

## Law and Political Economy in China's New Era (17 September 2024)

In recent decades, China's legal and economic landscape has undergone profound transformation, shifting from a system characterized by state control to one increasingly influenced by market dynamics. The intricate relationship between law and political economy in this context is both compelling and multifaceted. Understanding this transformation requires a deep exploration of the complexities of China's unique reality, where perspectives are inevitably shaped by global viewpoints and historical contexts. Responding to this urgent need for dialogue, the Centre for Chinese and Comparative Law at the City University of Hong Kong hosted a seminar titled "Law and Political Economy in China's New Era." We were honored to invite **Professor Tami Groswald Ozery** as the esteemed speaker, with **Professor Jiangyu Wang** and **Professor Lauren Yu-Hsin Lin** participating as discussants. Together, they explored the critical intersections of contemporary Chinese legal frameworks and economic policies, illuminating their far-reaching implications for scholars, policymakers, and practitioners alike.

The seminar was opened by **Professor Virginia Harper Ho**, who skillfully moderated the proceedings.

**Professor Tami Groswald Ozery** currently serves as an Assistant Professor at the Hebrew University of Jerusalem, Israel. Prior to joining the Hebrew University, she was a Grotius Fellow at the University of Michigan Law School and a Research & Teaching Fellow at Harvard Law School, where she also edited the Harvard Law School Forum on Corporate Governance. Her research focuses on Chinese corporate governance, cross-border investments, and party-state market relations. Before embarking on her academic career, Professor Ozery worked in the China department of a leading Israeli law firm.

The seminar was grounded in Professor Ozery's newly published book, "Law and Political Economy in China: The Role of Law in Corporate Governance and Market Growth" (Cambridge University Press, 2023). In her book, Professor Ozery argues that traditional views on corporate governance, which emphasize legal protections of private property as prerequisites for financial development and economic growth, do not seem applicable to the development of the Chinese market.

During China's "Legalized Politicization Era" (2010–present), the country has achieved significant economic growth while maintaining market control, state ownership, and relatively weak legal institutions. Informal mechanisms and functional substitutes have provided credible assurances to investors, filling the gaps left by formal law. This era is characterized by a significant reconfiguration of market governance to address the challenges posed by prior state

capitalism, including the increasing presence of the regulatory state in the market and the direct transfer of substantial market governance powers to upper-level authorities.

The proven effectiveness of these substitutes in practice has led many observers to overlook the role of law in China's economic rise, perceiving legal institutions as mere window dressing. Recent trends of tightening market controls and the growing influence of political institutions within firms have further reinforced skepticism regarding the importance of law in China's socialist market economy. Professor Ozery calls for a reevaluation of this perspective, asserting that laws and legal constructs, including China's corporate governance framework, have played a crucial role in the country's market development.

Consequently, Professor Ozery proposes a new analytical framework that emphasizes the dual functions of law—economic and political—and analyzes the relationship between formal law and market development through the lens of political power dynamics. By integrating insights from law and development, political economy, and corporate governance, the book aims to elucidate the complexities of China's corporate legal reforms and their impact on economic growth.

During the discussion, the audience engaged actively and thoughtfully with the content. Many attendees resonated with Professor Ozery's insights on the evolving role of law in China's market governance. One participant emphasized the relevance of these discussions for understanding global economic integration, stating, "This seminar provided an important framework for analyzing China's impact on international law and markets."

The seminar offered valuable insights into the legal and political frameworks shaping China's market dynamics, fostering deeper understanding among attendees and stimulating further discussion on these critical issues. In taking an interdisciplinary analytical approach that weaves together law and development theories, it sheds new comparative light on a long-standing debate about the role of law in economic development and about the possible varieties of growth-supporting governance mechanisms. Professor Ozery's research not only challenges existing assumptions but also provides a comprehensive interdisciplinary analysis of how law, politics, and economic outcomes interact in contemporary China.



**Professor Virginia Harper Ho; Professor Tami Groszwałd Ozery**



**Professor Jiangyu Wang; Professor Virginia Harper Ho; Professor Lauren Lin Yu-Hsin; Professor Tami Groszwałd Ozery**

