

[China and the West](#) [1]

Written by [Dr Eamonn Butler](#) [2] | Thursday 30 June 2011



The visit of the Chinese premier Wen Jiabao to the UK this week naturally makes one ponder the role of China in the world economy. After years of China selling us cheap clothing and electronics, British and American consumers are getting used to paying a lot more for their imports as their currencies slide gracefully towards oblivion, thanks to quantitative easing. In China, meanwhile, the expansion of the cities and the movement of people off the land is turning the economy more middle class ? more interested to supply its own needs rather than be cheap producers for the rest of the world.

British and, particularly, American influence in world affairs has been given a knock by the financial crisis. China was already catching up fast, in terms of overall GDP at least, if not per-capita. The crisis is just hastening the eclipse of the West. The old G8 hardly matters these days, it is the G20 that pushes the world economic agenda. Indeed, the emerging economies of Brazil, Russia, India, China, Mexico, Indonesia and Turkey are becoming a power in themselves. And Europe is of course embroiled in its own crisis, thanks not so much to the banking crisis as to the inconsistencies of the single currency.

On the other hand, the West's self-inflicted hurt is not really good news for China. It has its own problems. Its decades-long manipulation of the exchange rate has produced a lot of them. Inflation is alarmingly high. Growth has slowed as China's customers, like America, have been spending less. Commodity prices are rising again as other parts of the world recover. It has a terrible demographic problems, with its ageing population and one-child policy. And when you go to China and see millions of them jabbering into their mobile phones, you wonder how the central administrators in Beijing think they can resist the rise of democracy. Sure, China is growing, more of its population are being taken out of poverty, its muscle in world affairs is getting stronger. But it would be a lot stronger still if it maintained more sensible economic policies, rather than its politicians thinking that they can defy economic laws of gravity. If China *really* goes capitalist, we had better all watch out.

[blog comments powered by Disqus](#) [4]

Source URL: <http://www.adamsmith.org/blog/environment/china-and-the-west>

Links:

[1] <http://www.adamsmith.org/blog/environment/china-and-the-west>

[2] <http://www.adamsmith.org/authors/dr-eamonn-butler>

[3] http://disqus.com/?ref_noscript

[4] <http://disqus.com>