

A CFRED Roundtable Discussion

Is China Ready to Replace the US as the World's Leading Economy? – A Legal Perspective



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The Projected Economic Overtaking

On 27 December 2011 *The Economist Online* noted: “Our best guess for the next decade is that annual GDP growth averages 7.75% in China and 2.5% in America, inflation rates average 4% and 1.5%, and the yuan appreciates by 3% a year. Plug in these numbers and China will overtake America in 2018.”

Jorgenson & Vu (2011) agree with the 2018 projection. The IMF has projected takeover at 2016, *World Economic Outlook*, April 2011.

Some Roles of Law

- At least since 1215, the rule of law has been understood as useful to guarantee both human and property rights.
- The US set forth guarantees in 1787 that have been replicated in constitutions and human rights treaties around the world.
- A system of checks and balances subjects all players to limited roles defined in law, with discretion exercised “under” the law.
- The legal protection of property rights is seen as essential to economic development; however economists and jurists have increasingly seen cultural institutions as equally important.
- Niall Ferguson argues that the US does not have a “rule of law” but a “rule of lawyers” in that the legal system does not serve society as much as it does the legal profession.
- The US has long experienced a backlash against litigiousness and yearned for some sort of common ground or “harmony”.

Four more questions:

1. For an acceptable society, do we care about “rule of law” or ultimately about the reasonable behavior of others?
2. Legal realism has shown that law, both on the books and as enforced, reflects social and political power: does the US mask socio-economic power with complex and expensive recourse to equal justice under law?
3. Can a consensus-based framework for enforcing promises, a “highly encompassing organization” (Olson) ultimately lead to better results than judicial machinery?
4. Does China have a “highly encompassing organization,” or is “harmony” just a front for serfdom?

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