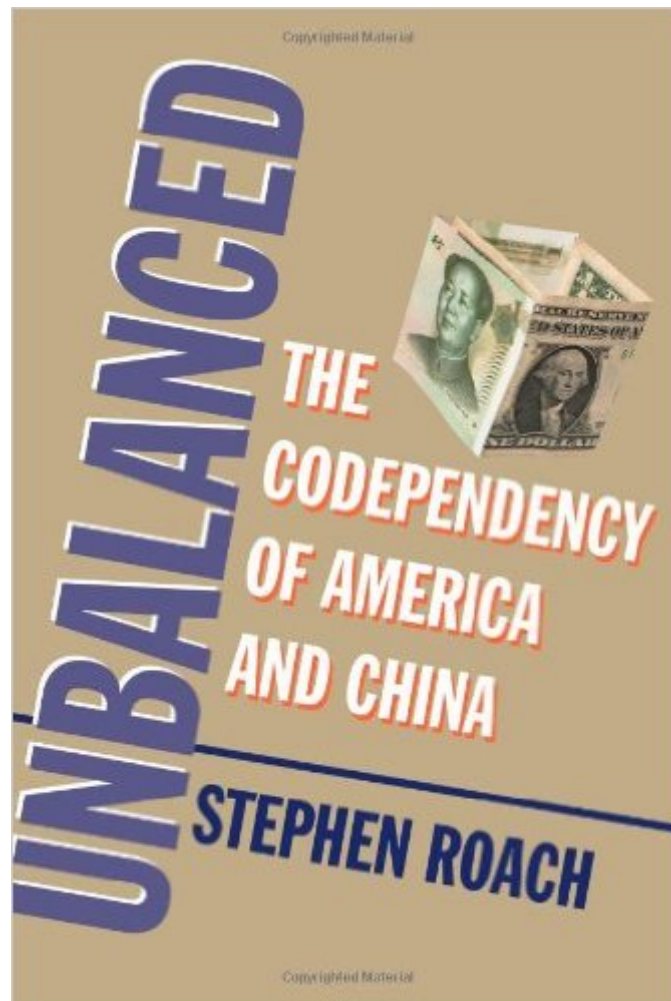


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# Unbalanced: The Codependency Of America And China



## Synopsis

The Chinese and U.S. economies have been locked in an uncomfortable embrace since the late 1970s. Although the relationship initially arose out of mutual benefits, in recent years it has taken on the trappings of an unstable codependence, with the two largest economies in the world losing their sense of self, increasing the risk of their turning on one another in a destructive fashion. In *Unbalanced: The Codependency of America and China* Stephen Roach, senior fellow at Yale University and former chairman of Morgan Stanley Asia, lays bare the pitfalls of the current China-U.S. economic relationship. He highlights the conflicts at the center of current tensions, including disputes over trade policies and intellectual property rights, sharp contrasts in leadership styles, the role of the Internet, the recent dispute over cyberhacking, and more. A firsthand witness to the Asian financial crisis of the late 1990s, Roach likely knows more about the U.S.-China economic relationship than any other Westerner. Here he discusses: Why America saving too little and China saving too much creates mounting problems for both; How China is planning to re-boot its economic growth model by moving from an external export-led model to one of internal consumerism with a new focus on service industries; How America, shows a disturbing lack of strategy, preferring a short-term reactive approach over a more coherent Chinese-style planning framework; The way out: what America could do to turn its own economic fate around and position itself for a healthy economic and political relationship with China; In the wake of the 2008 crisis, both unbalanced economies face urgent and mutually beneficial rebalancings. *Unbalanced* concludes with a recipe for resolving the escalating tensions of codependence. Roach argues that the Next China offers much for the Next America "and vice versa."

## Book Information

Hardcover: 344 pages

Publisher: Yale University Press (January 28, 2014)

Language: English

ISBN-10: 0300187173

ISBN-13: 978-0300187175

Product Dimensions: 6.1 x 1.1 x 9.2 inches

Shipping Weight: 1.4 pounds

Average Customer Review: 4.3 out of 5 stars See all reviews (20 customer reviews)

Best Sellers Rank: #640,755 in Books (See Top 100 in Books) #132 in Books > Politics & Social Sciences > Politics & Government > International & World Politics > Trades & Tariffs #139

## Customer Reviews

For decades the U.S. and China relied on a 'marriage of convenience' that guaranteed China a huge market for exports, while American consumers received a cornucopia of inexpensive products and a buyer of its debt. Roach basically contends that it's time for the two nations to switch identities - more savings and less consumption in the U.S., less savings and more consumption in China. The new China is here, yet we're fixated on the old China. China is now moving to a more balanced consumer-led growth model via services-led job growth (China's services sector overtook the combined shares of manufacturing and construction as the economy's largest segment in 2013), urbanization-driven income leveraging, and a stronger social-safety net. Services generate about 30% more jobs/output unit than do manufacturing and construction, allowing China to meet its labor absorption and social stability goals with economic growth of only 7-8%. China now has the smallest services sector of any major economy, and Roach sees it possibly increasing by about \$12 trillion by 2015, providing an opportunity for the U.S. Roach suggests pursuing that opportunity rather than continued Chinese currency bashing - reality is we had deficits with 102 nations in 2012 which Roach contends is the result of a U.S. savings gap. Besides, the renminbi has risen 35% since 7/2005 and its current account surplus is less than 3% of GDP. Roach would also like to see cyberattack issues raised to high-priority status. As for rebalancing - China needs to save less and consume more, and the U.S. the opposite. Phasing out the one-child policy and reforming the residential permit system (hukou) are early steps; another is earmarking 30% of China's SOE profits for funding its safety net programs.

I understand that Stephen Roach is one of the most widely respected economic analysts, and he's generally managed to resist popular \_optimistic\_ bromides that have had wide circulation. Roach has won a lot of respect for avoiding the "this time is different" disease, or "privatization = magic"(1) dogma that still seems to dominate Western economic thought. Still, whatever one thinks of his overall worldview, this book came as a great disappointment. A: CONVENTIONAL THINKING Take pretty much every mainstream media interpretation of economics, when times were bad: those interpretations are here. For example, he treats economic policy for both countries as exogenous, meaning decisions are wholly outside the economic systems of both countries. Other readers may disagree with me here, but I felt that Mr. Roach was content to treat the countries' policy choices as

emerging from on high, and imputed them to simple delusions by the presumed architect. Unsurprisingly, US policymakers were supposedly weak, pandering to a sheeplike public with a distaste for sacrifice (2). In contrast, the authorities in reform-era China are mostly wise and far-sighted--they are supposed to be able to avoid adverse political feedback.(3)Additional aspects of conventional economic thinking are: fallacies of composition in the sectoral balances of the US/Chinese economies, equating the loss of the gold standard as a moral failing of the nation, trade deficits as a decline in moral character (mostly) and so on.

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