

Unveiling China's Economic Miracle: The Role of Implicit Government Support

China's economic rise has been nothing short of astonishing. In a matter of decades, the country has transformed itself from an agrarian society to a global economic powerhouse. While market forces have played a significant role in this transformation, the role of the government cannot be overstated. Implicit government support has been a key driver of China's economic success.

Nurturing Measures

The Chinese government has implemented a wide range of policies to nurture the economy. These policies have included:



China's Guaranteed Bubble: How Implicit Government Support Has Propelled China's Economy While Creating Systemic Risk

★★★★☆ 4.3 out of 5

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Screen Reader : Supported
Enhanced typesetting : Enabled
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Print length : 337 pages



- **State-owned enterprises (SOEs):** SOEs have played a dominant role in the Chinese economy, particularly in key sectors such as banking,

energy, and transportation. These enterprises have benefited from government subsidies, preferential access to capital, and protection from competition.

- **Industrial policy:** The government has actively guided the development of the economy through industrial policy. This has involved targeting specific industries for support, providing subsidies and other incentives, and restricting foreign investment in certain sectors.
- **Infrastructure investment:** The government has made massive investments in infrastructure, including roads, railways, airports, and ports. This investment has helped to reduce transportation costs, improve connectivity, and create jobs.

These nurturing measures have helped to create a favorable environment for businesses to operate and grow. They have also allowed the government to maintain a high degree of control over the economy.

Coercive Measures

In addition to nurturing measures, the Chinese government has also used a range of coercive measures to shape the economy. These measures have included:

- **Subsidies and tax breaks:** The government has provided subsidies and tax breaks to favored industries and businesses. This has helped these businesses to lower their costs and increase their profitability.
- **Restrictions on foreign investment:** The government has restricted foreign investment in certain sectors, such as banking and

telecommunications. This has protected domestic companies from competition and allowed them to grow.

- **Government procurement:** The government has used its procurement power to favor domestic companies. This has helped these companies to gain market share and grow.
- **Repressive labor policies:** The government has repressed labor unions and limited workers' rights. This has kept wages low and made it easier for businesses to profit.

These coercive measures have helped the government to maintain control over the economy and achieve its economic goals. However, they have also created distortions in the market and limited the growth potential of the private sector.

The Future of Implicit Government Support

The future of implicit government support in China is uncertain. The government is facing pressure from both domestic and international actors to reduce its intervention in the economy. At the same time, the government is aware that implicit government support has been a key driver of China's economic success.

It is likely that the government will continue to provide some level of implicit government support, but it is also likely that this support will be reduced in the years to come. The government is likely to focus on nurturing measures that promote market competition and innovation, while reducing coercive measures that distort the market and limit the growth potential of the private sector.

Implicit government support has played a key role in China's economic rise. The government has used a combination of nurturing and coercive measures to shape the economy and achieve its economic goals. While the future of implicit government support is uncertain, it is likely that the government will continue to provide some level of support, but this support is likely to be reduced in the years to come.

As China continues its economic development, it will be important for the government to strike a balance between providing support for the economy and allowing the market to operate freely. This will be a challenge, but it is one that China must face if it wants to continue its economic success.



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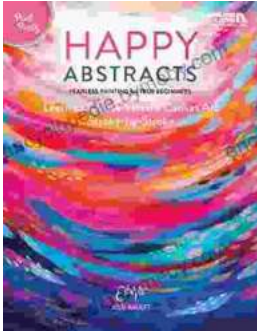
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