared to address the challenges of an increasingly globalized world and help mitigate the idea of Chinese "self-seclusion". A more global and inclusive approach to education is also conducive to the development of expertise and connectedness with other educational institutions around the world through shared innovation and research (Lee & Yuan, 2018).

## **2) Domestic Competitive Pressure and Chinese Culture**

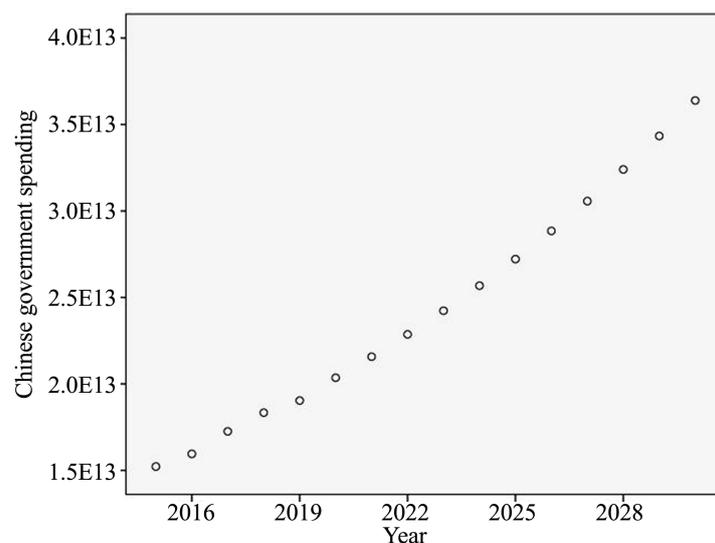
Another unique factor that has greatly influenced China's economic growth is excessive domestic competitive pressure. This term refers to several factors that drive internal competition in the context of an exceptionally large population and limited resources. For example, in 2010, 575.4 million students graduated from Chinese universities: this figure rose dramatically to over 874 million in 2020. These numbers demonstrate the extent of internal competitive pressure not only in terms of student places in higher education but also the availability of suitable jobs once students graduate (Leng, 2020). This has led to an ever-increasing demand on students to obtain higher qualifications and post-graduate credentials. Because of the lack of suitable jobs for highly qualified candidates, students may be forced to complete additional study while they secure their perfect job (Huang, 2019).

These choices must be set within a Chinese cultural context that is vastly different from that of Western countries. In general, people in China prefer to work and live in their own country with precedence given to the family network, in contrast to Western countries where, in general, there is no hindrance to living or working abroad and where the notion of family is not so strong (INSEAD, 2021). In addition, the Chinese people have an extraordinarily strong work ethic, informed by strong cultural attitudes towards productivity, overtime, and collectivism (Schwartz, 2021). An excessively large, qualified workforce has resulted in low labor costs and consequently, a lot of government focus has been on strengthening and reinforcing the primary, secondary, and tertiary sectors of the economy to provide employment opportunities and to create economic advantage (China Daily, 2020). Although this policy has been a resounding success as China has rapidly moved towards becoming a leading scientific and technologi-

cal powerhouse, clearly there are challenges in focusing solely on the development of technology and heavy industry. In the short term, the imbalance in the relative proportions of industrial sectors will not have a serious impact on the economy and may in fact be deemed economically progressive and prudent. However, in the medium to long term China is at risk of becoming increasingly homogenous in talent, exports, and employment patterns. This may ultimately lead to less innovation and stagnancy in the workforce's skills and competencies (Cao, 2004). In addition, this homogeneity may lead to an over-reliance on imports and may bring downward pressure on the economy. Therefore, it is essential for the Chinese government to design policies that promote industrial diversification while focusing on the increased development of vocational and technical colleges to cultivate talents in various fields. This will help to diversify both the workforce and the economy and will help to mitigate potential problems in the future (Nomura, 2020).

Another vital factor that has generated strong economic growth in China is government spending. The centrality of government spending in economic development cannot be stressed enough. A country cannot grow without increased government spending (Putri, 2018). As illustrated in **Figure 3**, the growth rate of total government expenditure was much higher than the other two factors (the popularization of compulsory education and excessive domestic competitive pressure) and it is predicted that this increase will continue into the near future.

It is important to explore the distribution of government spending in China and to identify how the Chinese government uses fiscal policy to target specific demands, challenges, and developmental needs. Government spending has not only significantly impacted economic growth but has also improved living standards and social mobility (St. Louis Fed, 2018). A case in point is expenditure on education, which has provided the population with cultural capital in terms of



**Figure 3.** Chinese government expenditure from 2011-2035 (The figure comes from OECD from 2011-2021 and predicted by mathematical model after 2021).

enhanced knowledge and expertise. It has also equipped the Chinese people with skills, employability and the potential for social mobility. These changes have several positive economic effects including greater productivity, lower unemployment and greater general prosperity (Hass, 2021). Another area of increased government spending is the development of fundamental infrastructure. This has been one of the most important components of Chinese economic policy and it has been very influential in driving sustained growth in China's economy. "Build roads if you want to get rich" is a popular idiom among Chinese people. The most immediate effect of infrastructure development has been providing greater convenience to the Chinese population. A secondary effect has been the development of industries servicing and using enhanced infrastructure, such as tourism, the textile and the catering industries. Infrastructure development projects have been involved in constructing new roads, airports, ports, and bridges. They have provided a lifeline to industry and ample employment opportunities for the population (Rodgers, 2021).

In the future, I believe that the Chinese government will continue to increase expenditure, especially investment in heavy industry and the high-tech sectors. Sustained and well-planned spending will create the conditions for China to emerge not only as a strong regional but also global economic player to be reckoned with.

### 3. Summary

To summarize, the factors outlined give us some sense of the complex combination of economic, social, and cultural factors that have given rise to strong economic growth in China. Although there are several obstacles that hinder the economic growth rate, such as the increasing population, trade wars and the monopolistic power of state companies, the Chinese government has implemented policies that are uniquely Chinese to solve these issues. The popularization of education, excessive domestic competitive pressure and government spending are all strategic ways in which the government has sought to address its specific national challenges. If China maintains its current rate of development and continues to address its unique difficulties, there is little doubt that it has the potential to enjoy sustained growth and increasing prosperity for its population.

### Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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