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The faith of Australian policymakers and business leaders in communist China to keep delivering record growth is touching. Just as they assume the sun will rise tomorrow, so too do they believe those responsible for setting China's exchange rate, making five-year plans and running their vast state-owned enterprises will keep doing a great job.

When it comes to Australian economic policy, of course, their faith in China's ability to centrally plan is replaced with the certainty that only unfettered market forces can deliver growth and prosperity for Australia.

While public ownership of strategic assets and strict control of the banks may work a treat for China, the opposite is apparently the case here. Only by privatising government assets, deregulating labour markets and lowering taxes, we are told, can we deliver good outcomes for Australians.

China has sought to keep its exchange rate low to diversify its economy. The growth in Chinese manufacturing which is driving demand for our iron ore and coal is a result of the low value of the yuan. Yet in Australia, as our dollar has risen from below US60¢ to above parity we have been told the high dollar is a sign of strength . . . except for our manufacturing industries.

While our simultaneous faith in central planning's ability to deliver in China and laissez faire capitalism to deliver in Australia is rarely discussed, the inherent philosophical confusion does have significant consequences for Australian politicians and policy-makers. Just look at the current debate about market liberalisation for wheat.

The allegedly interventionist Labor government has accepted the Productivity Commission's recommendation that the Australian Wheat Export Authority be abolished so market forces can flourish. The allegedly free-market Liberals are opposed to such deregulation, arguing that market forces can't be trusted.

The farmers themselves are divided. In Western Australia where the wheat farmers own the port infrastructure through the giant CBH co-op, they think deregulation would be a great idea. But in the eastern states, where the farmers sold off their stake in port and transport infrastructure years ago, they think a statutory monopoly for wheat exporting is a much better idea.

Modern political debate typically starts from the premise there are only two sides for every economic issue; you either support free market or you are an old-fashioned interventionist. But a close look at our relationship with China highlights not just how simplistic this view is, but how illogical. Consider their approach to strategic resources.

Chinese government-owned firms are scouring the world, building and buying up large mineral deposits, particularly in Africa. They have also put restrictions on the export of rare earths from their own country.

Similarly, they have been securing large amounts of food and fibre producing land across the world. Such a strategy does not just secure the raw materials a growing Chinese manufacturing sector needs, it allows them to spread their geopolitical risk across the globe rather than relying heavily on a particular region.

Of course, China is not alone in this approach to resource security; the US presence in the Middle East has as much to do with energy security as it does with world peace.

Our approach to food and energy security, on the other hand, is to place faith in the capacity of multilateral trade bodies to ensure the world market will always deliver the resources we wish to buy. While such a strategy works well at a time when the world values our exports highly, it is not clear how successful it will be when the terms of trade swing the other way.

Chinese demand for our resources, combined with foreign capital flooding into Australia to build even more mines, has driven the dollar to record highs. But while business groups complain about “competitiveness” they have been virtually silent about the need to lower the exchange rate. Rather than call for exchange rate controls (like the Chinese have) or restrictions on the rate of mining developments (like the Chinese have) the business community has focused its attention on the potential impact of our tiny carbon price or the need for more tinkering with our IR laws.

Economic policy development should be a lot more nuanced than economic theory, and it certainly should be a lot more nuanced than contemporary political debate. That said, the need for nuance is not a justification for fundamental philosophical confusion.

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