

What Makes China Grow? 中國成長的動力

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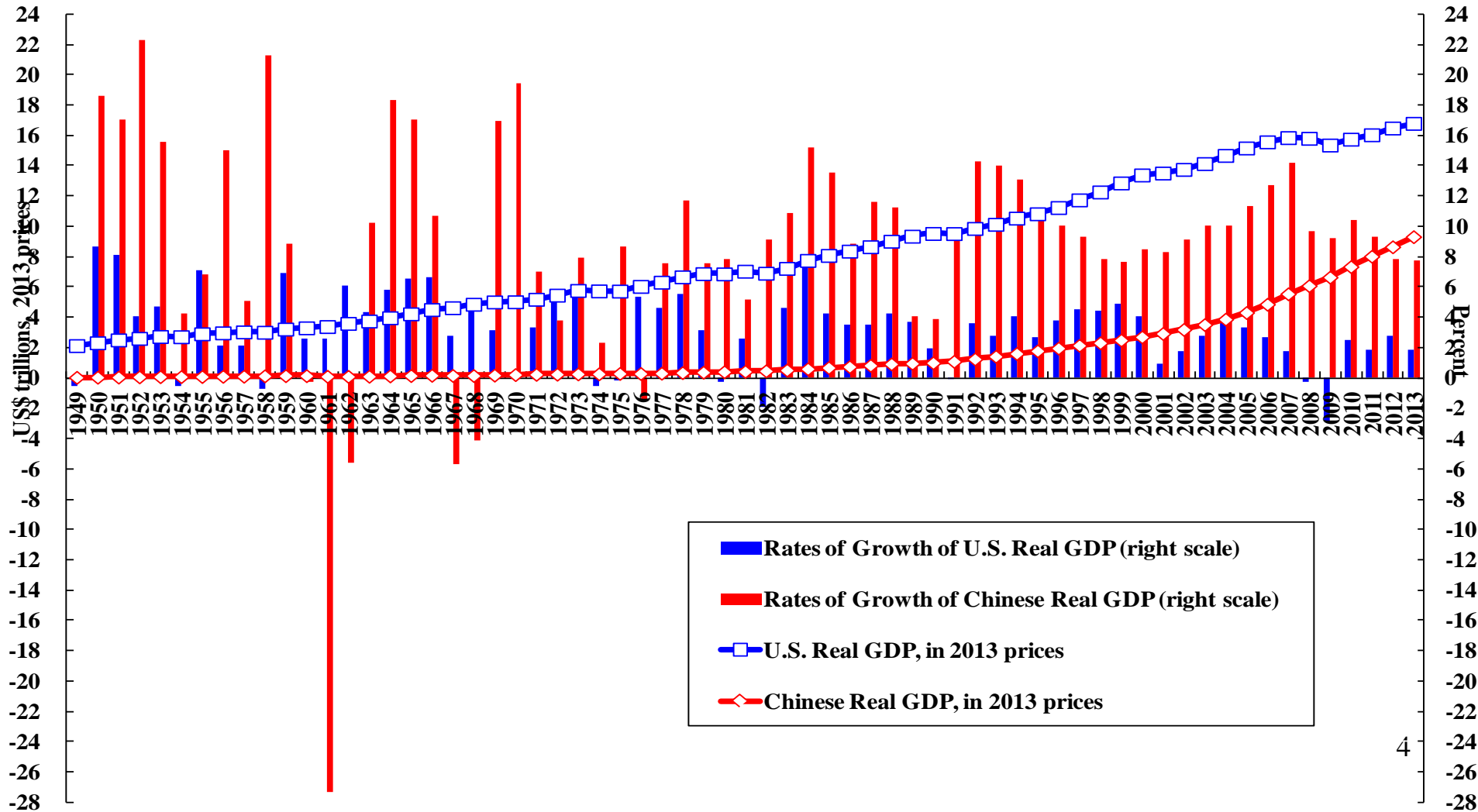
Outline

- ◆ Introduction
- ◆ The Chinese Economic Fundamentals
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- ◆ Reform without Losers--The Chinese Strategy for Economic Reform
- ◆ The Transition from a Centrally Planned to a Market Economy
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- ◆ Towards a Surplus Economy
- ◆ The Short-Term Economic Outlook
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- ◆ Concluding Remarks

Introduction

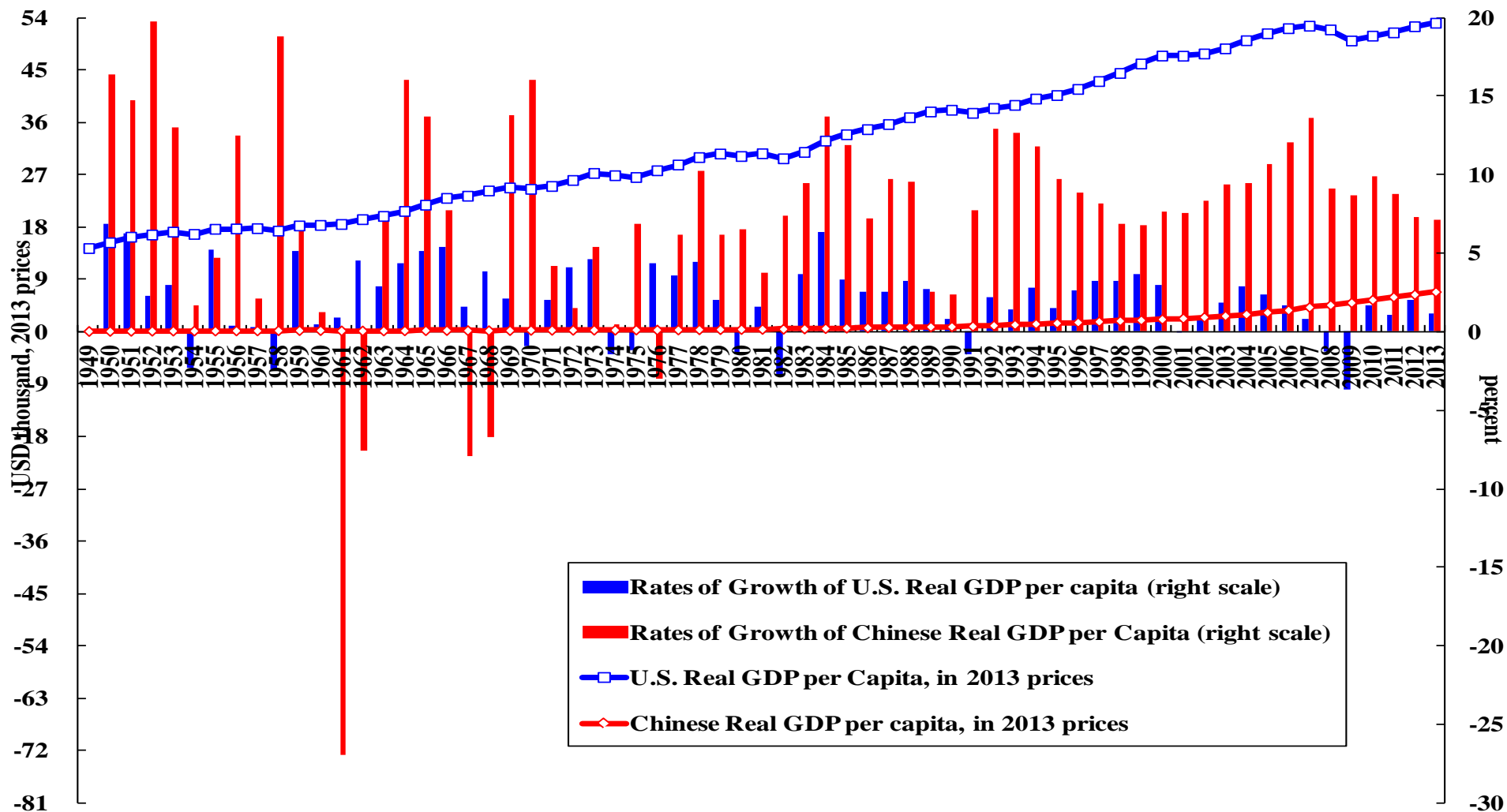
Chinese and U.S. Real GDPs and Their Rates of Growth (2013 US\$) since 1949

The Real GDP and Its Annual Rates of Growth of China and the U.S.
(trillion 2013 US\$)



Chinese and U.S. Real GDP per Capita and Their Rates of Growth (2013 US\$) since 49

Real GDP per Capita and their Annual Rates of Growth of China and the U.S.,
(thousand, 2013 US\$)



Chinese and U.S. International Trade and Their Rates of Growth (US\$) since 1970

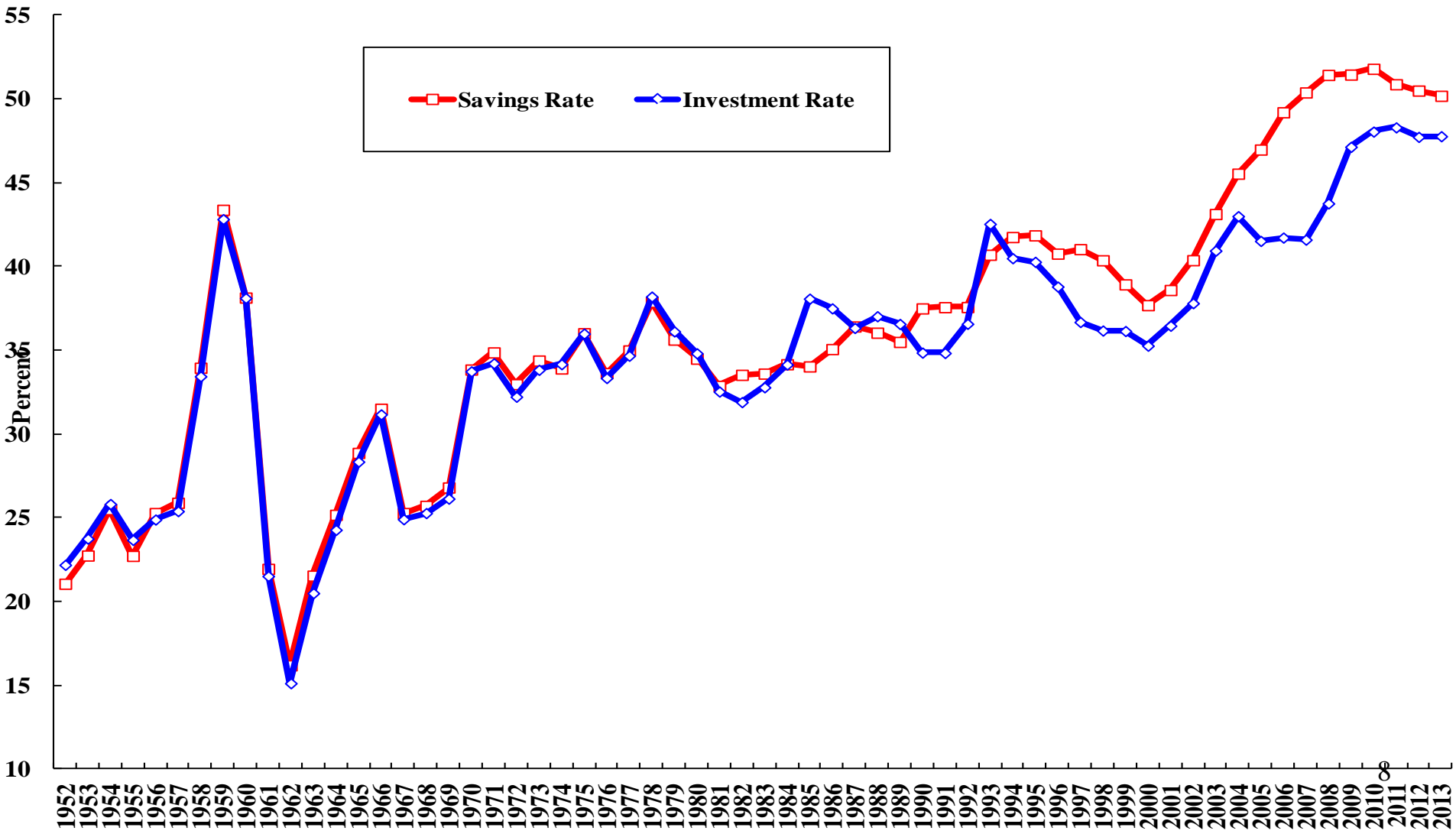
The Value of International Trade and Its Rate of Growth:
A Comparison of China and the U.S.



The Chinese Economic Fundamentals

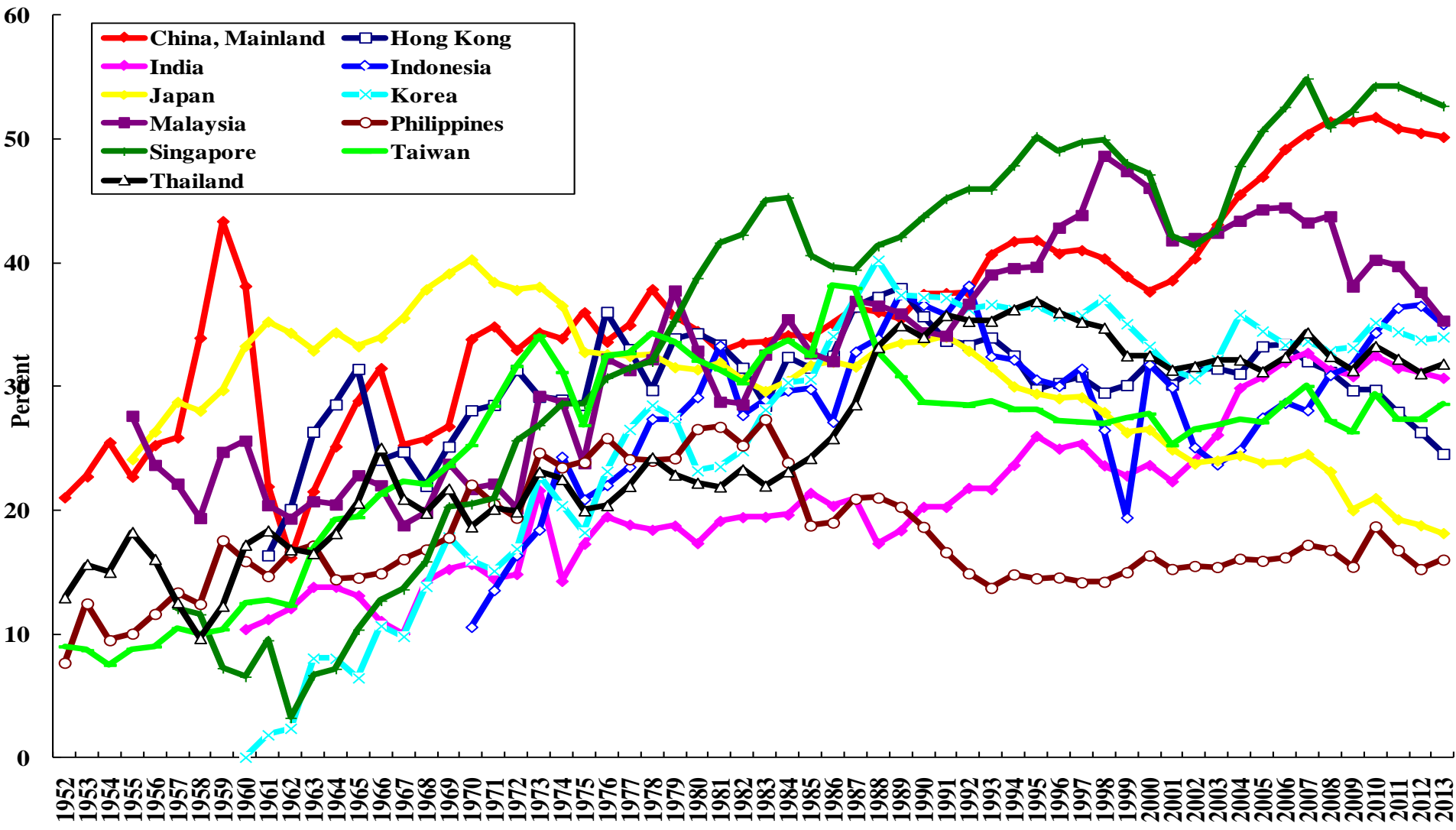
Chinese National Saving and Gross Domestic Investment as Percents of GDP

Chinese National Savings and Gross Domestic Investment as a Percent of GDP since 1952



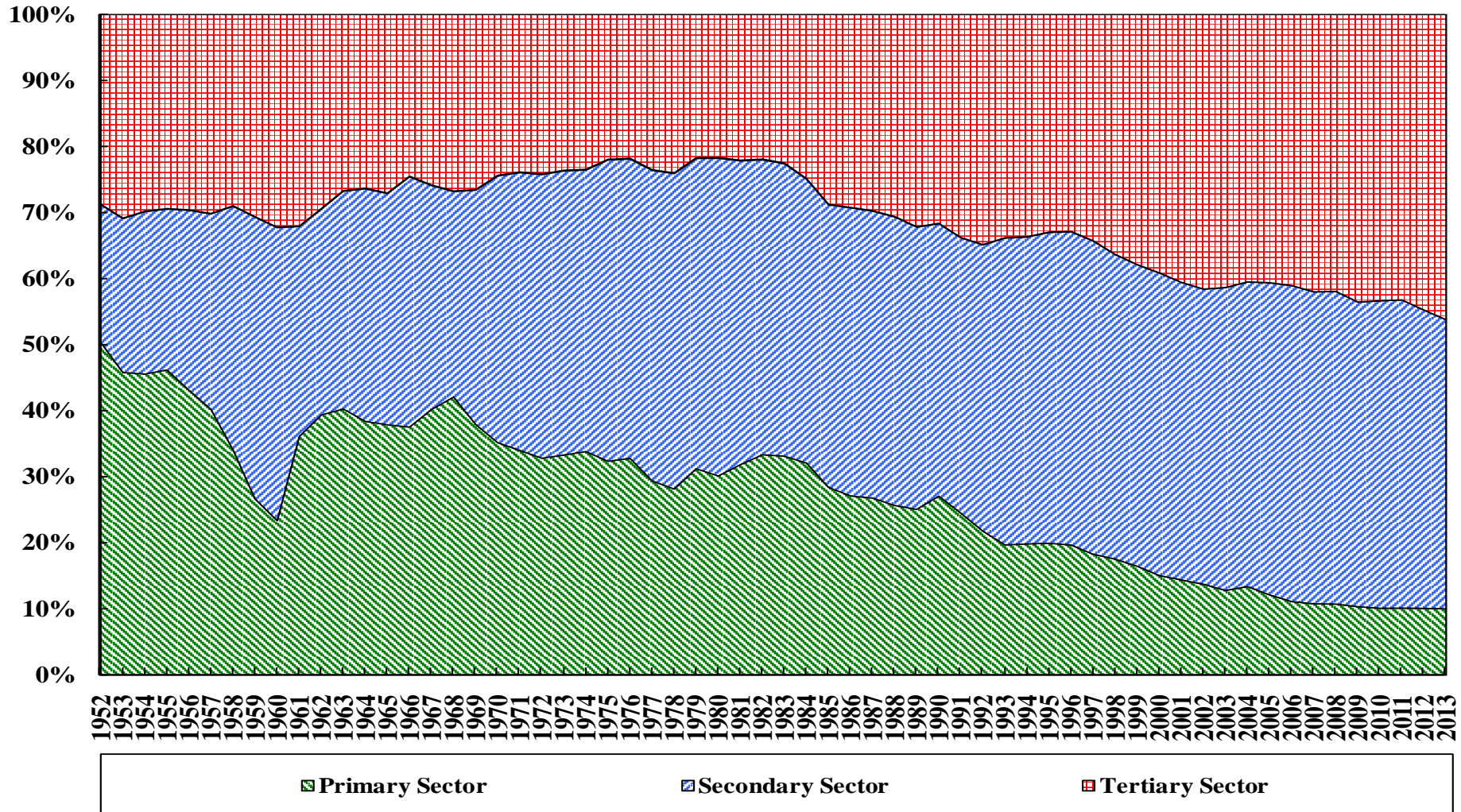
Saving Rates of Selected Asian Economies, 1952-present

Savings Rates of Selected East Asian Economies



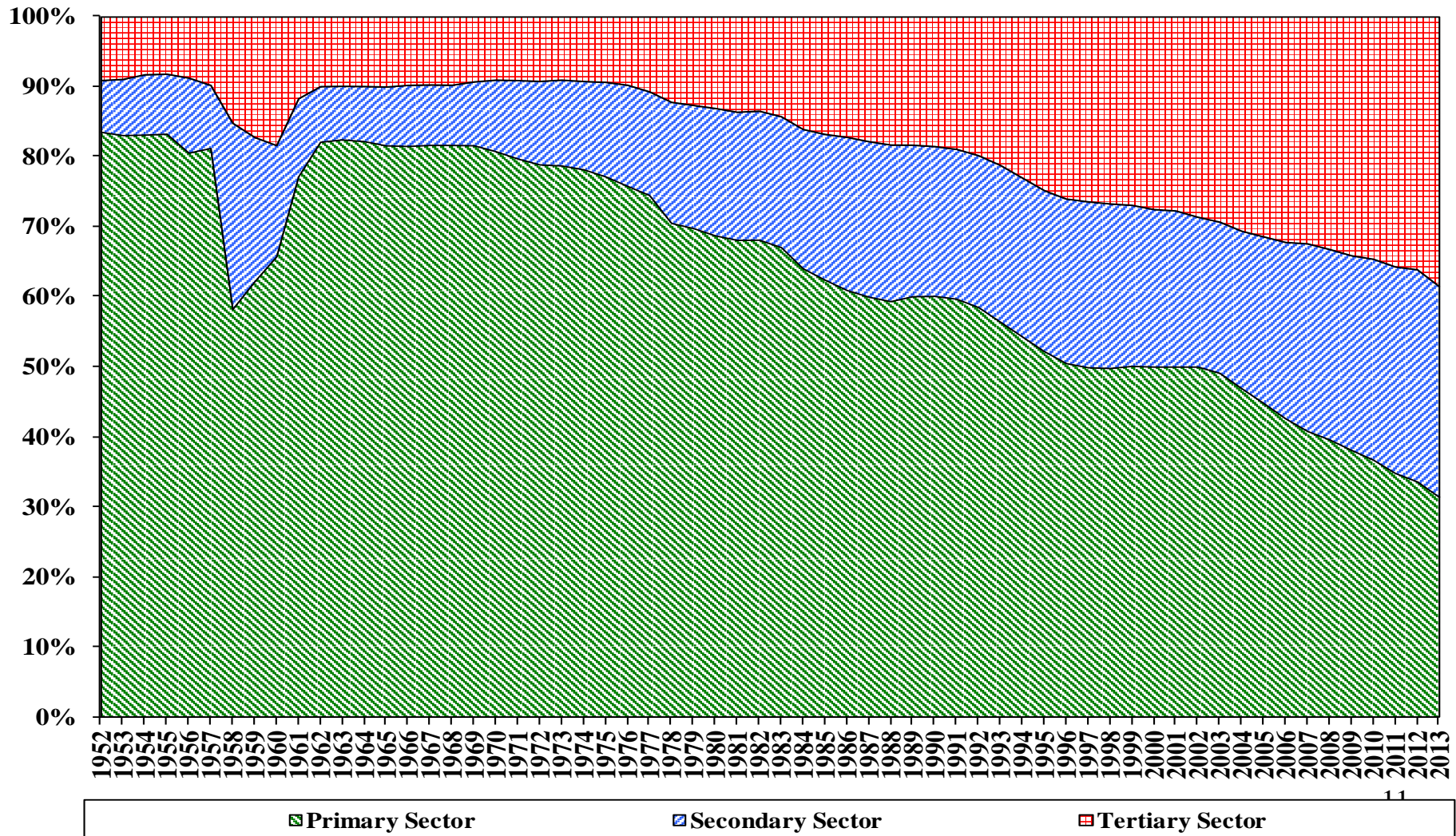
The Distribution of Chinese GDP by Originating Sector since 1952

The Distribution of GDP by Sector



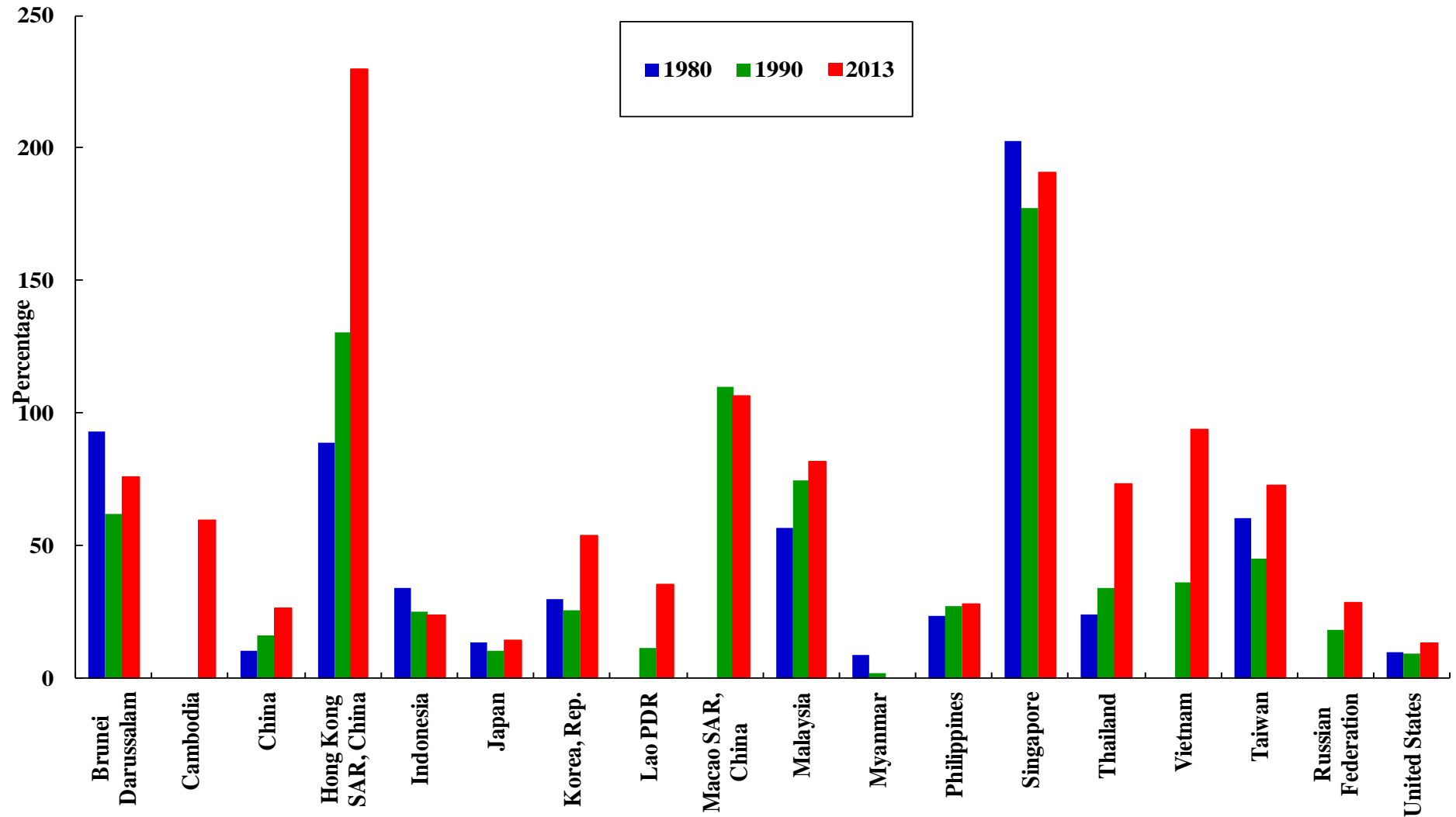
The Distribution of Chinese Employment by Sector since 1952

The Distribution of Employment by Sector since 1952



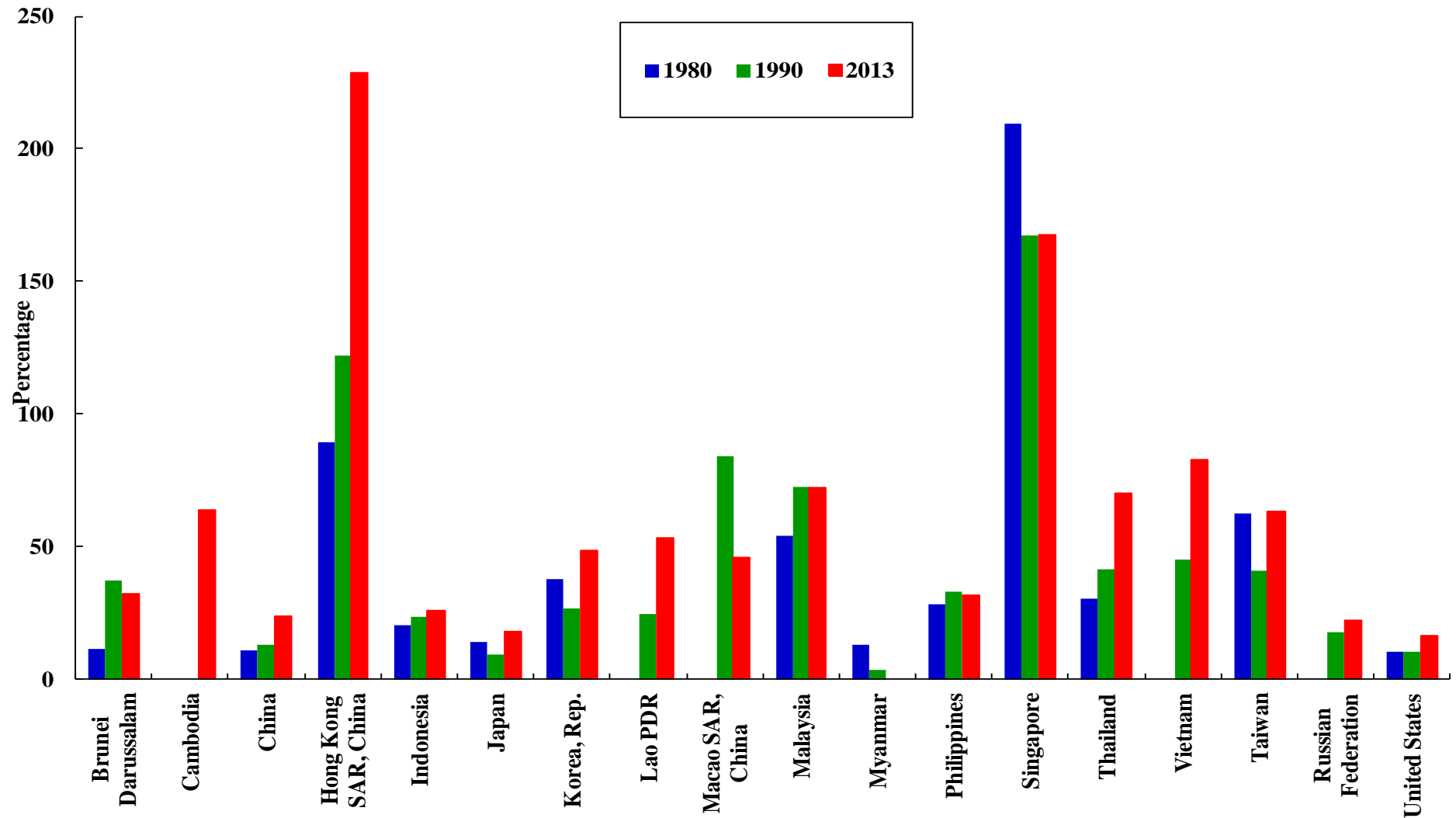
Exports of Goods and Services as a Percent of GDP: Selected Economies

Exports as a share of GDP of East Asian Economies



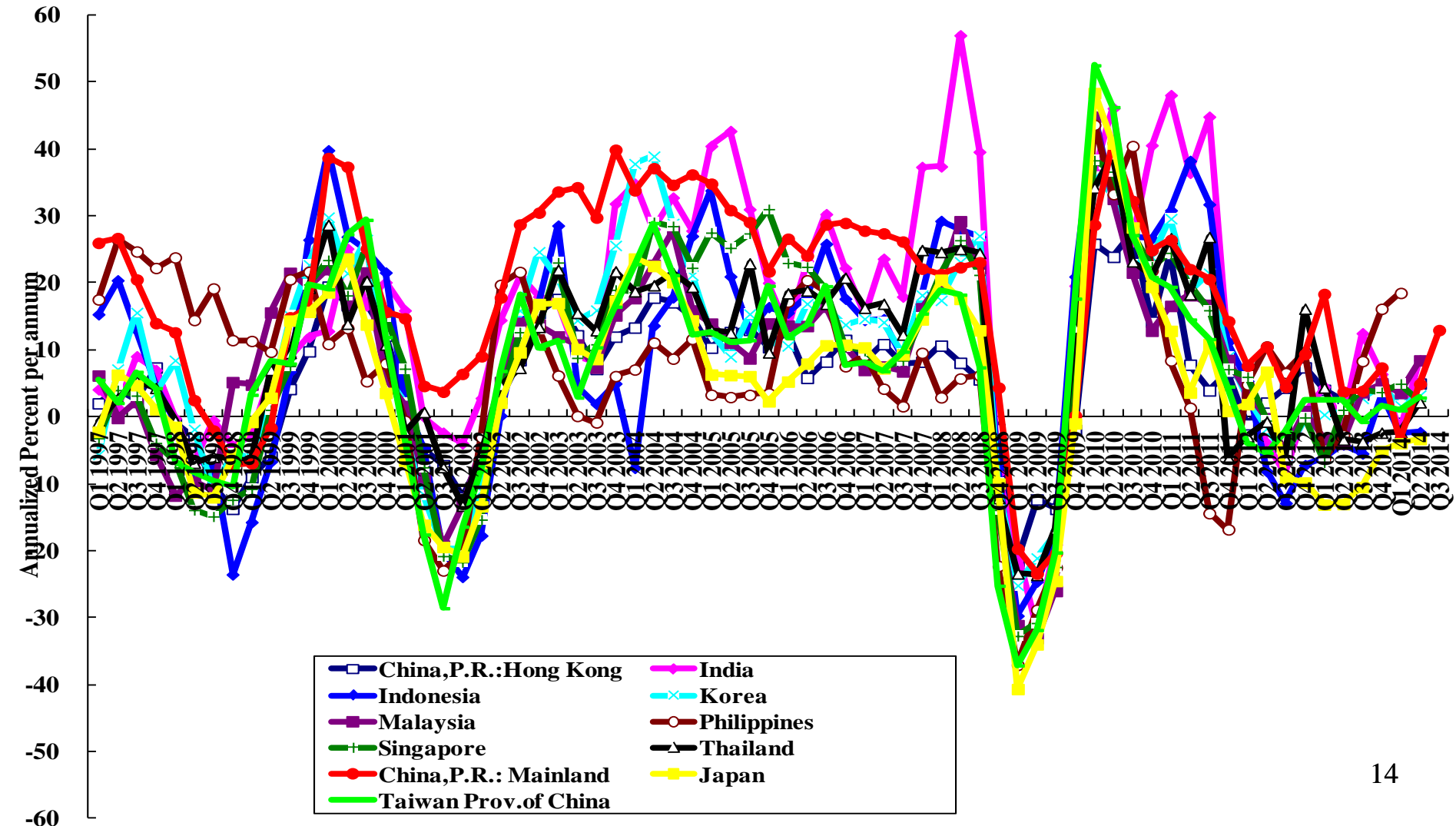
Imports of Goods and Services as a Percent of GDP: Selected Economies

Imports as a share of GDP of East Asian Economies



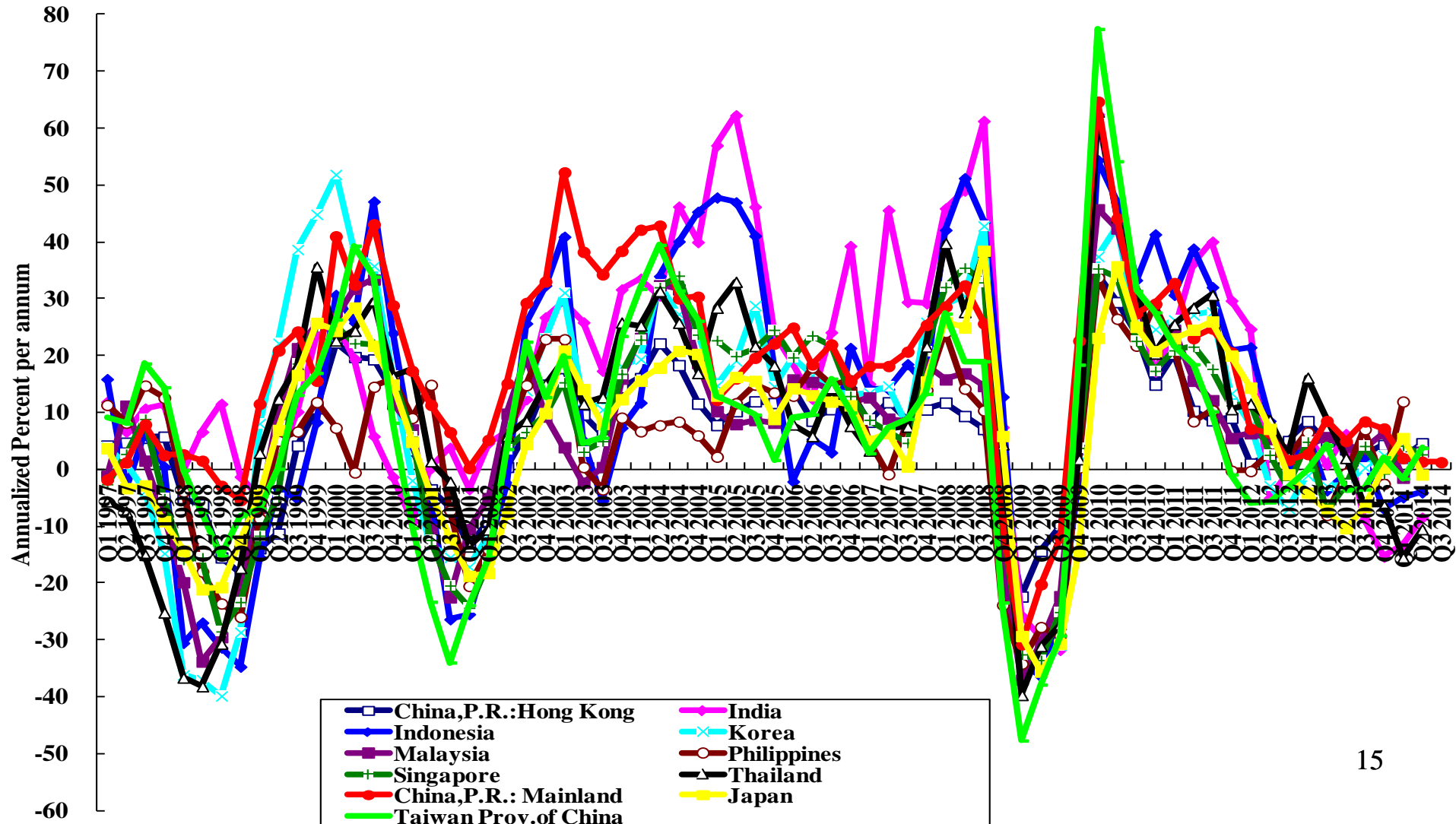
Quarterly Rates of Growth of Exports of Goods: Selected Asian Economies

Quarterly Rates of Growth of Exports of Goods: Selected East Asian Economies



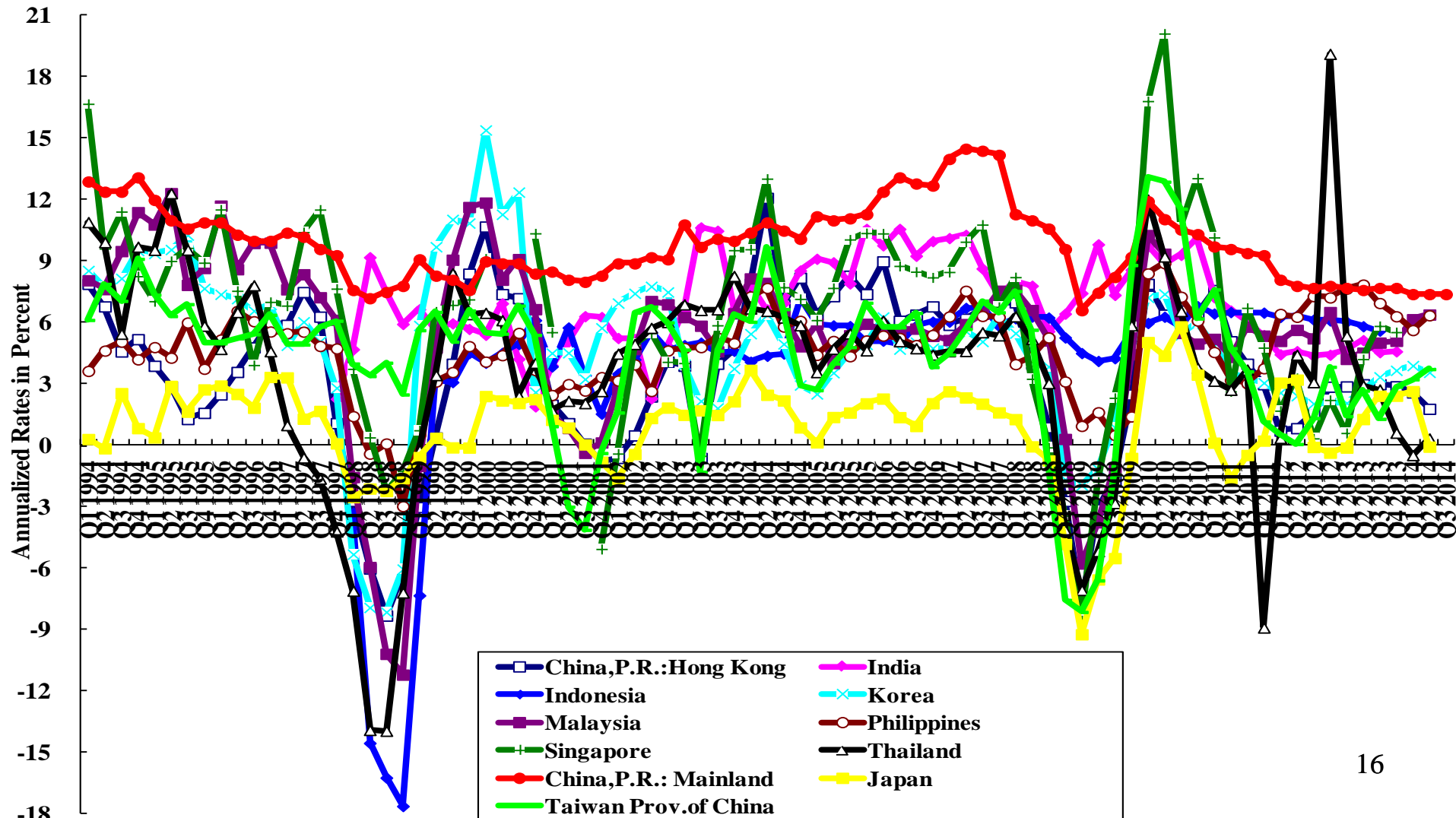
Quarterly Rates of Growth of Imports of Goods: Selected Asian Economies

Quarterly Rates of Growth of Imports of Goods : Selected East Asian Economies



Quarterly Rates of Growth of Real GDP, Y-o-Y: Selected Asian Economies

Quarterly Rates of Growth of Real GDP, Year-over-Year: Selected East Asian Economies



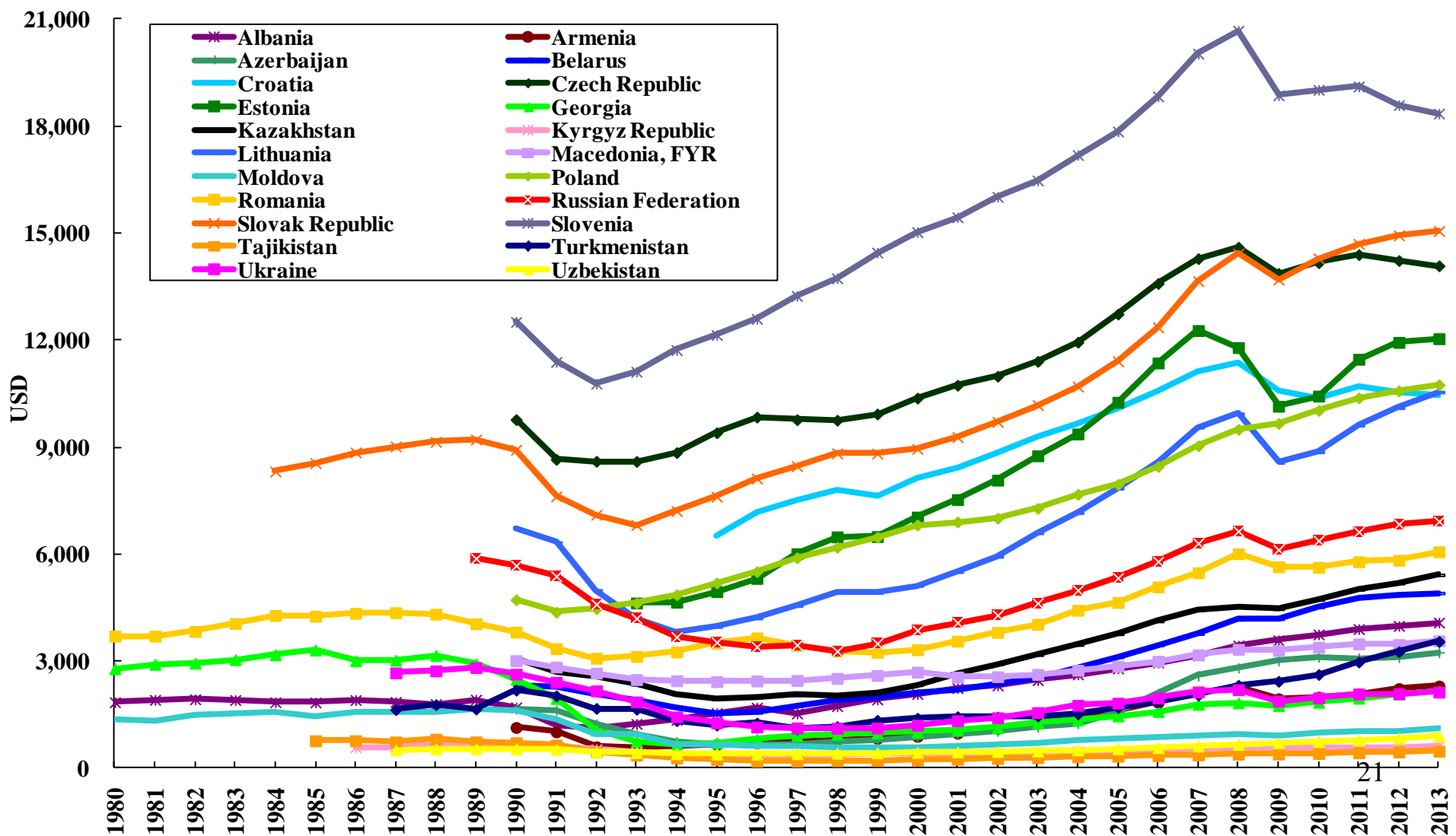
The Inherent Economic Inefficiency of Central Planning

- ◆ Incomplete information
- ◆ Failure to optimise
- ◆ Lack of incentives (the ratchet effect)

The Transition from a Centrally Planned to a Market Economy

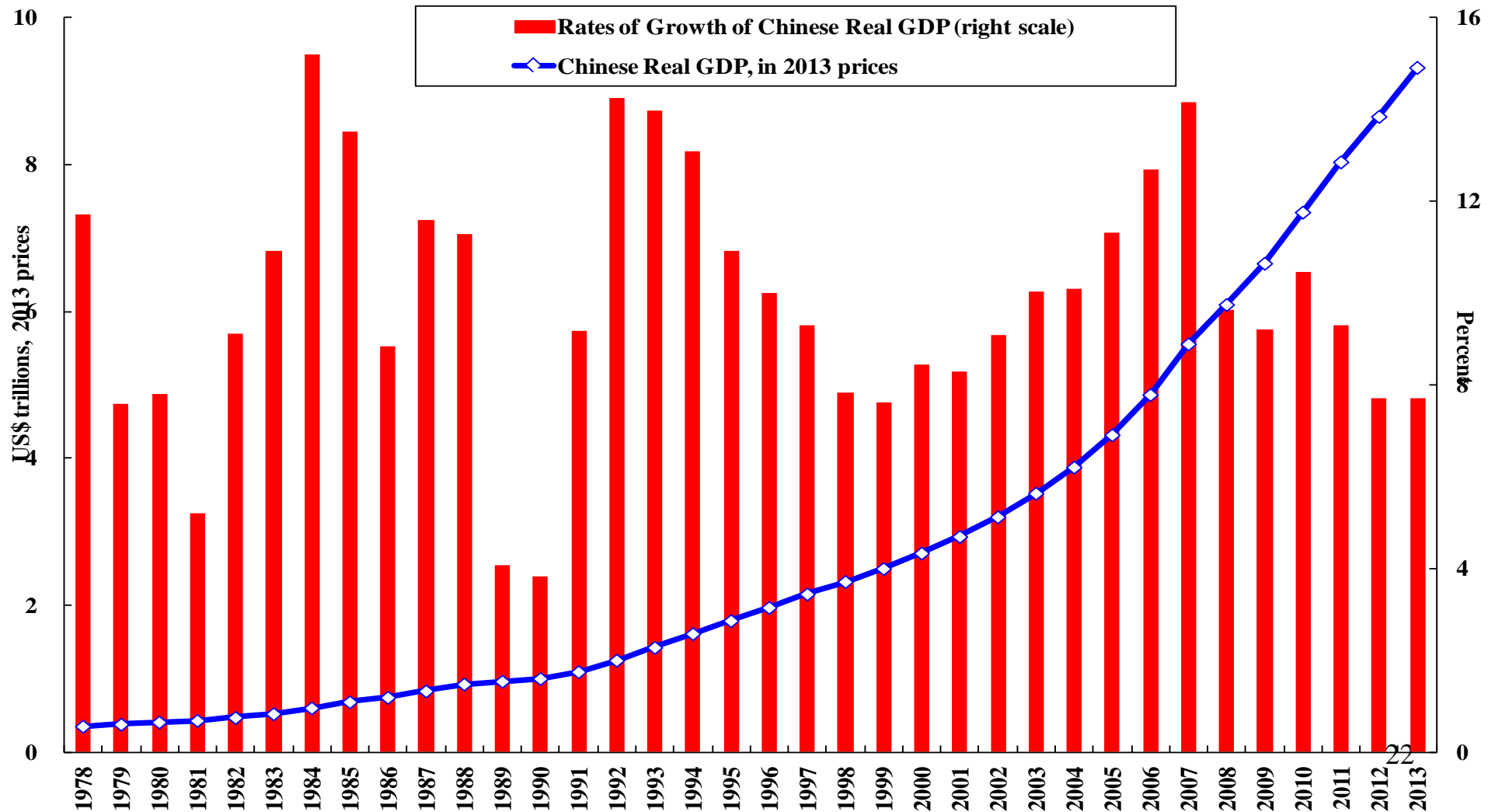
GDP per Capita of Former Soviet Union and East European Countries (2005 US\$)

GDP per capita of Former Soviet Union and East European Countries, in constant 2005 US dollars



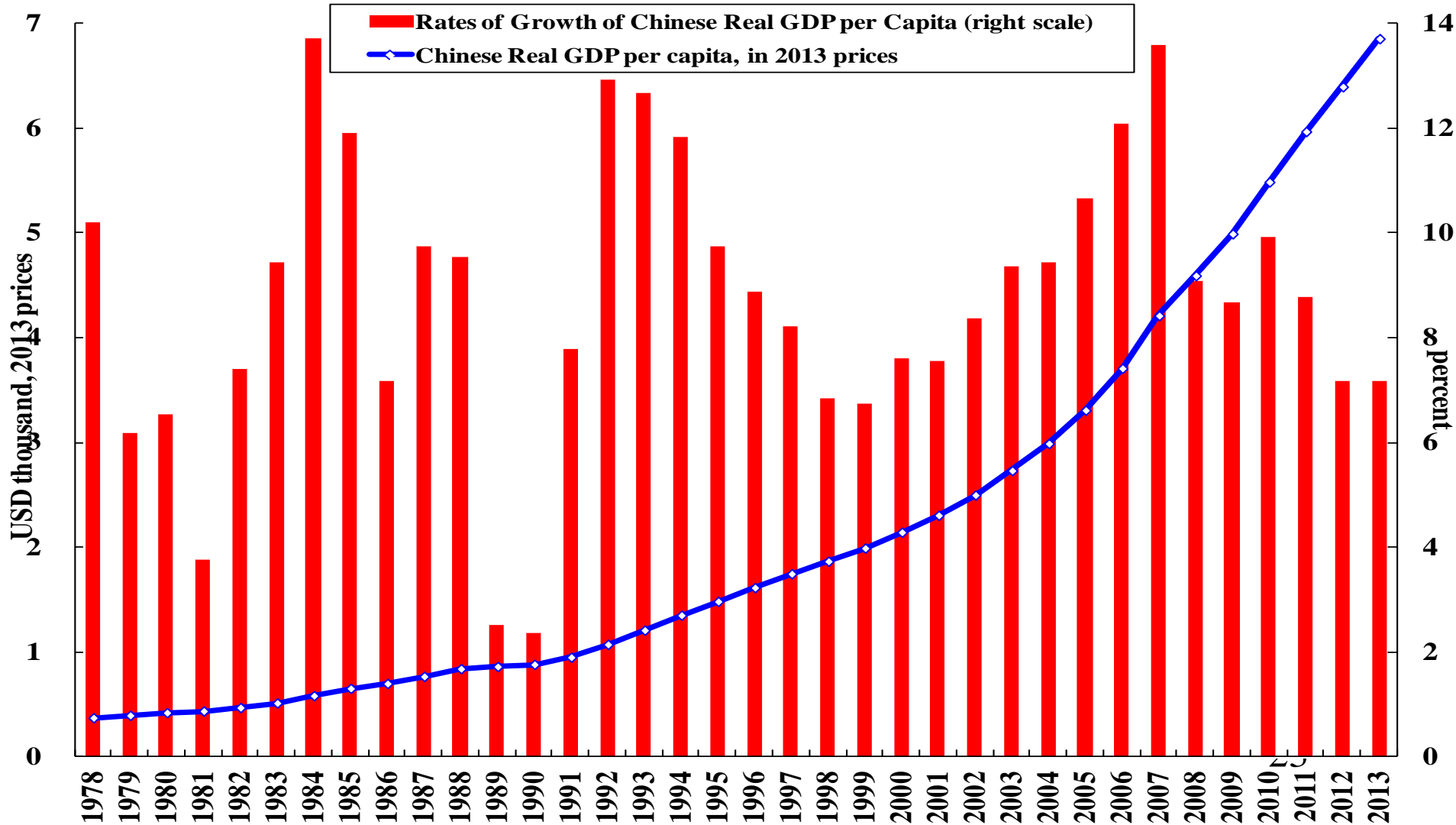
Chinese Real GDP and Its Rate of Growth (2013 US\$) since 1978

The Real GDP and Its Annual Rates of Growth of China (trillion 2013 US\$)



Chinese Real GDP per Capita and Its Rate of Growth (2013 US\$) since 1978

Real GDP per Capita and Its Annual Rates of Growth of China (thousand, 2013 US\$)



Reform without Losers— The Chinese Strategy for Economic Reform

- ◆ The “Dual-Track” strategy
- ◆ The “Processing and Assembly” operations
- ◆ “New People, New Way; Old People, Old Way”

The Sources of Chinese Economic Growth

- ◆ The initial slack
- ◆ The growth of tangible capital and labour inputs
- ◆ The effects of economies of scale

The “Wild Geese Flying
Pattern”--The Further
Advantage of China’s Size

Towards a Surplus Economy

- ◆ Evolution into a surplus capital economy because of excess manufacturing capacities—the average capacity utilisation rate of many manufacturing industries is around 70%
- ◆ Real GDP is not supply-constrained but aggregate demand-determined
- ◆ The growth of exports and fixed investment in manufacturing and residential housing can no longer be the principal drivers of aggregate demand

Towards a Surplus Economy: From Where Can Growth of Aggregate Demand Come?

- ◆ Public infrastructural investment such as high-speed railroads, urban mass-transit systems (China and the World cannot afford “a car in every garage”), facilities for the support of universal free or low-cost internet access in urban areas and affordable housing through urban renewal;
- ◆ Public goods consumption (including necessary related investments) such as education, health care, care for the elderly, and environment control, preservation and restoration--securing cleaner air, water and soil; and
- ◆ Household consumption, especially from the expanding and rising middle class.

Towards a Surplus Economy:

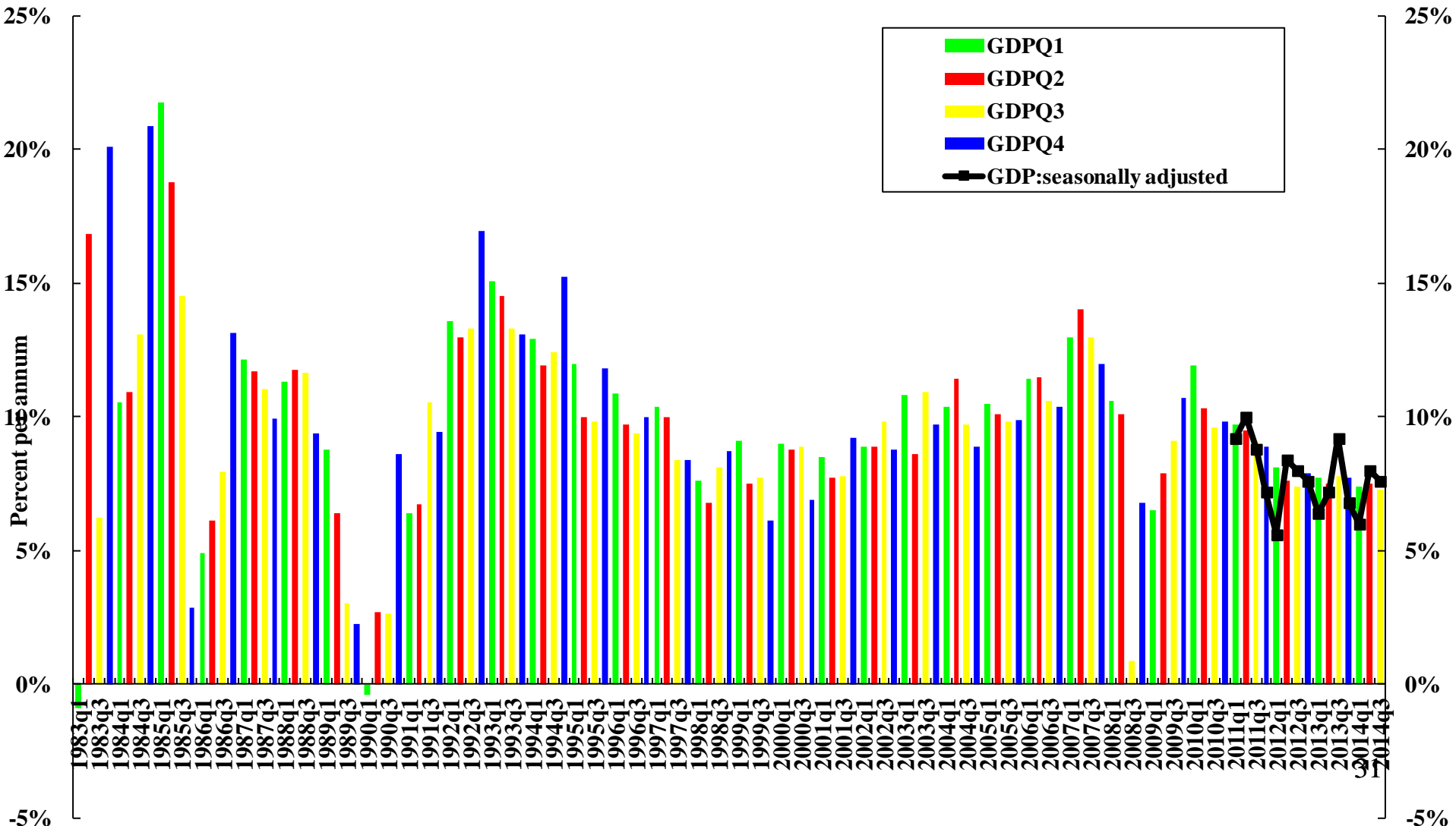
Provision of Public Goods

- ◆ While expenditures on public goods consumption, including the necessary related investments, will count as GDP, some of the benefits of these expenditures may not be pecuniary, for example, cleaner air, water and soil, better education, better national health, etc., and may not be fully reflected in the conventional measurement of GDP. However, the increase in general welfare as a result of these expenditures is definitely real.
- ◆ Moreover, increasing public goods consumption is an effective method of redistribution in kind. For example, since everyone breathes the same air, if the air is cleaner, both the wealthy and the poor benefit equally; and better access to health care may benefit the lower-income households more. Expansion of public goods consumption can reduce the real income disparity.

The Short-Term Economic Outlook

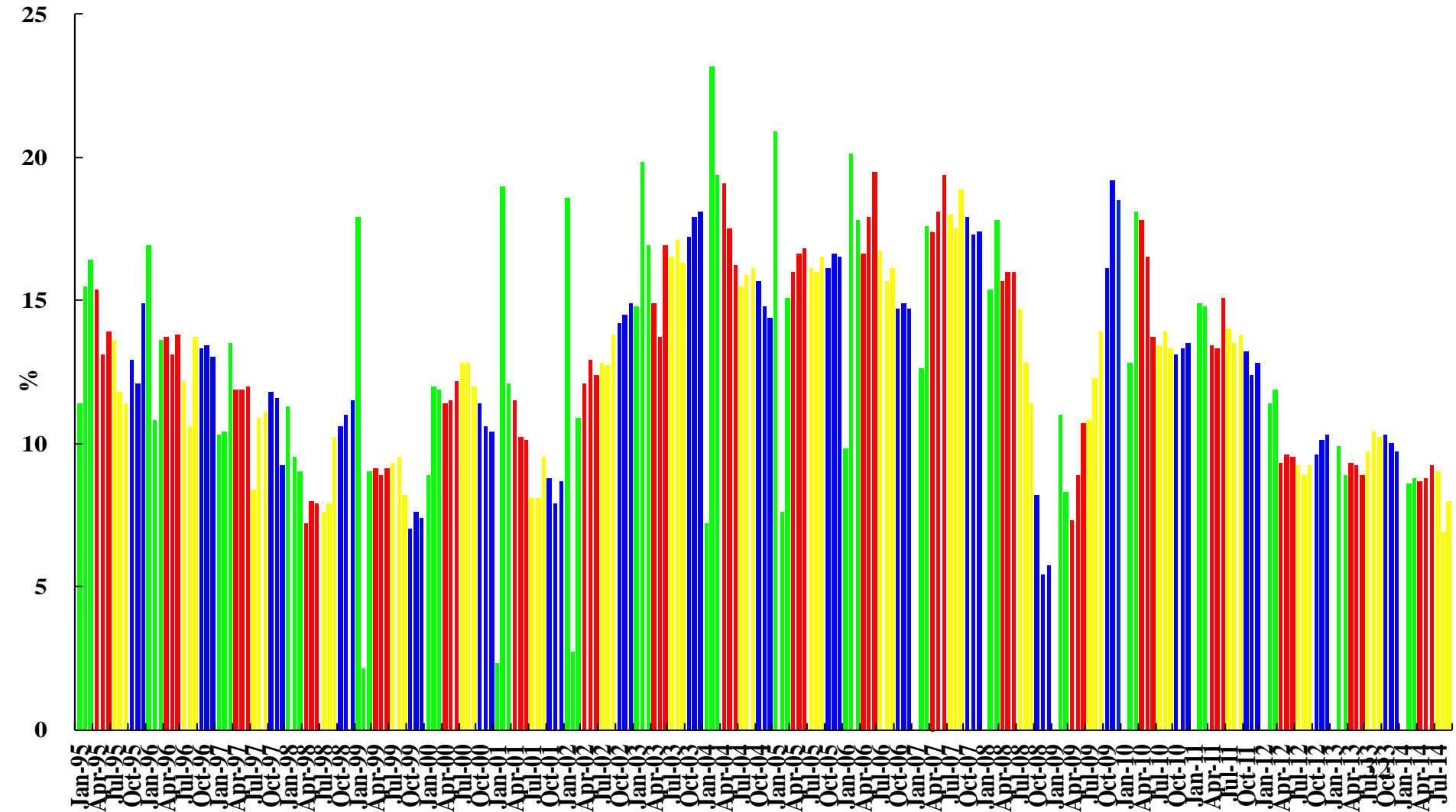
Quarterly Rates of Growth of Chinese Real GDP, Y-o-Y and Seasonally Adjusted

Quarterly Rates of Growth of Chinese Real GDP, Y-o-Y and Seasonally Adjusted



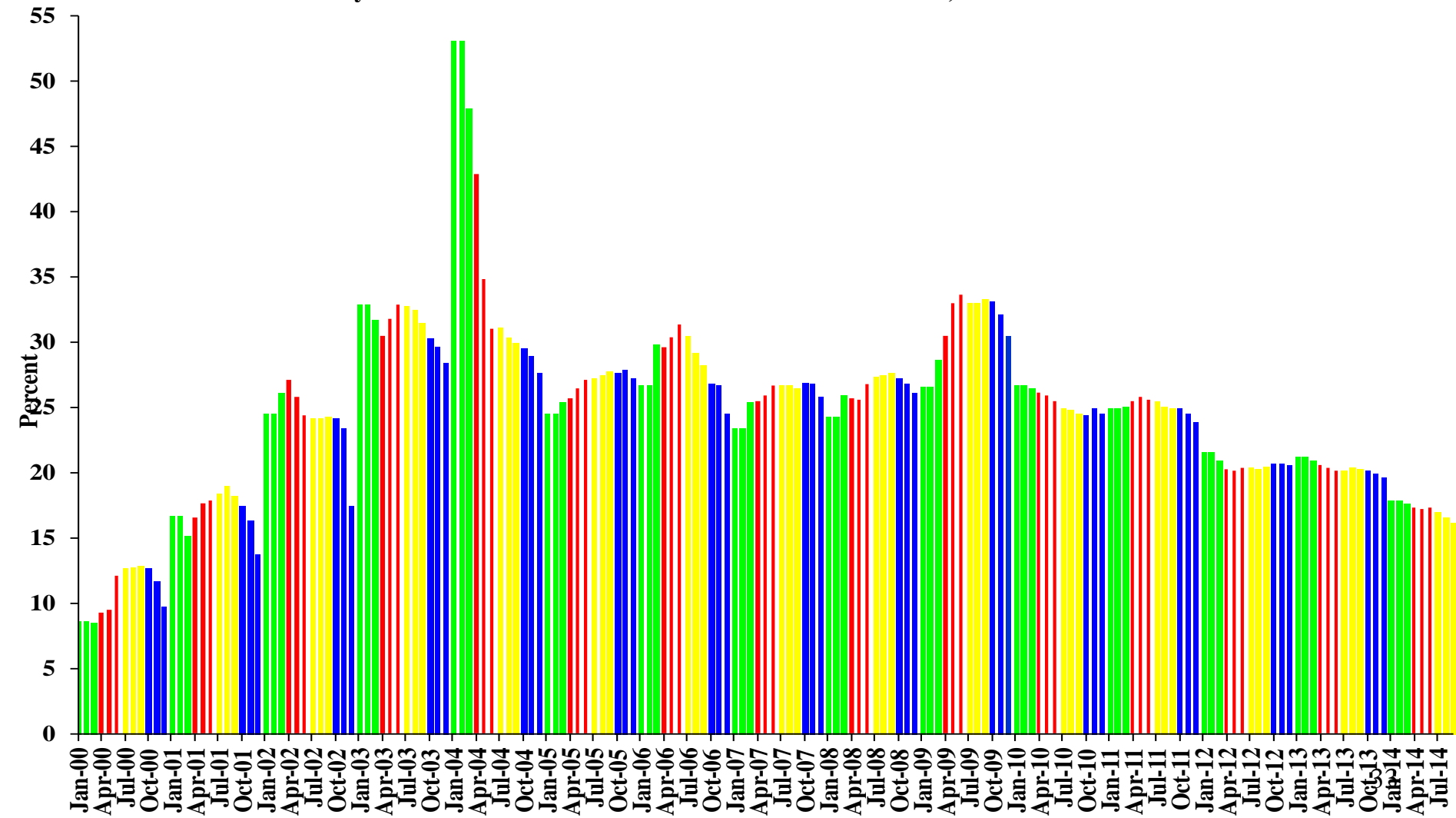
Monthly Rates of Growth of Real Value-Added of the Chinese Industry, Y-o-Y

Monthly Rates of Growth of Real Value-Added of the Chinese Industry, Year-over-Year



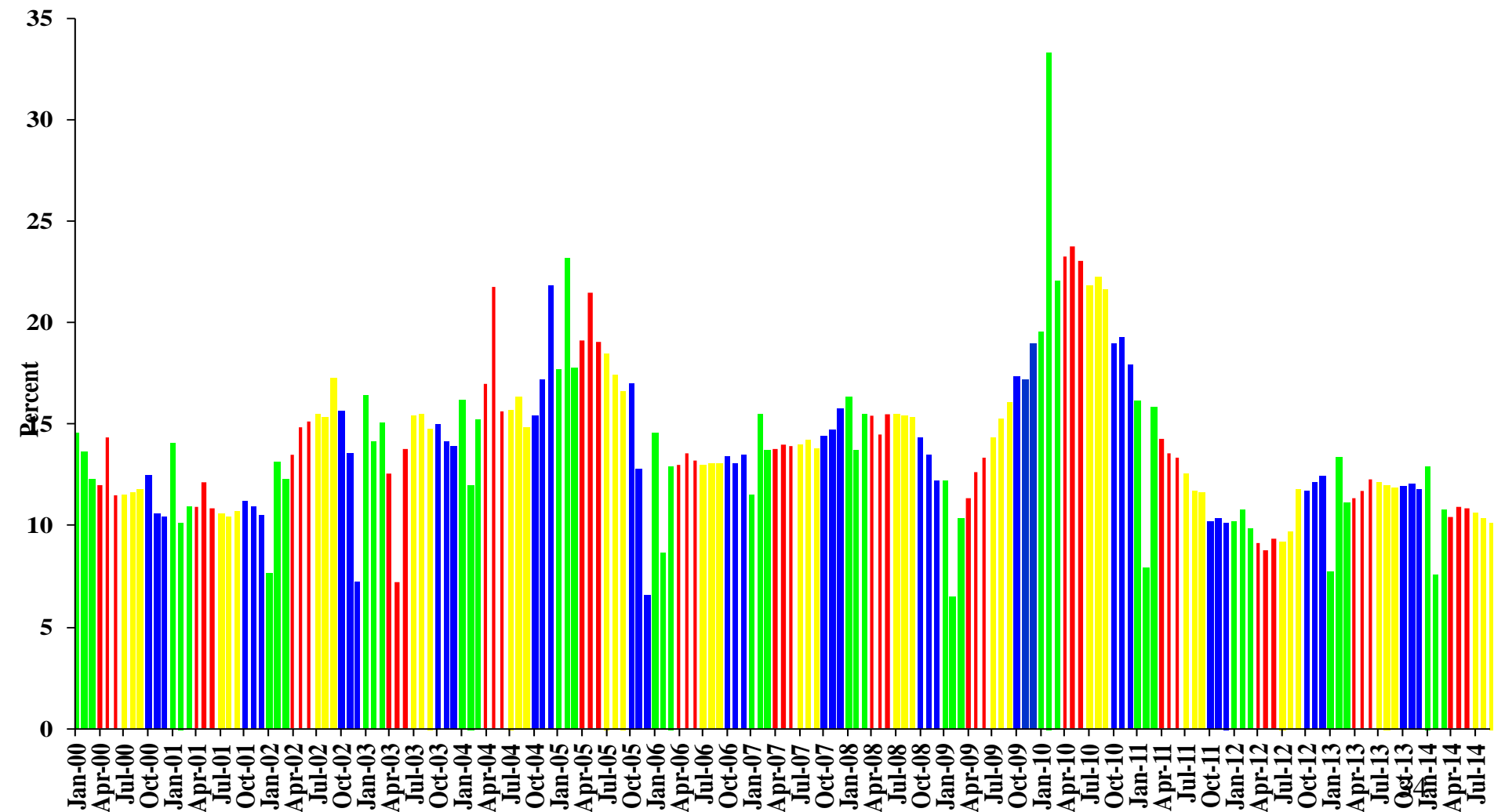
Monthly Rates of Growth of Chinese Fixed Assets Investment, Y-o-Y

Monthly Rates of Growth of Chinese Fixed Assets Investment, Year-over-Year



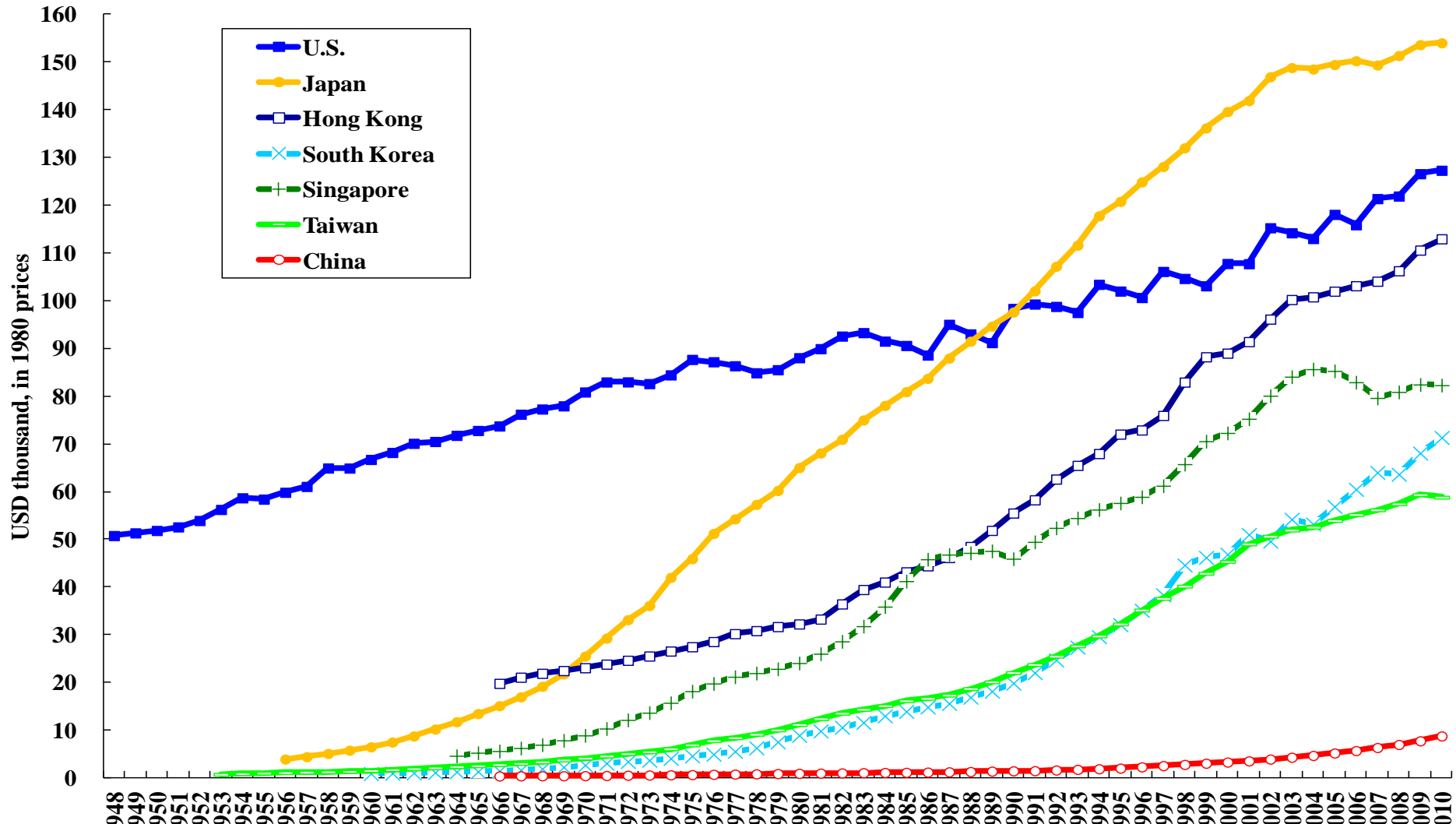
Monthly Rates of Growth of Chinese Real Retail Sales, Y-o-Y

Monthly Rates of Growth of Chinese Real Retail Sales since, Year-over-Year



Tangible Capital per Unit Labour, 1980US\$, Selected Economies

Tangible Capital per Unit Labour for Selected Economies



Near-Term Forecasts of Annual Rates of Growth of Chinese Real GDP

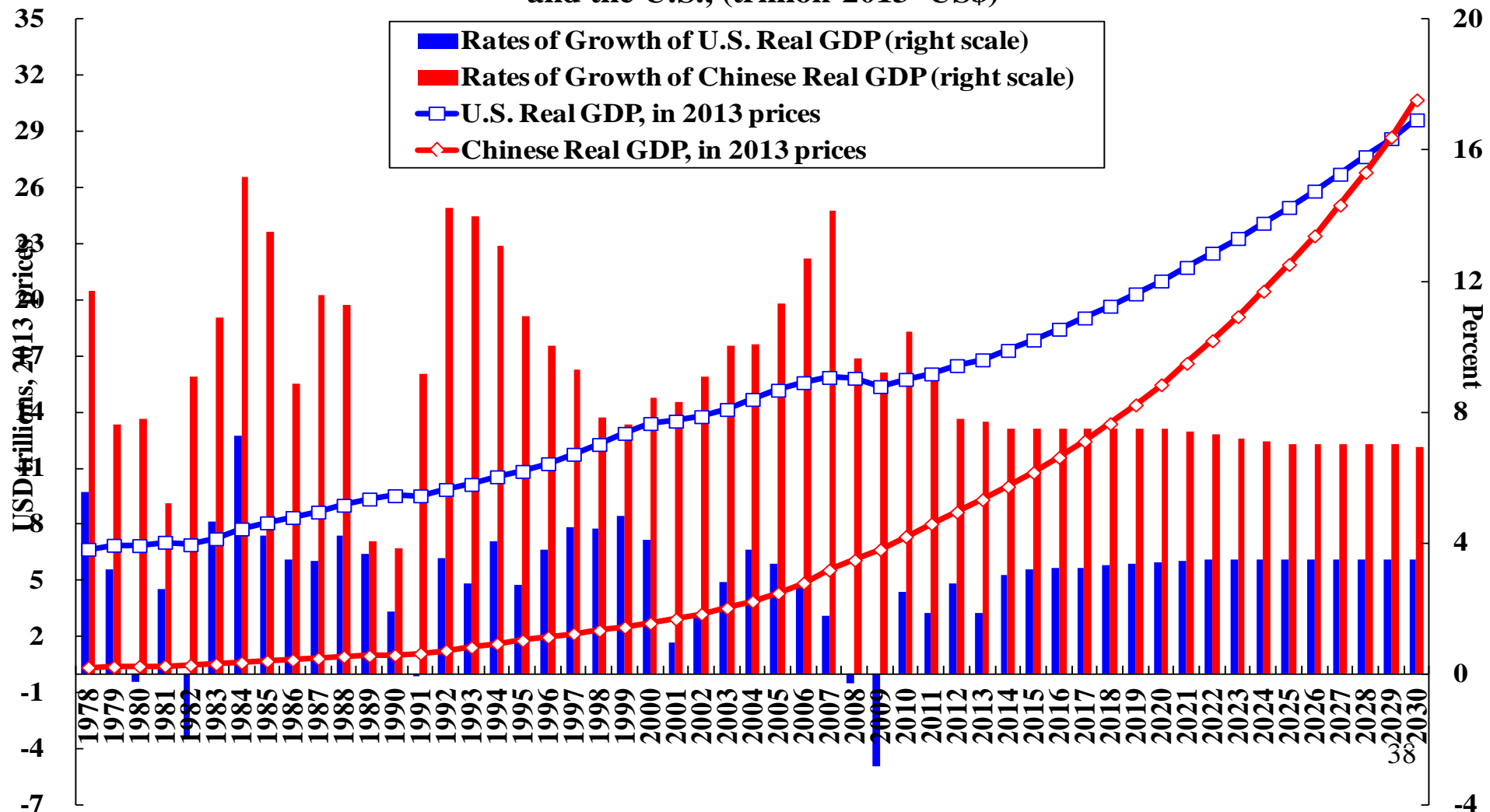
Forecasts of Annual Rates of Growth of Chinese Real GDP

Forecasting Organisation	2014	2015	2016
Asian Development Bank	7.50%	7.40%	NA
The International Monetary Fund	7.50%	7.30%	NA
The Organisation for Economic Cooperation and Development	7.30%	7.10%	6.90%
The World Bank	7.60%	7.50%	7.40%
The Conference Board (U.S.)	7%	NA	³⁰ NA

The Long-Term Economic Outlook

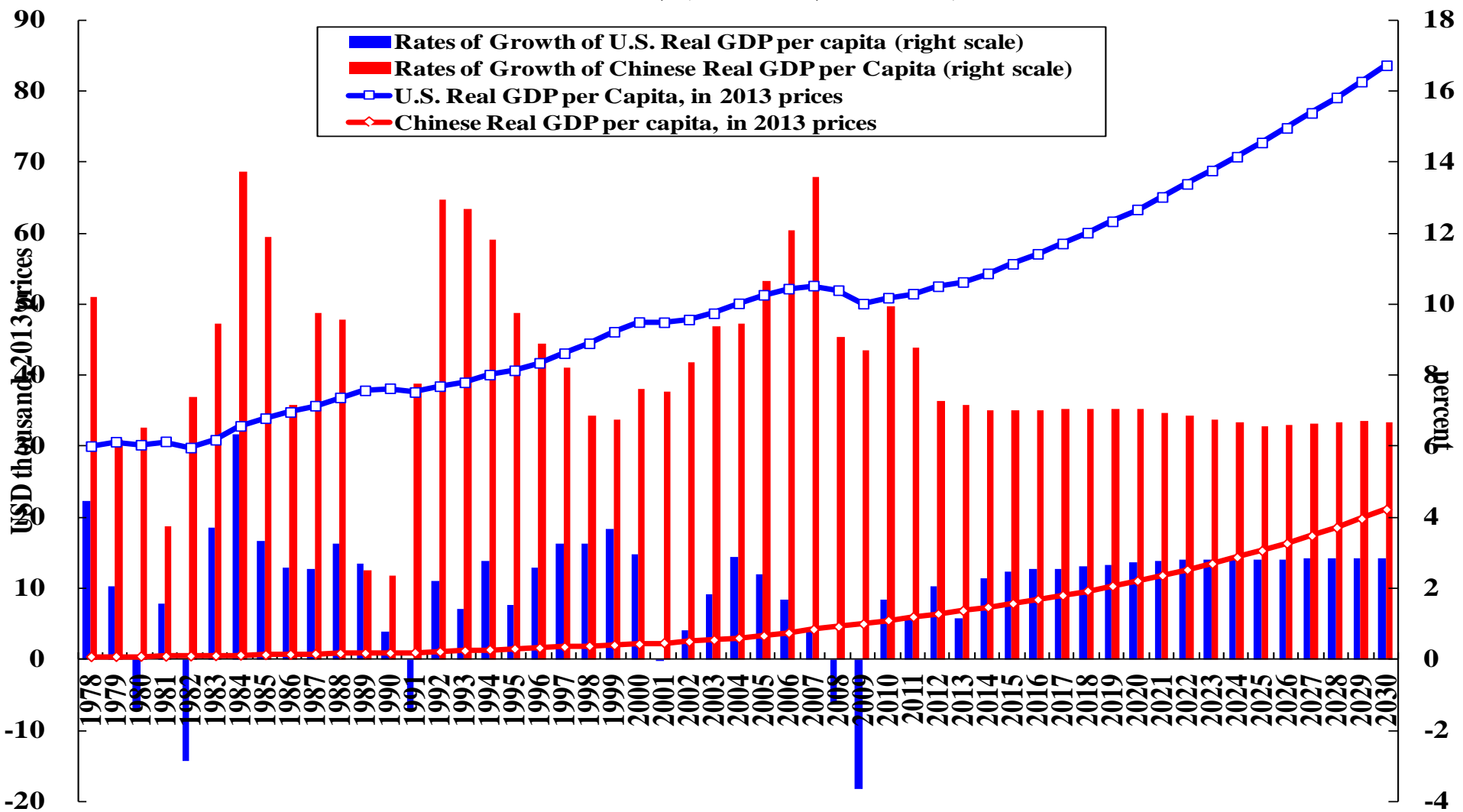
Actual and Projected Chinese and U.S. Real GDPs and Their Rates of Growth

Actual and Projected Real GDPs and their Annual Rates of Growth of China and the U.S., (trillion 2013 US\$)



Actual and Projected Chinese and U.S. Real GDP per Capita's and Rates of Growth

Actual and Projected Real GDP per Capita and their Annual Rates of Growth of China and the U.S., (thousand, 2013 US\$)



Concluding Remarks
