

What Makes China Grow? 中國成長的動力

Lawrence J. Lau (劉遵義)

Ralph and Claire Landau Professor of Economics, The Chinese Univ. of Hong Kong
and

Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University

Master Forum, 2014

Taipei, 5th November 2014

Tel: +852 3943 1611; Fax: +852 2603 5230

Email: lawrence@lawrencejlau.hk; WebPages: www.igef.cuhk.edu.hk/ljl

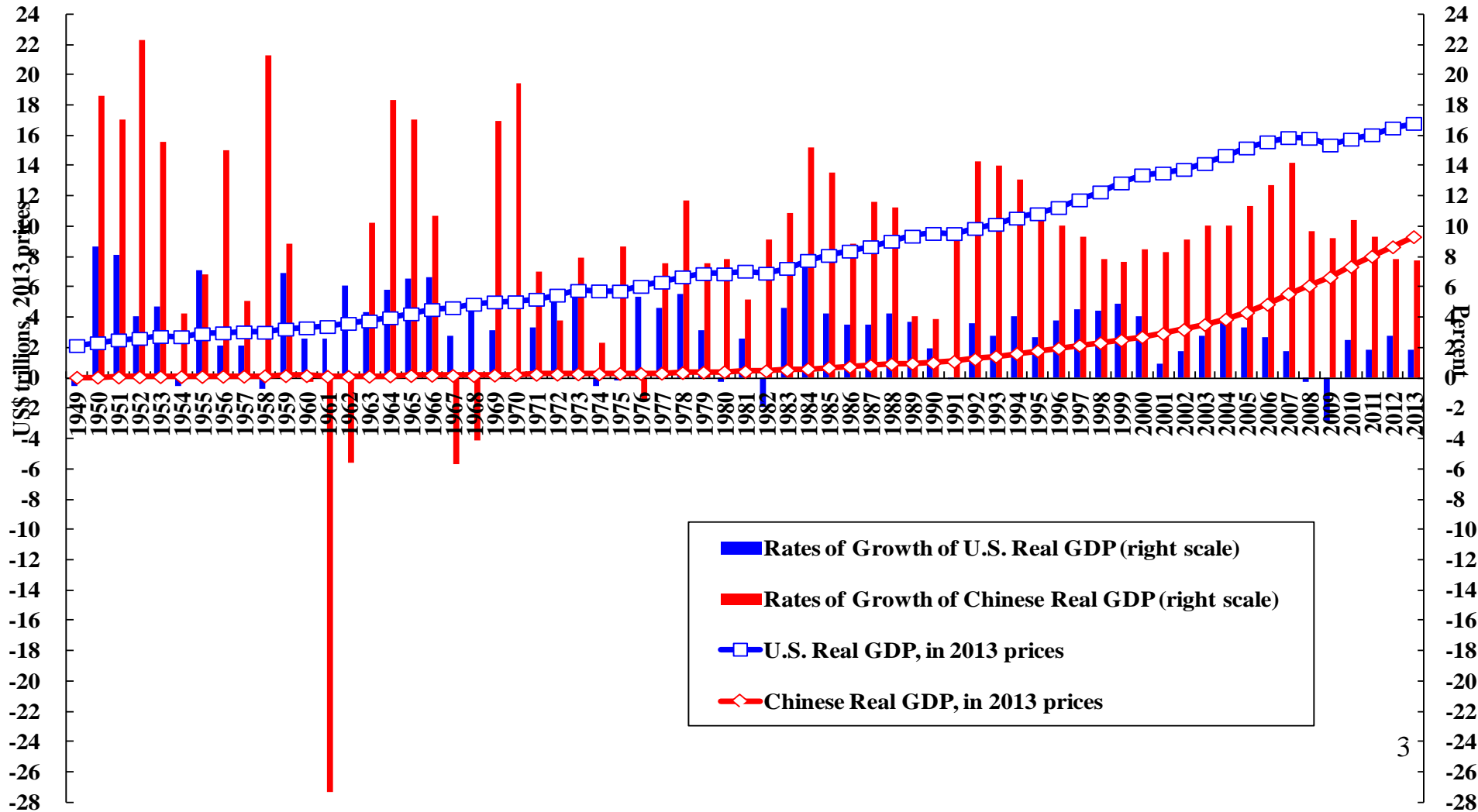
*All opinions expressed herein are the author's own and do not necessarily reflect the views of any of the organisations with which the author is affiliated.

Outline

- ◆ Introduction
- ◆ The Chinese Economic Fundamentals
- ◆ The Inherent Economic Inefficiency of Central Planning
- ◆ The Chinese Strategy for Economic Reform--Reform without Losers
- ◆ The Sources of Chinese Economic Growth
- ◆ The Further Advantage of Size—The “Flying Geese Pattern”
- ◆ The Short-Term and Long-Term Economic Outlooks
- ◆ Projections of the Future
- ◆ Concluding Remarks

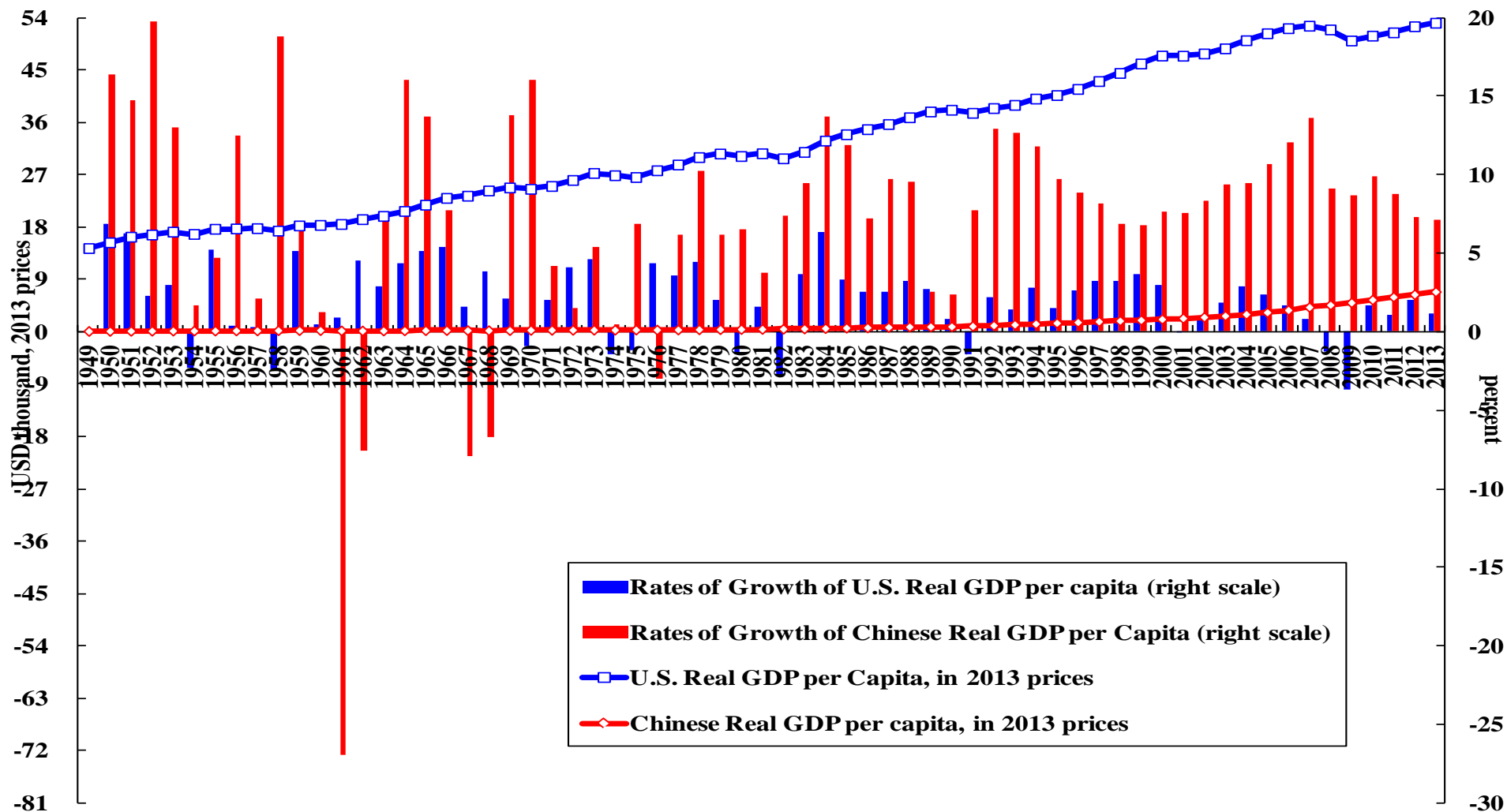
Chinese and U.S. Real GDPs and Their Rates of Growth (2013 US\$) since 1949

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.

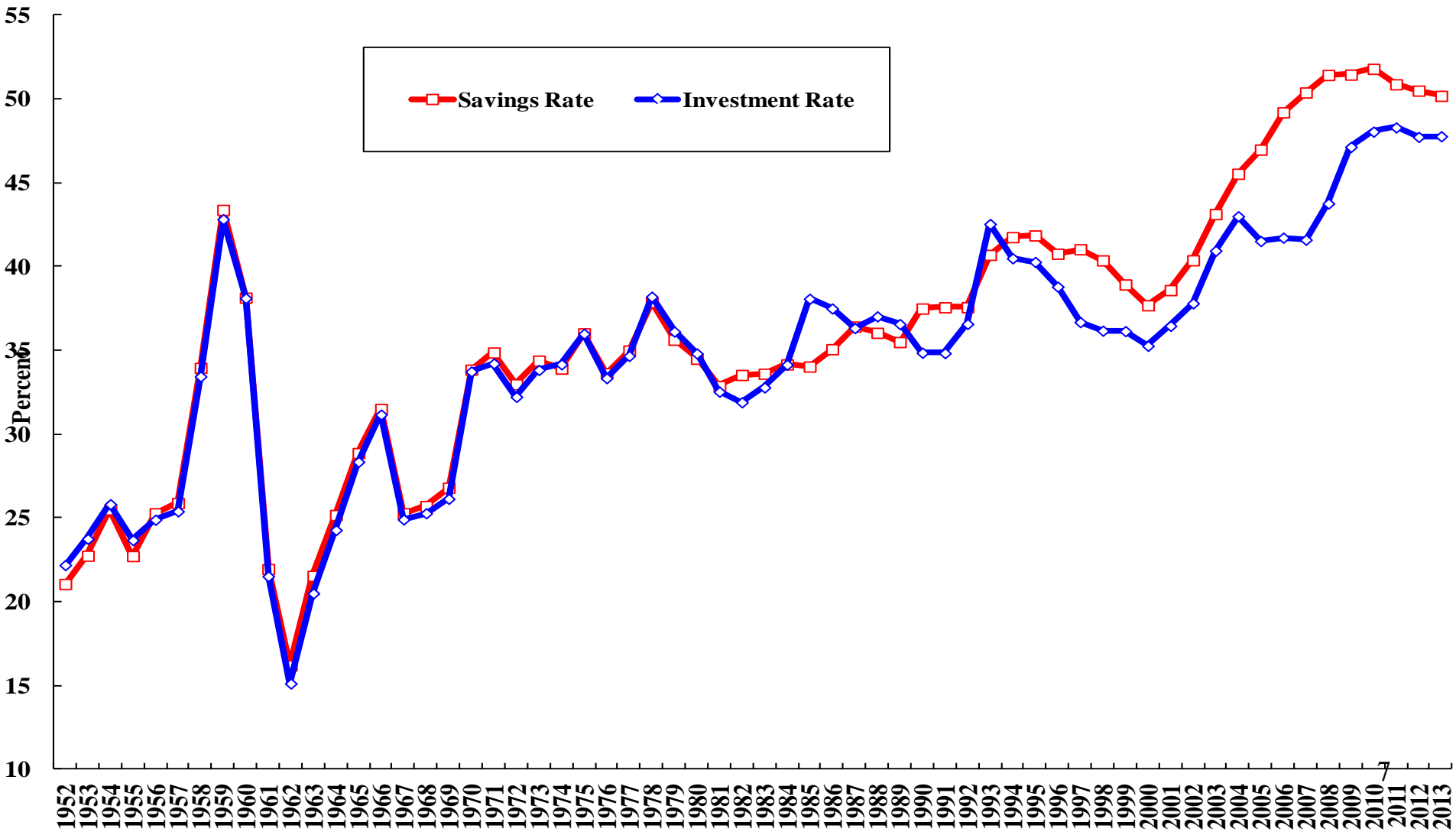


Key Chinese Economic Performance Indicators before and after Reform of 1978

	Growth Rates	
	percent per annum	
	Pre-Reform Period	Post-Reform Period
	1952-1978	1978-2013
Real GDP	6.15	9.82
Real GDP per Capita	4.06	8.74
Real Consumption	5.05	9.21
Real Consumption per Capita	2.99	8.14
Exports	9.99	16.76
Imports	9.14	15.98
Inflation Rates (GDP deflator)	0.50	5.19

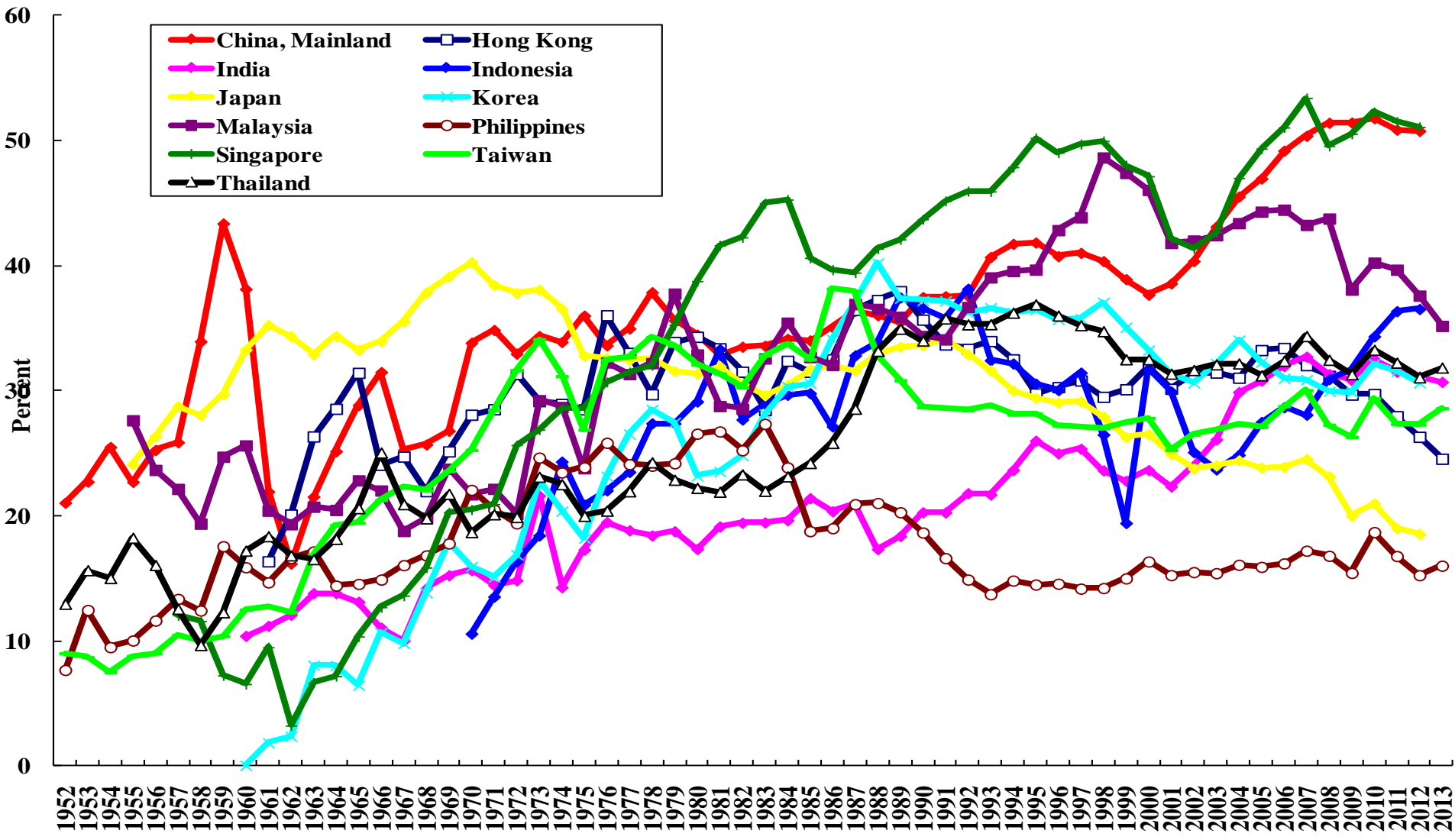
Chinese National Saving and Gross Domestic Investment as Percents of GDP

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



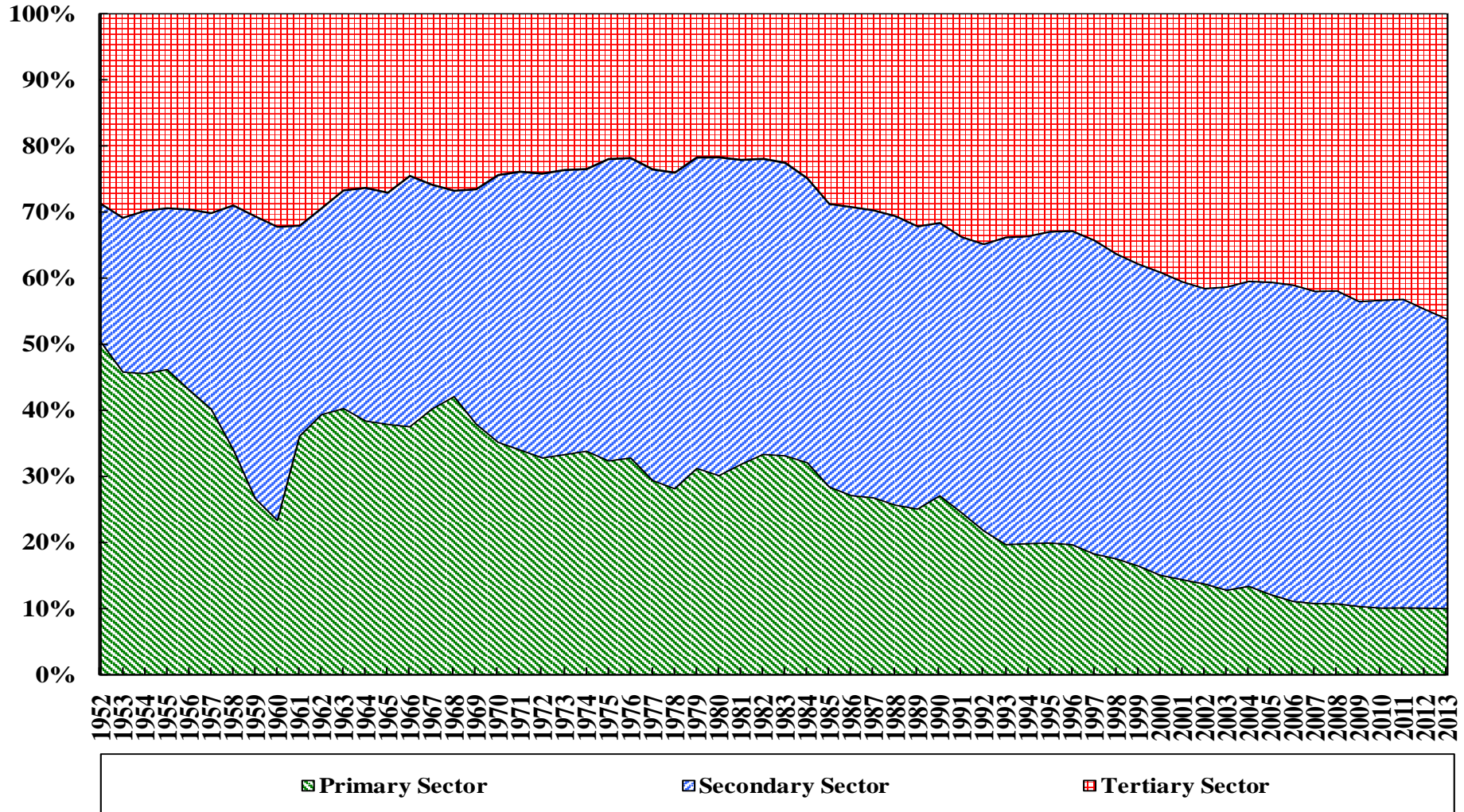
Saving Rates of Selected Asian Economies, 1952-present

Savings Rates of Selected East Asian Economies



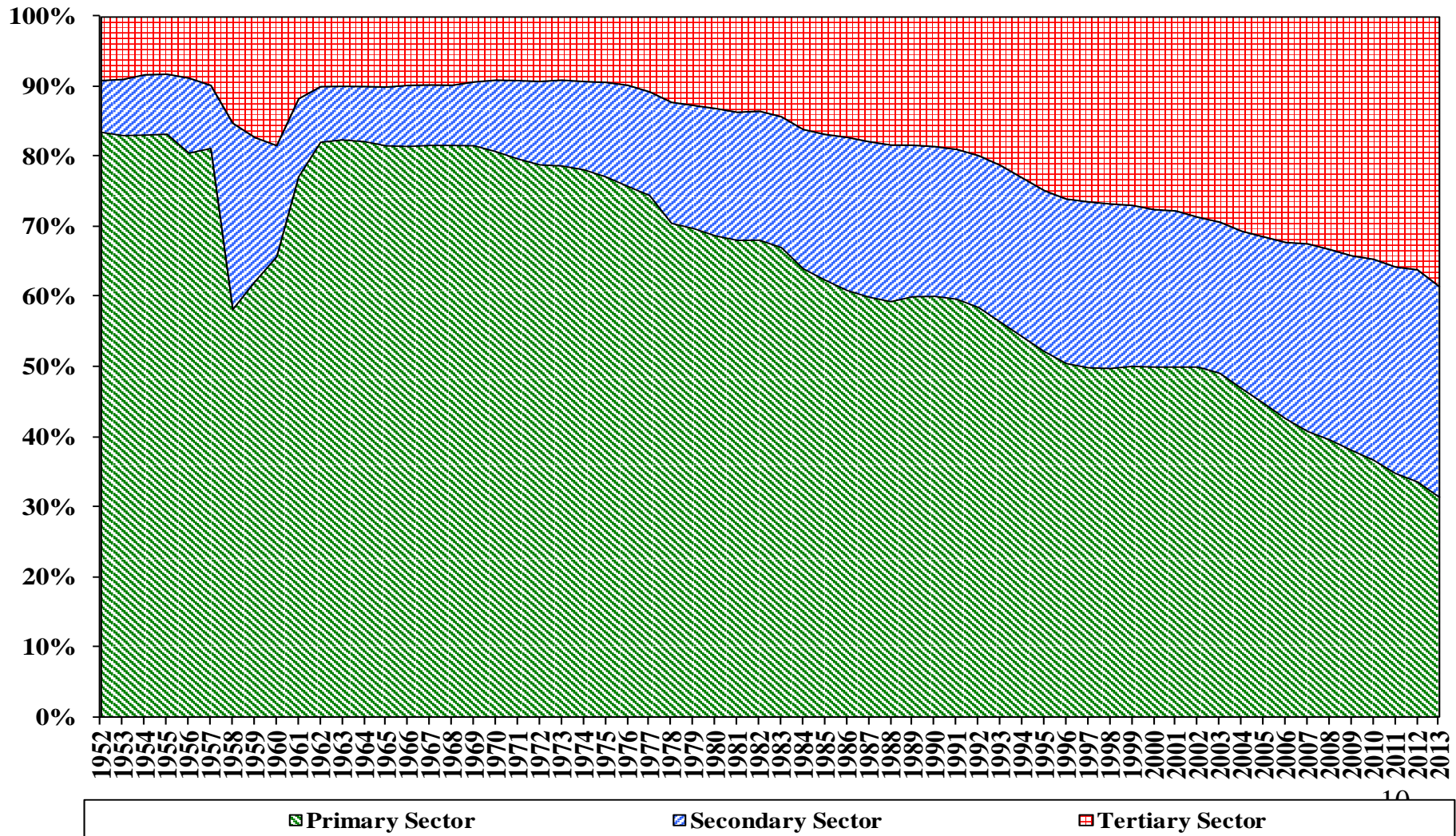
The Distribution of Chinese GDP by Originating Sector since 1952

The Distribution of GDP by Sector



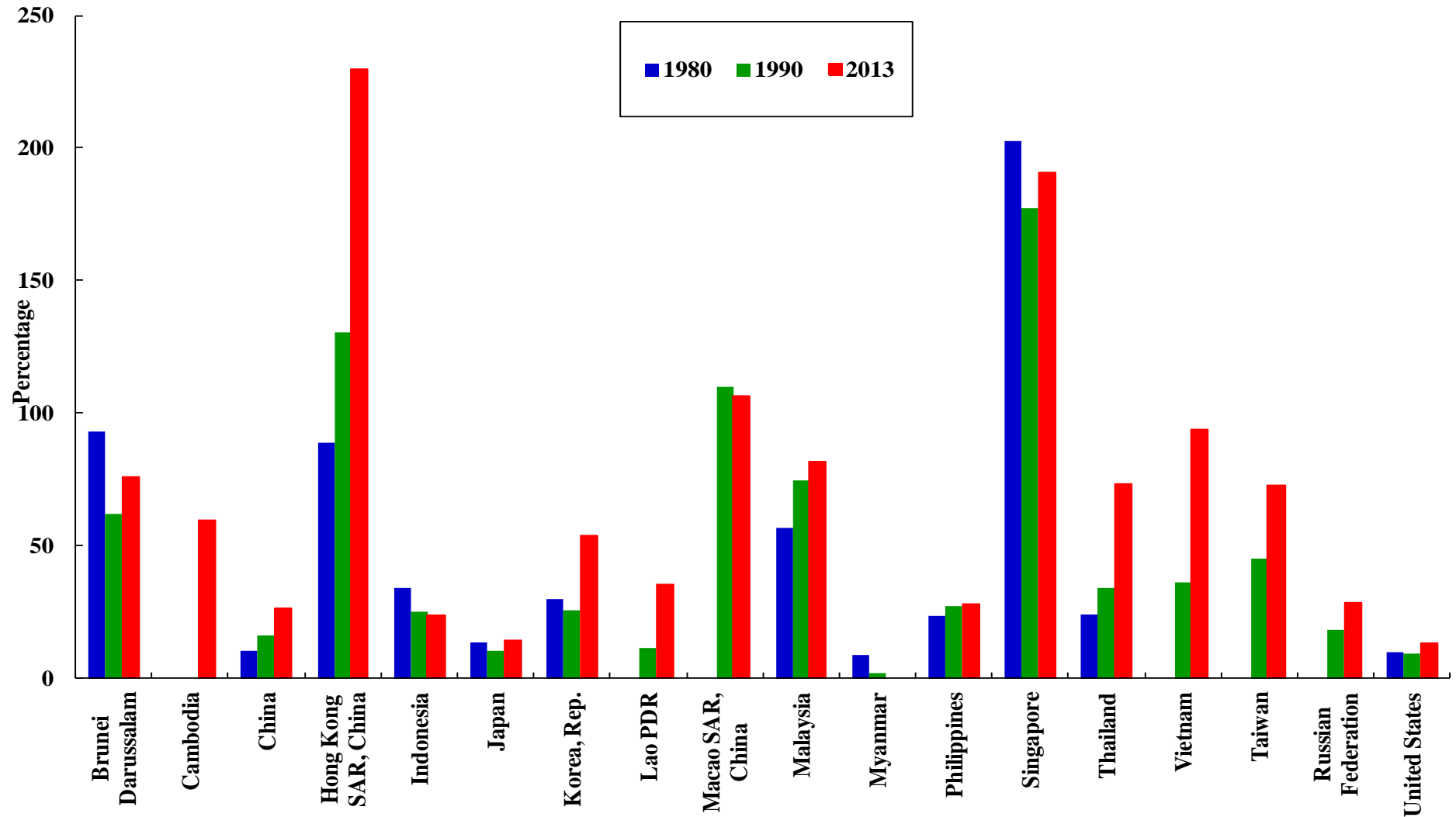
The Distribution of Chinese Employment by Sector since 1952

The Distribution of Employment by Sector since 1952



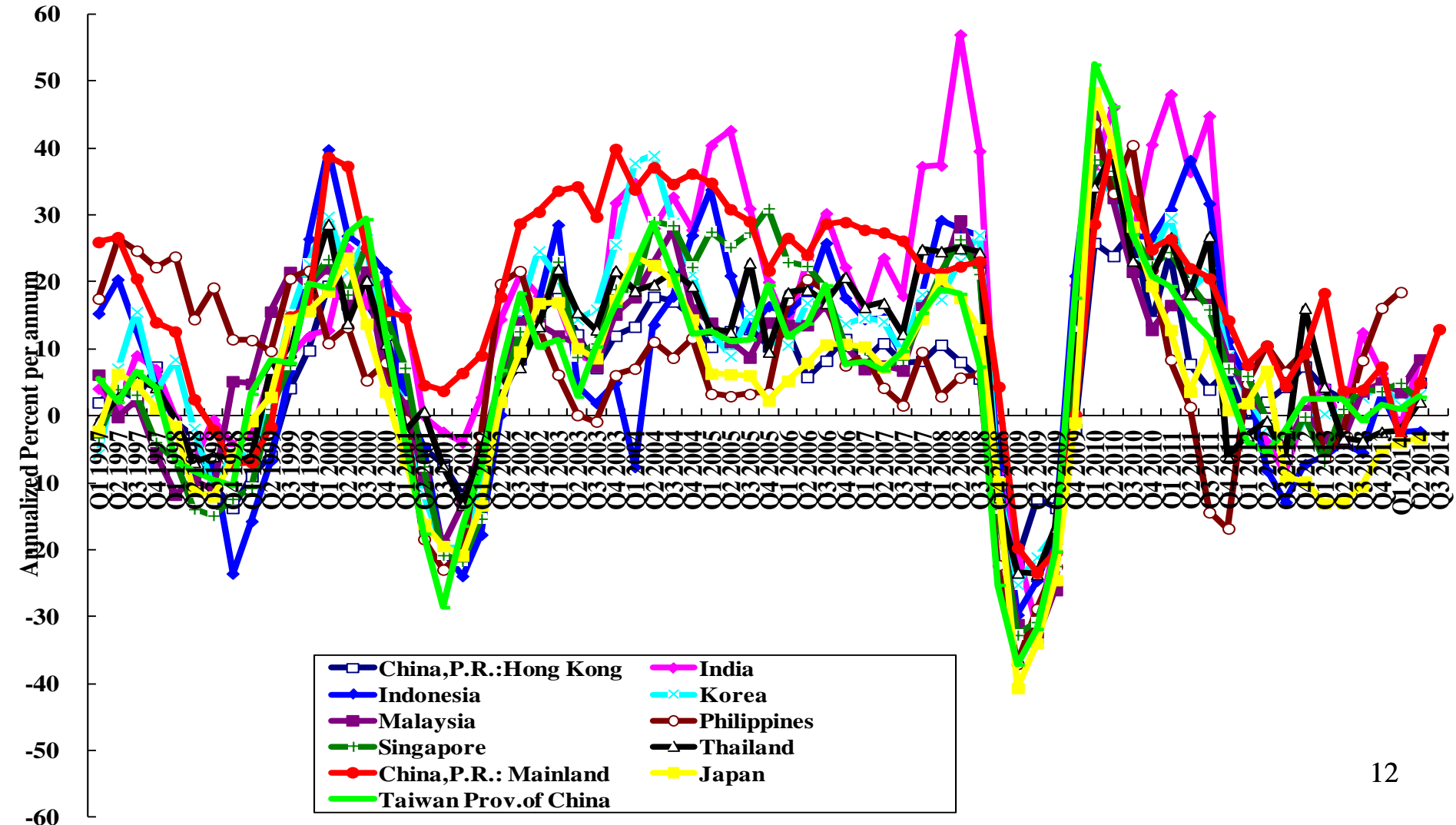
Exports of Goods and Services as a Percent of GDP: Selected Economies

Exports as a share of GDP of East Asian Economies



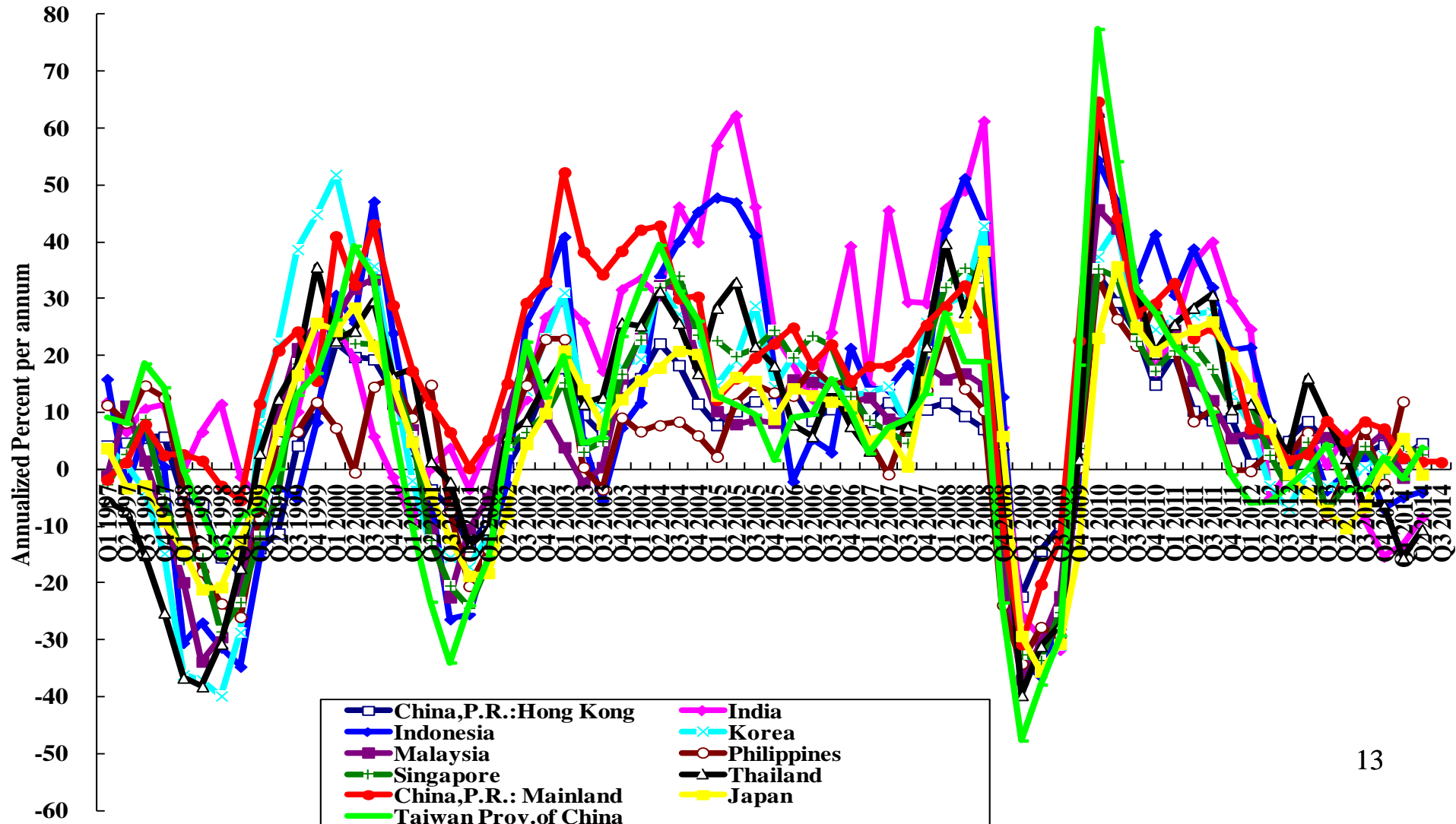
Quarterly Rates of Growth of Exports of Goods: Selected Asian Economies

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



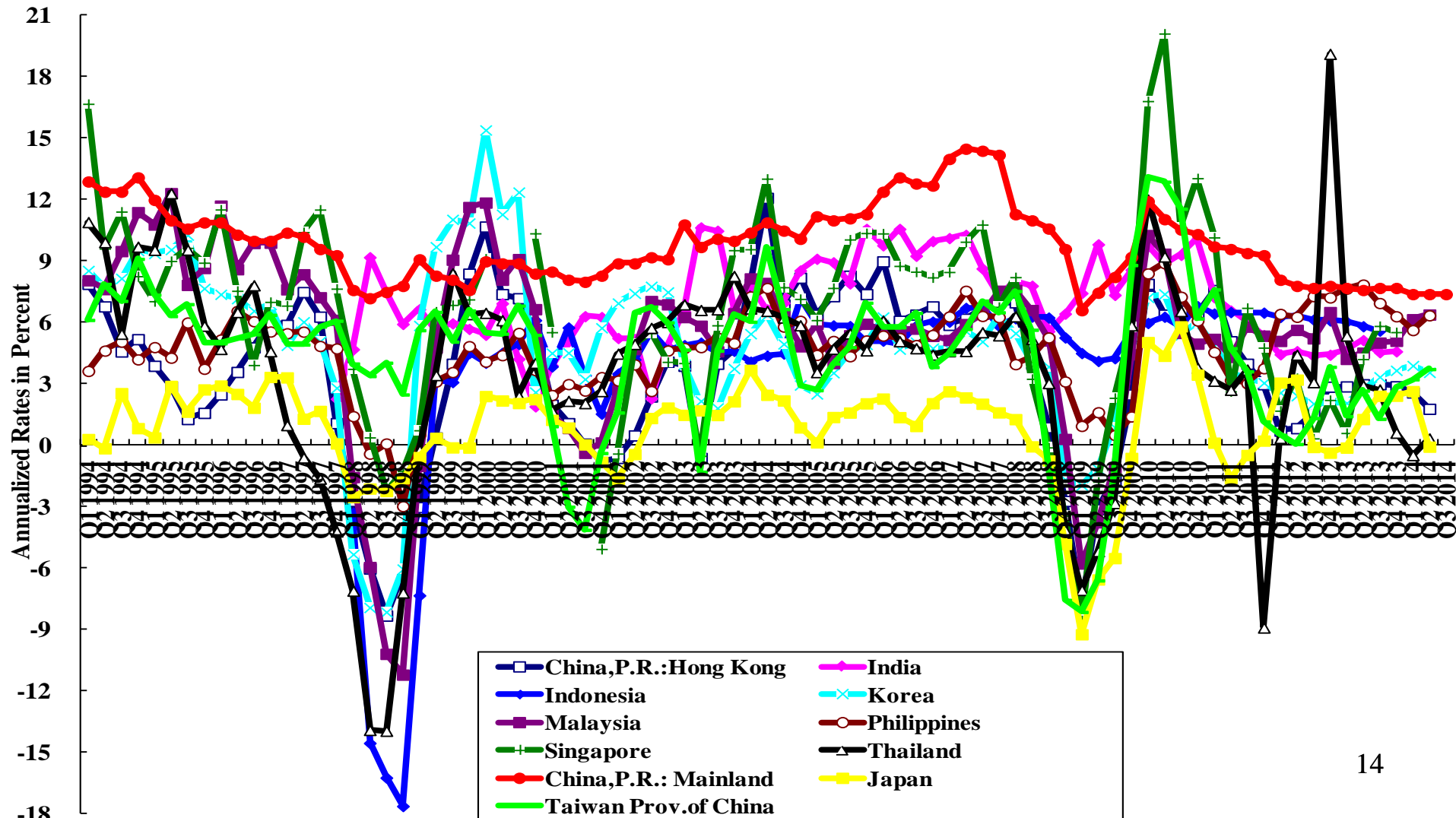
Quarterly Rates of Growth of Imports of Goods: Selected Asian Economies

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



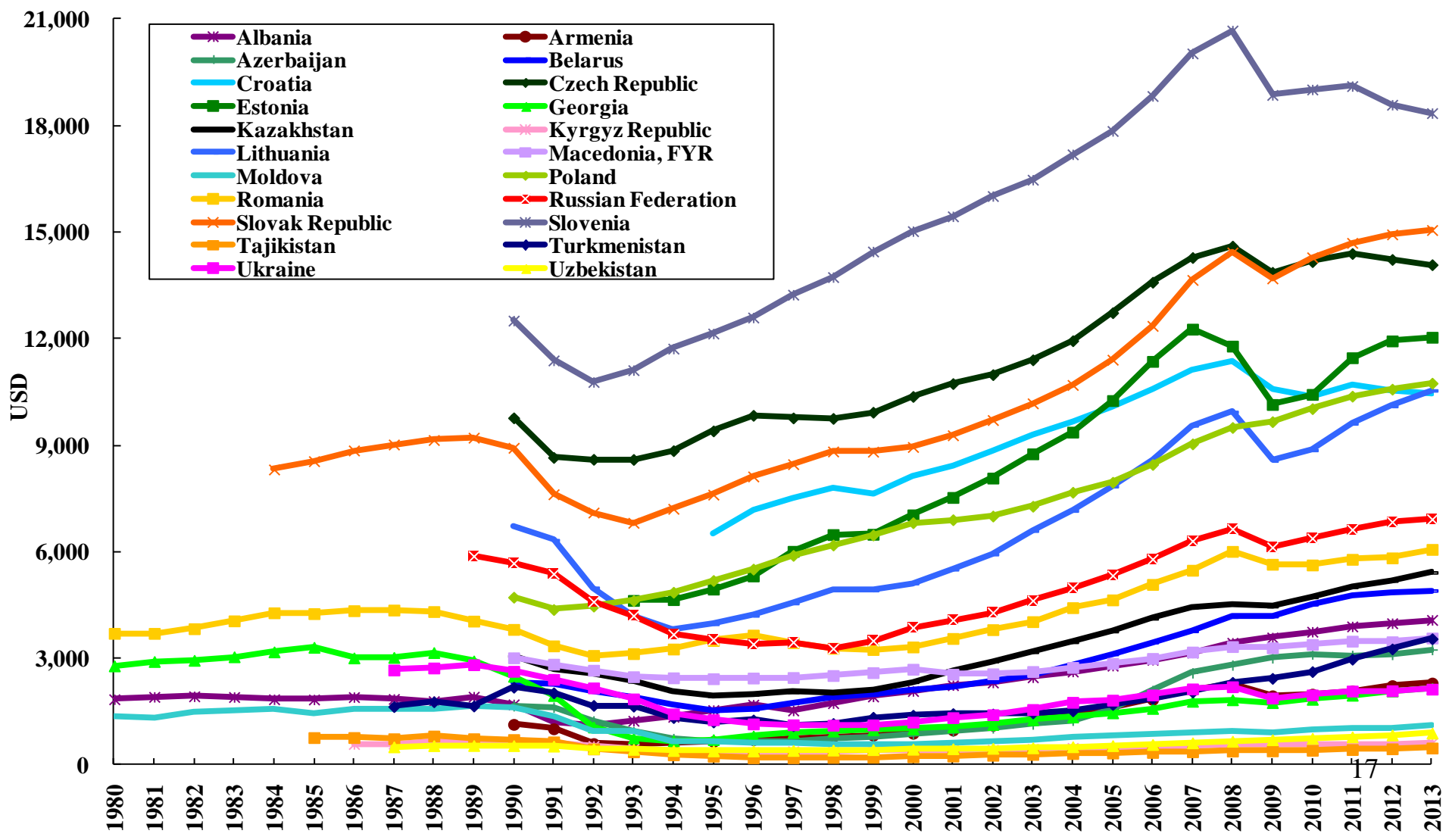
Quarterly Rates of Growth of Real GDP, Y-o-Y: Selected Asian Economies

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



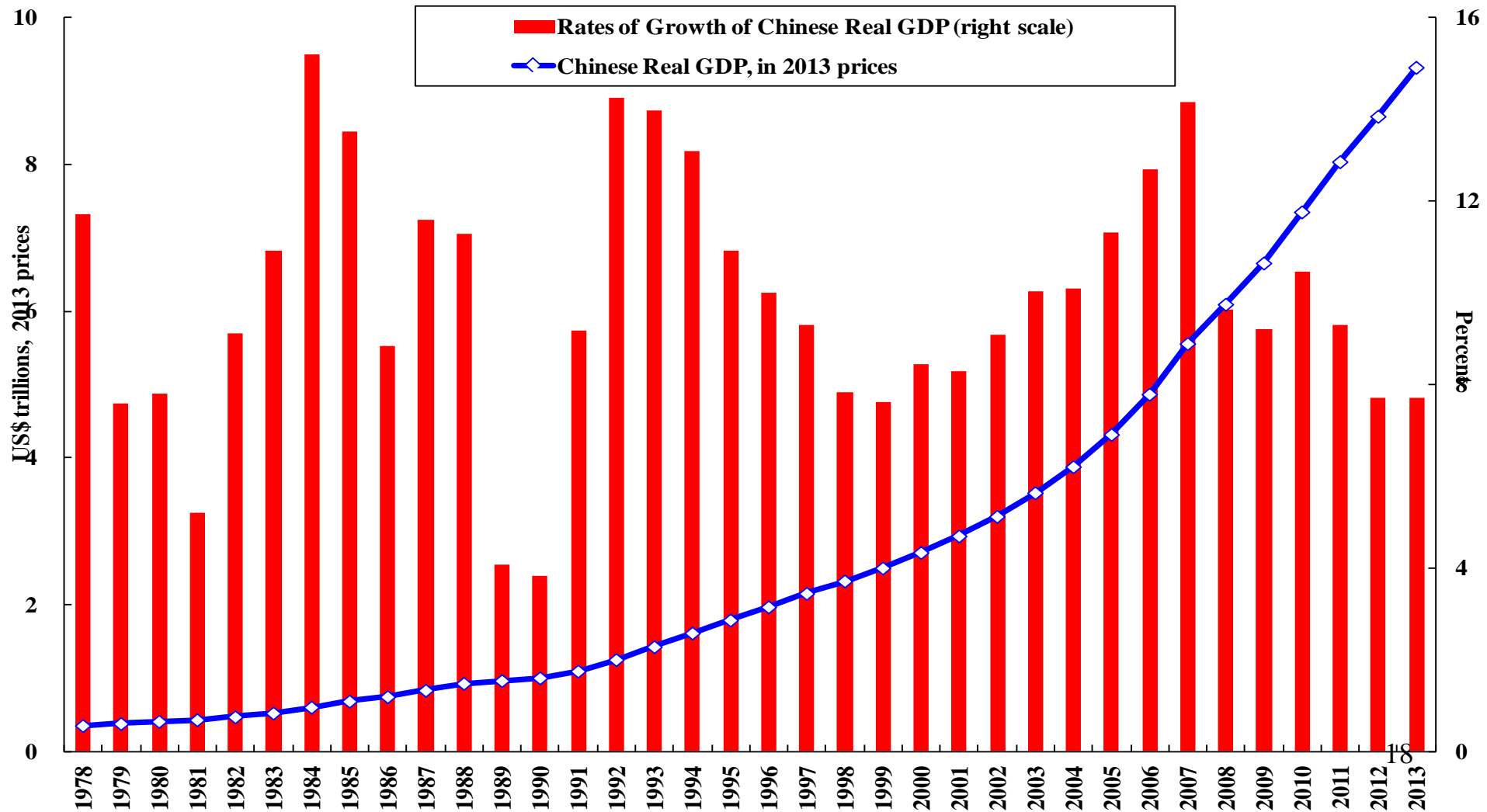
GDP per Capita of Former Soviet Union and East European Countries (2005 US\$)

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



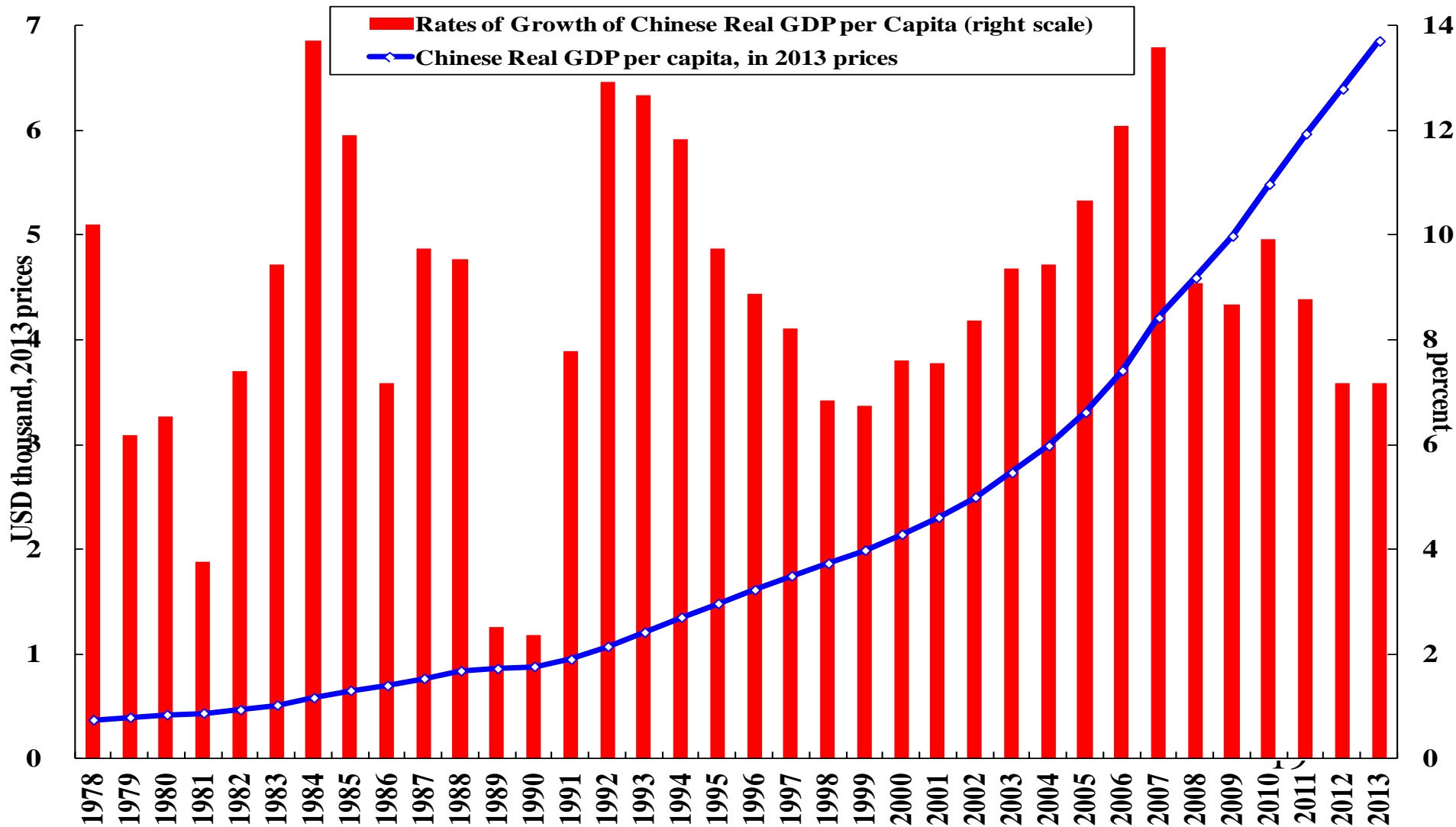
Chinese Real GDP and Its Rate of Growth (2013 US\$) since 1978

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



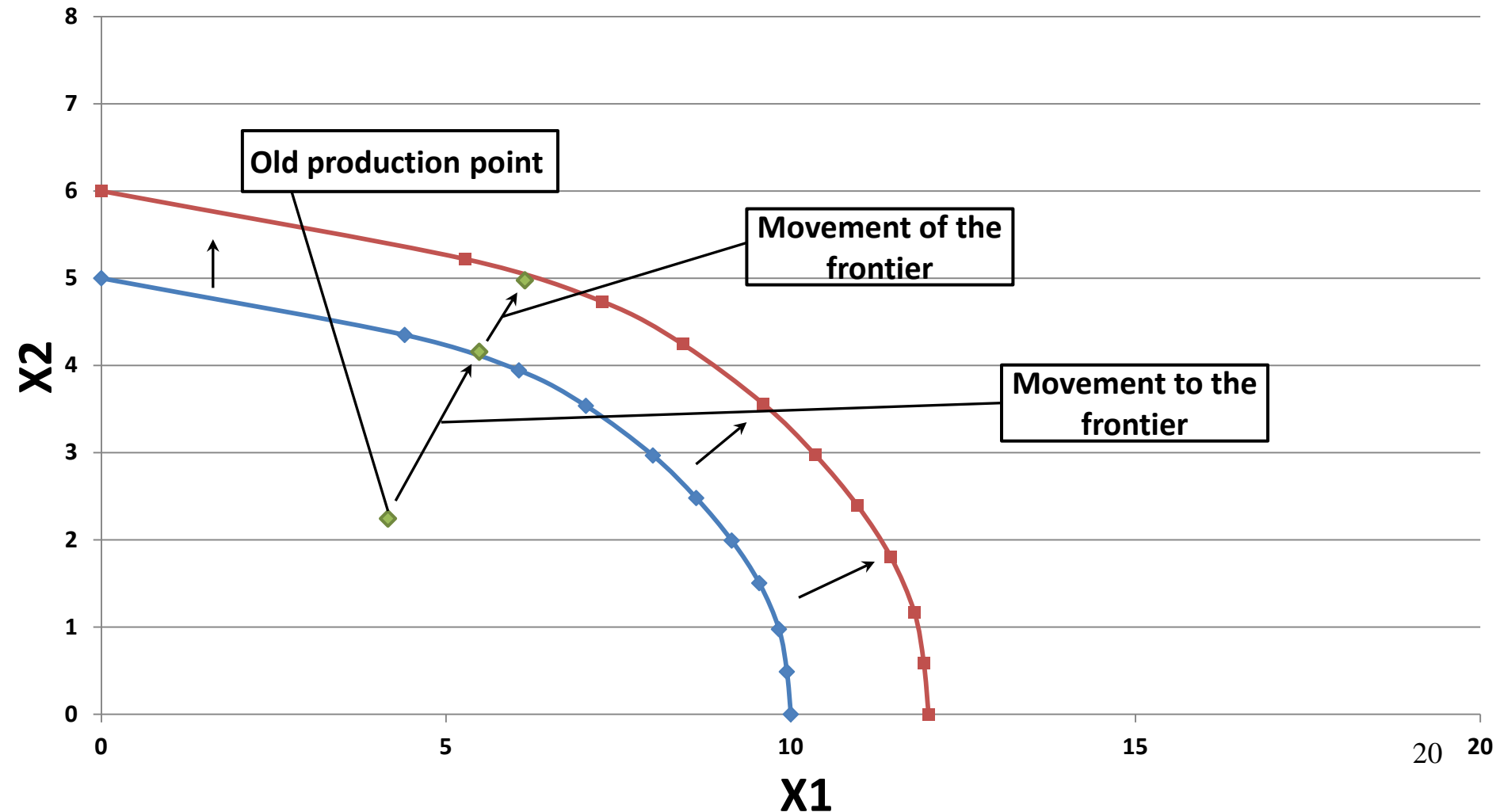
Chinese Real GDP per Capita and Its Rate of Growth (2013 US\$) since 1978

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



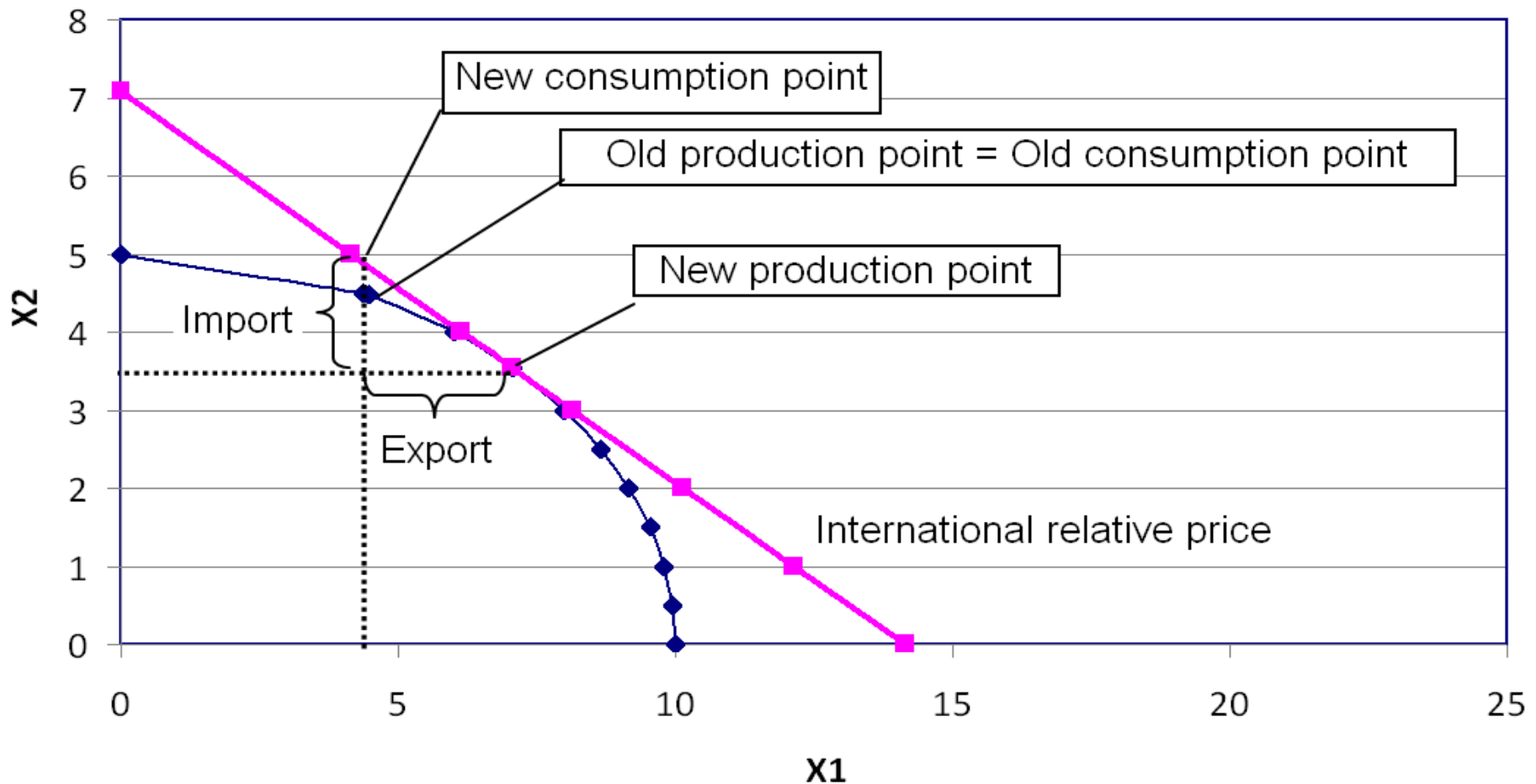
Movement of the Production Possibilities Frontier versus Movement to the Frontier

Production Possibility Frontier



The Set of Consumption Possibilities (and Social Welfare) is Enhanced with Trade

Production Possibility Frontier Chart 3



The Sources of Chinese Economic Growth: 1965-1995: from Lau and Park (2007)

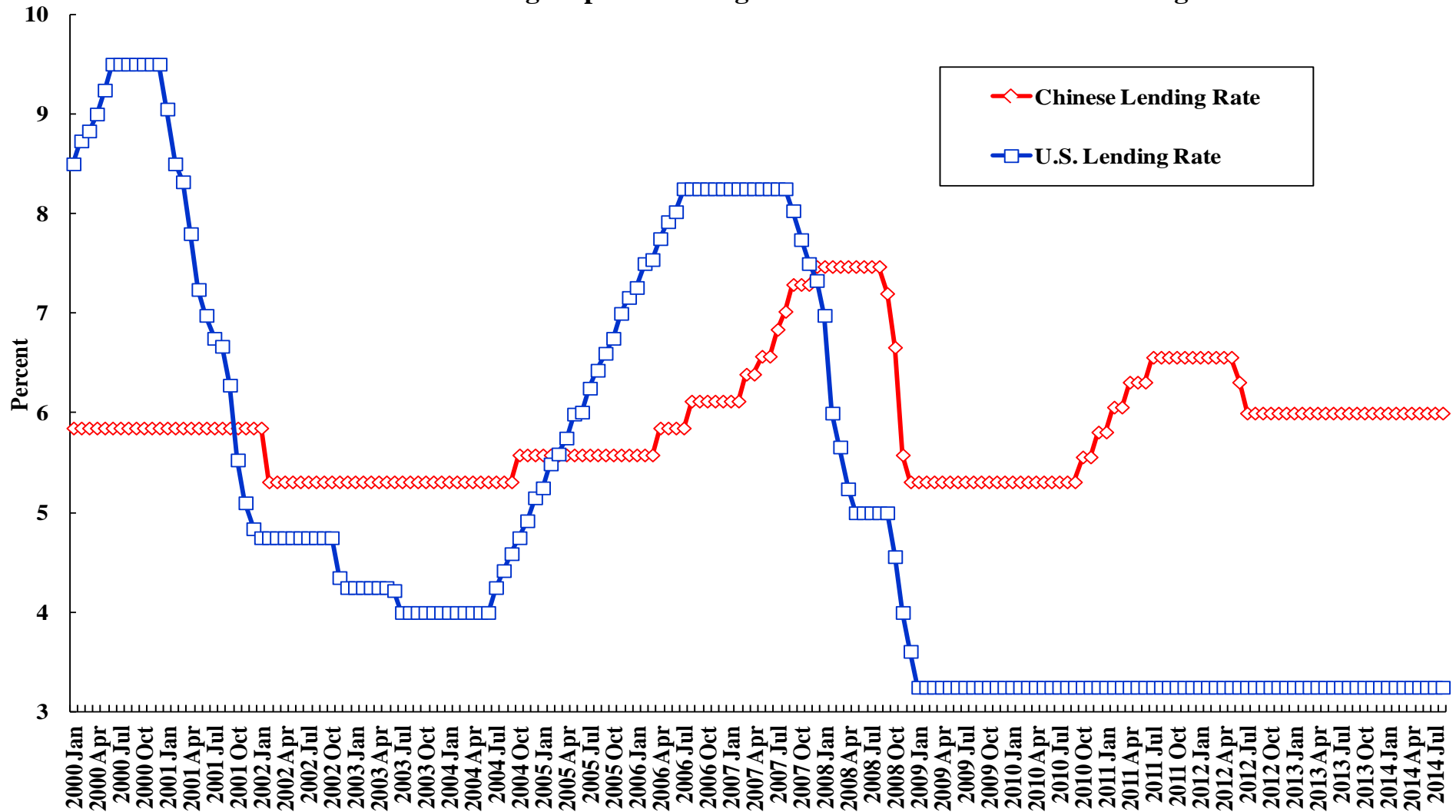
The Sources of Chinese Economic Growth

Sample period	Tangible Capital		Labour		Human Capital		Technical Progress
	% of Growth Accounted by	Rate of Growth of Input (%)	% of Growth Accounted by	Rate of Growth of Input (%)	% of Growth Accounted by	Rate of Growth of Input (%)	% of Growth Accounted by
1965-1973	85.29	(13.51)	10.36	(3.19)	4.35	(7.01)	0
1974-1985	80.46	(9.44)	14.64	(2.53)	4.9	(6.37)	0
1986-1995	86.39	(12.54)	10.34	(1.92)	3.27	(4.54)	0

Source: Lau and Park (2007).

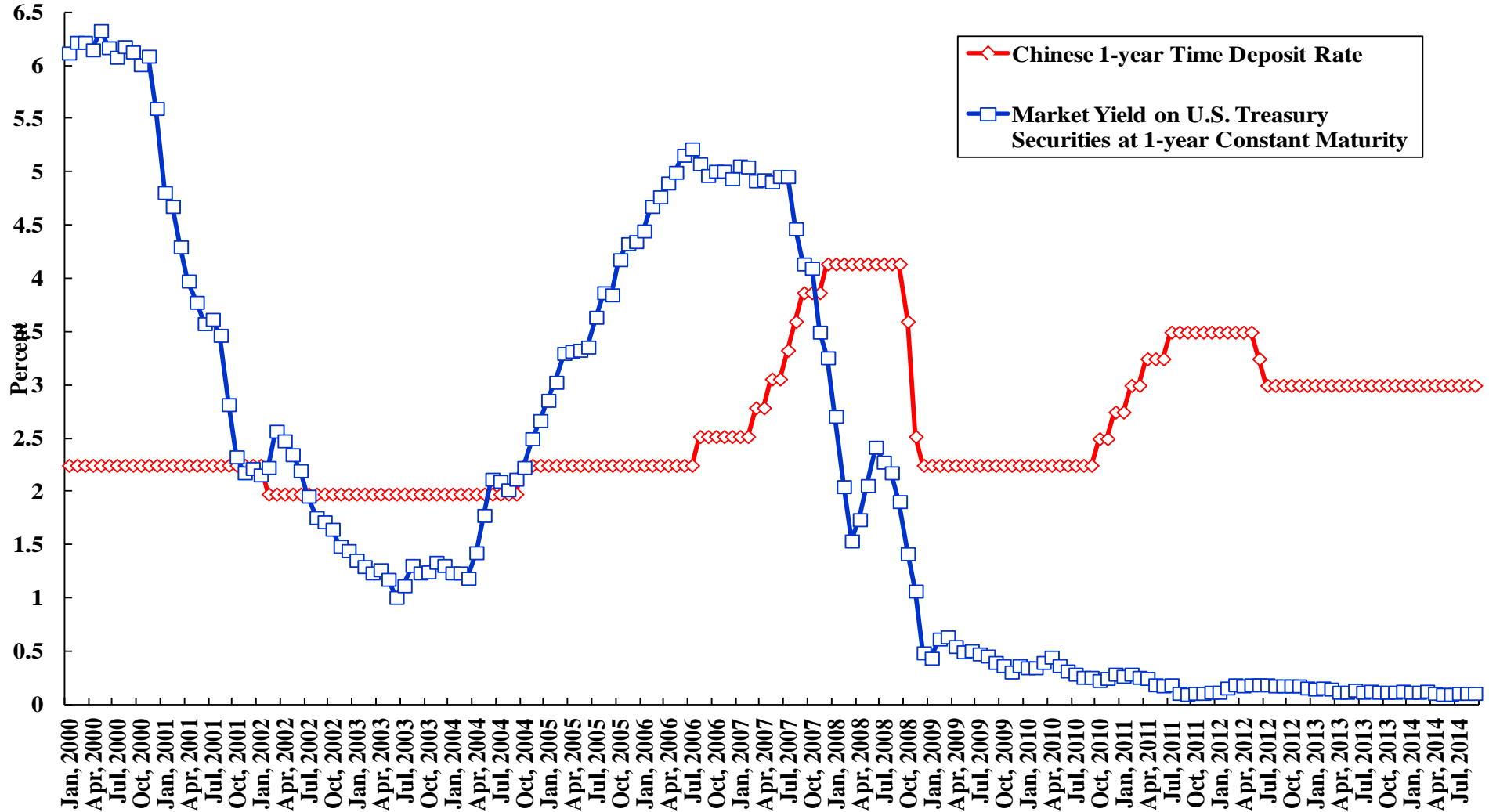
The Chronically Excess Demand for Credit: China-U.S. Lending Interest Rate Differential

Chinese 1-Year Working Capital Lending Rate and U.S. Short-Term Lending Rate



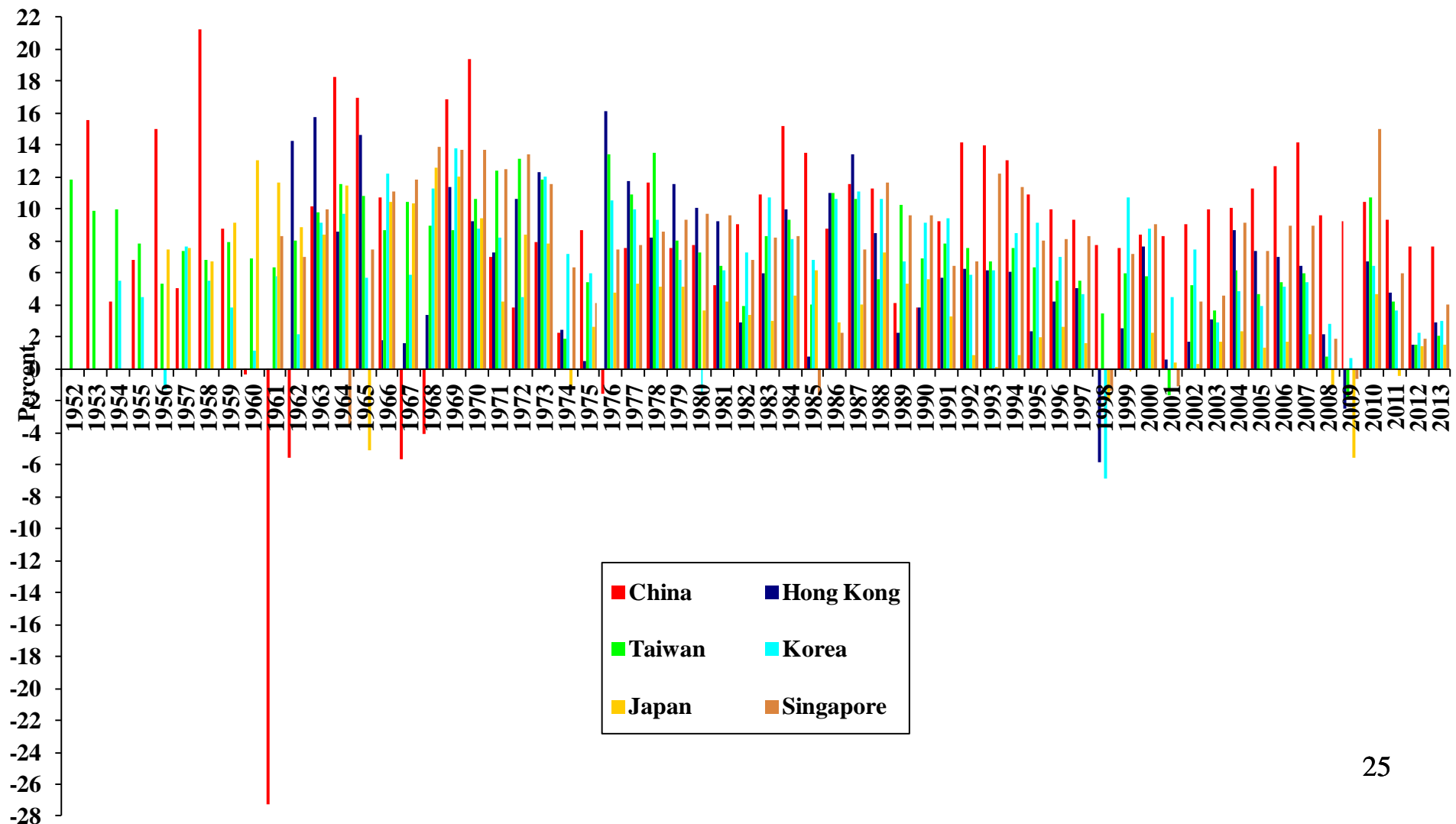
The Chronically Excess Demand for Credit: China-U.S. Deposit Interest Rate Differential

Chinese 1-Year Time Deposit Rate and Market Yield on U.S. Treasury Securities at 1-Year Constant Maturity



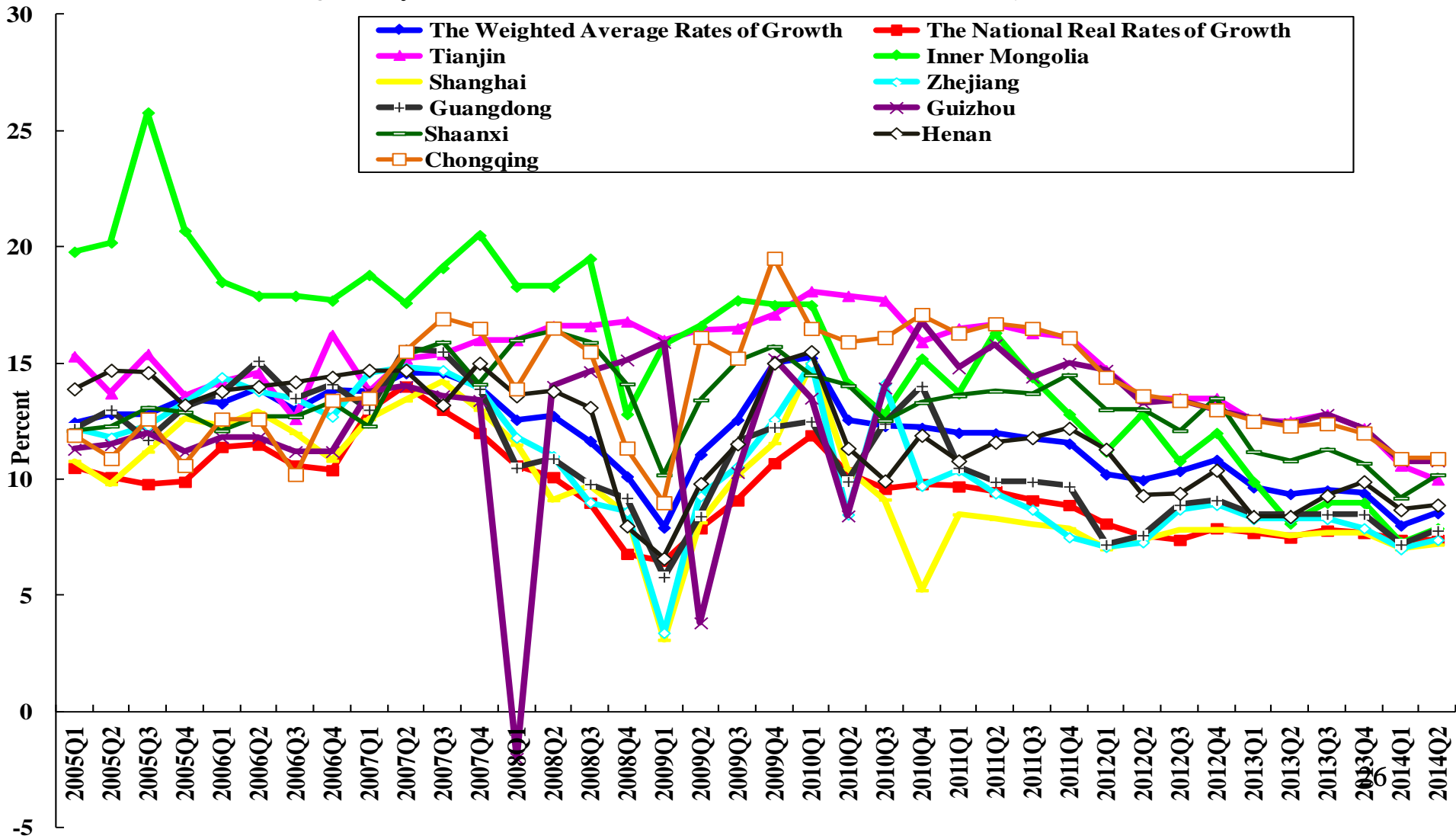
Annual Rates of Growth of Real GDP: Selected East Asian Economies since 1952

Rates of Growth of Real GDP of Selected Economies



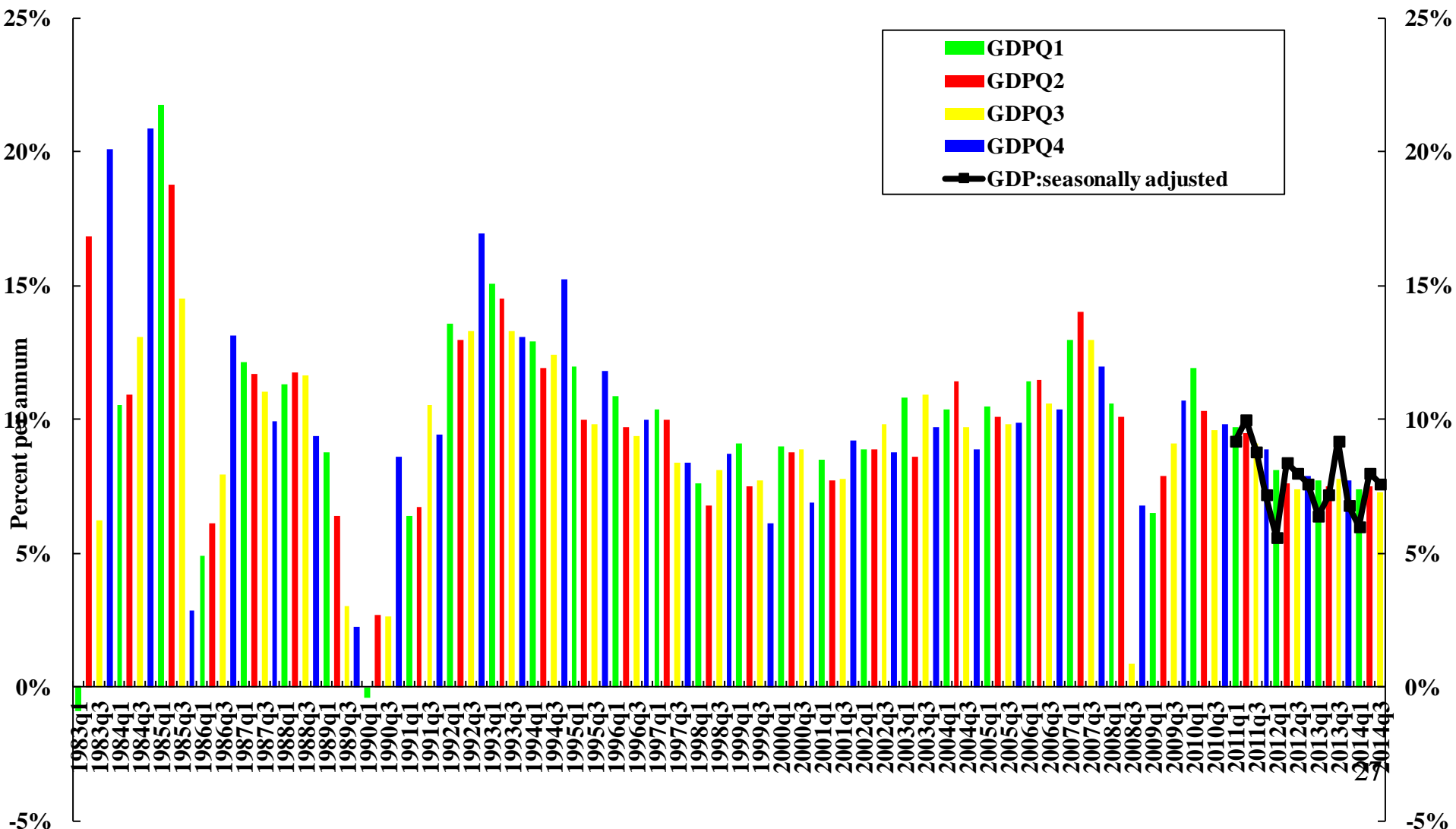
Quarterly Rates of Growth of Real GDP of Selected Chinese Provinces, Y-o-Y

Quarterly Rates of Growth of Selected Chinese Provincial GDPs, Year-over-Year



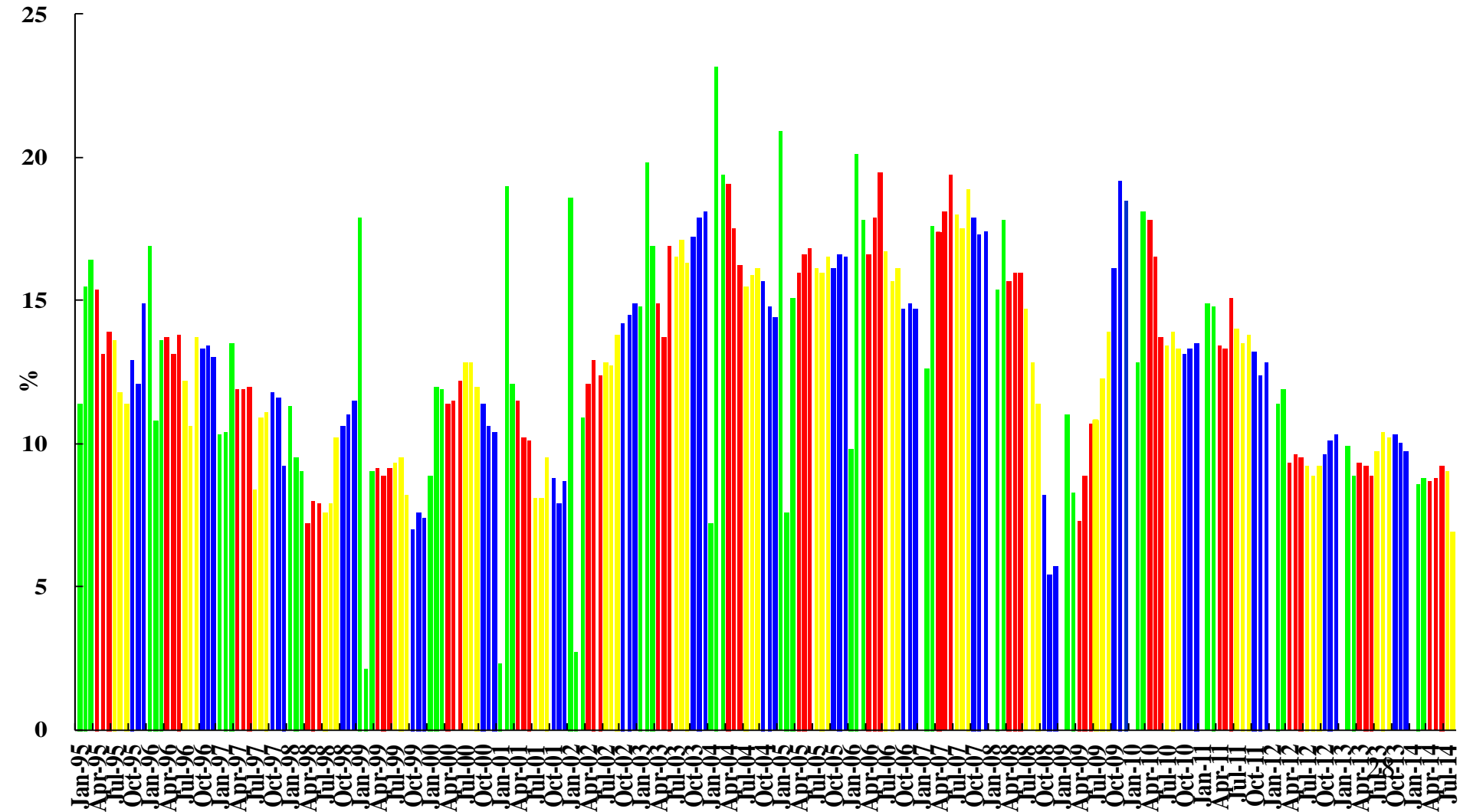
Quarterly Rates of Growth of Chinese Real GDP, Y-o-Y and Seasonally Adjusted

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



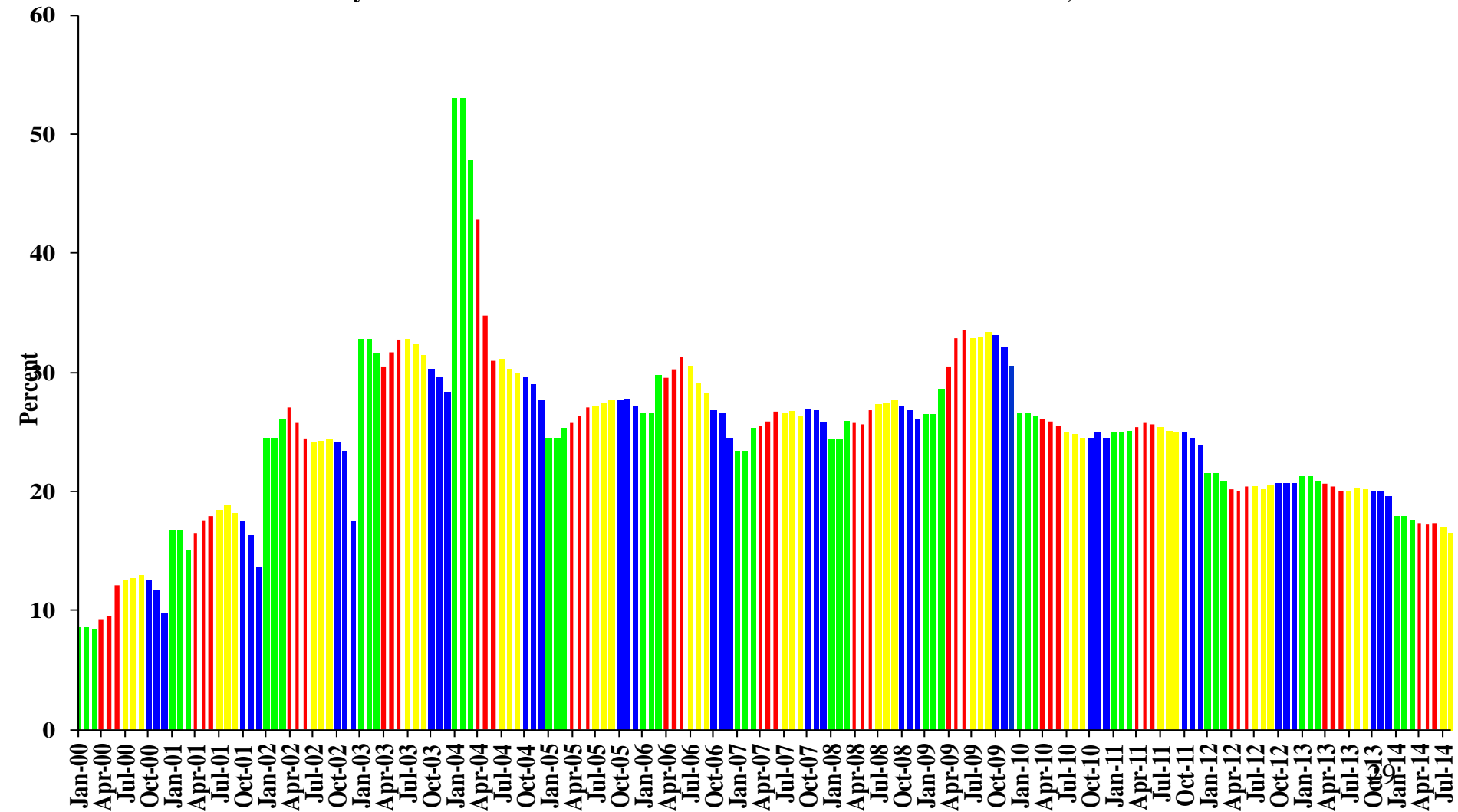
Monthly Rates of Growth of Real Value-Added of Chinese Industry, Y-o-Y

Monthly Rates of Growth of Real Value-Added of the Industrial Sector, Year-over-Year



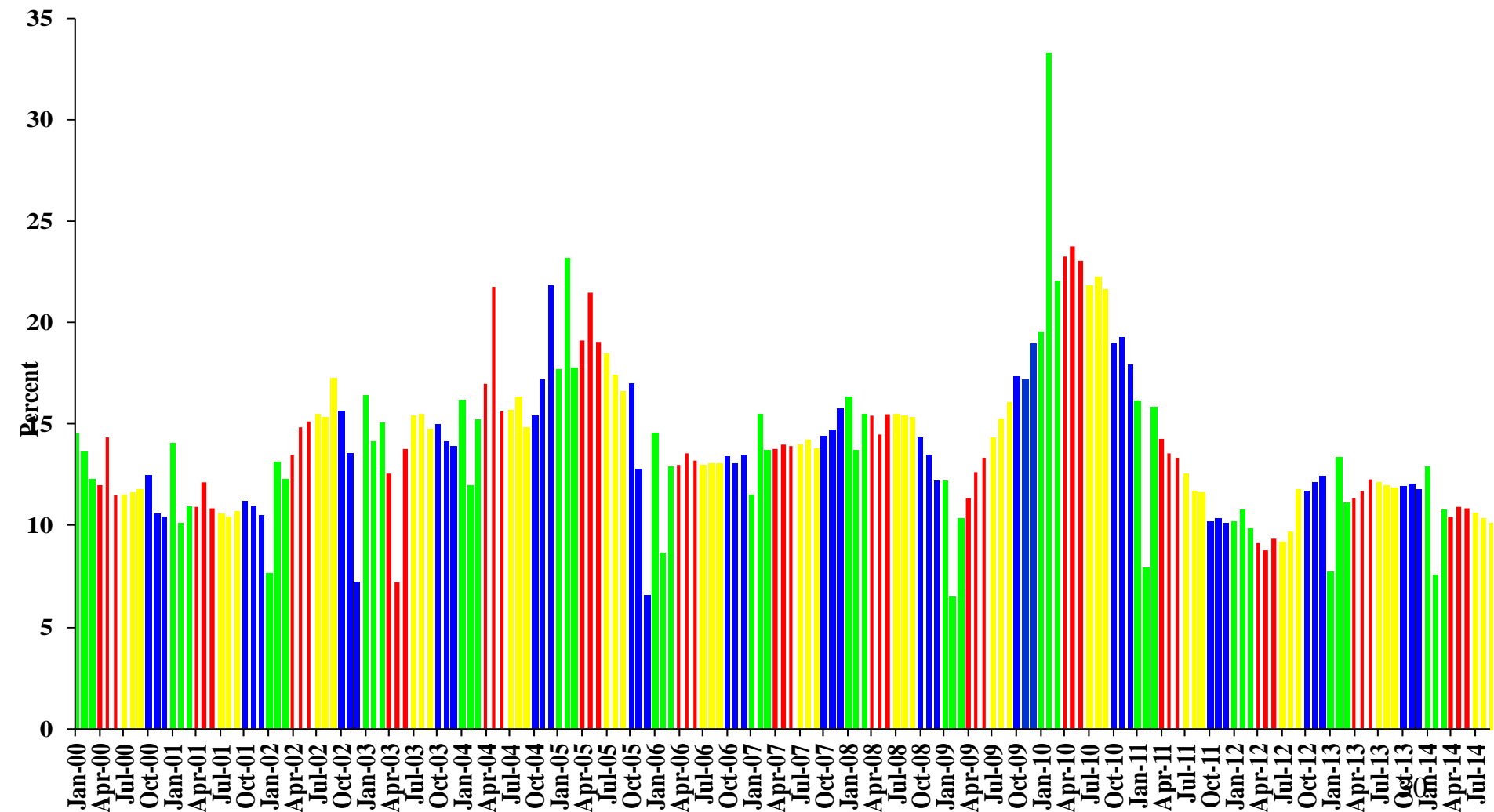
Monthly Rates of Growth of Chinese Fixed Assets Investment, Y-o-Y

Monthly Rates of Growth of Chinese Fixed Assets Investment since 2000, Year-over-Year



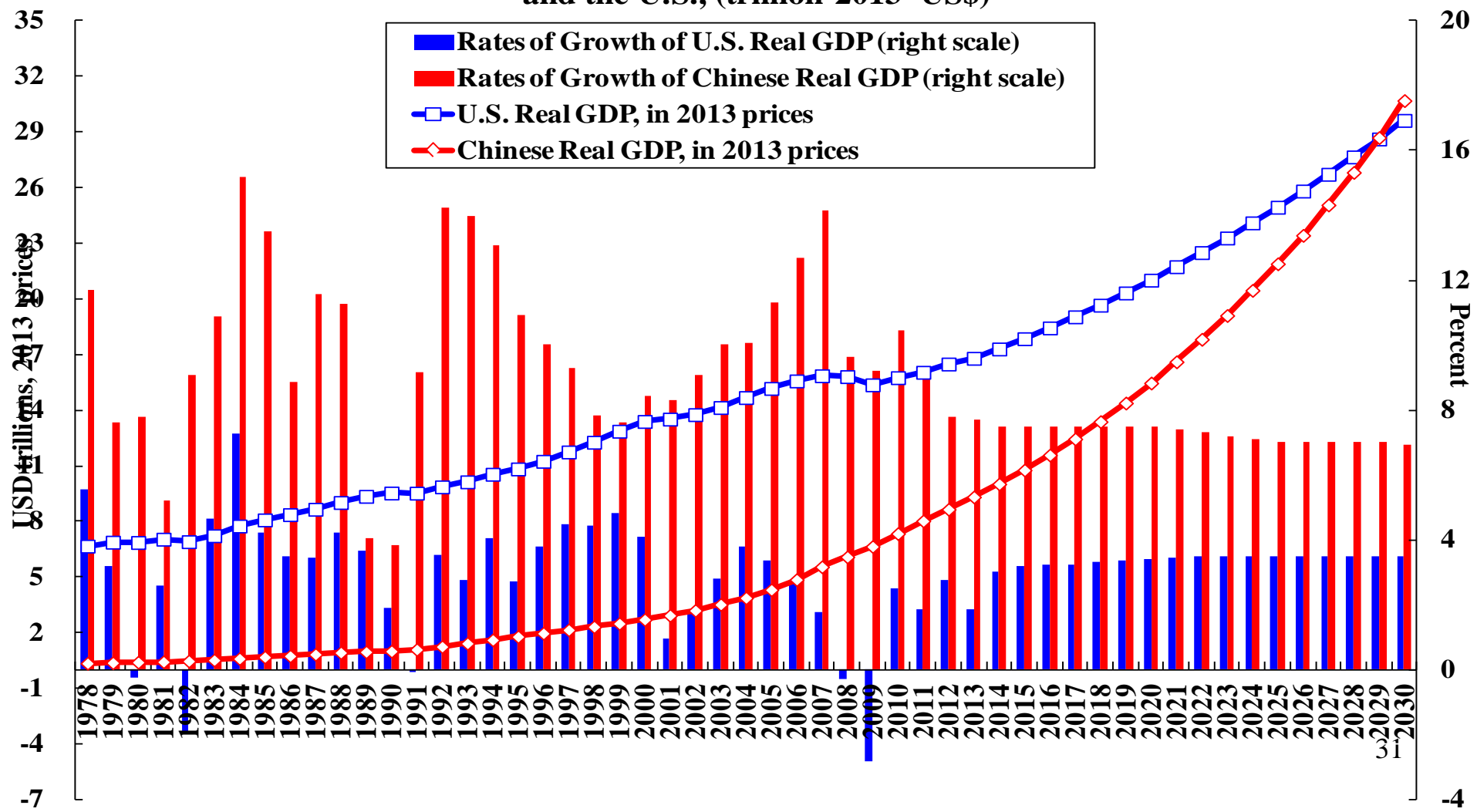
Monthly Rates of Growth of Chinese Real Retail Sales, Y-o-Y

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



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\$)

