

Charging the Long-Term Economic Growth in China: Policy/Institutional Reforms Perspective

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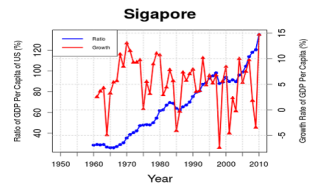
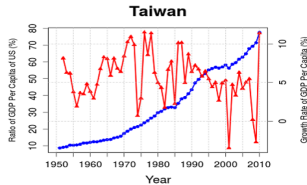
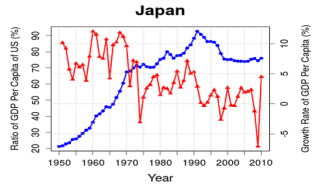
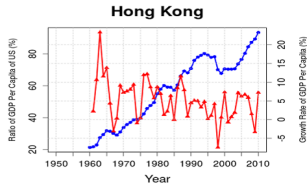
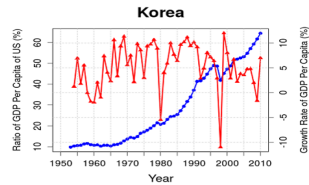
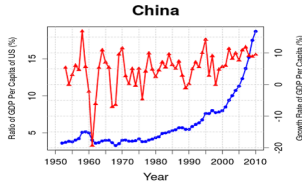
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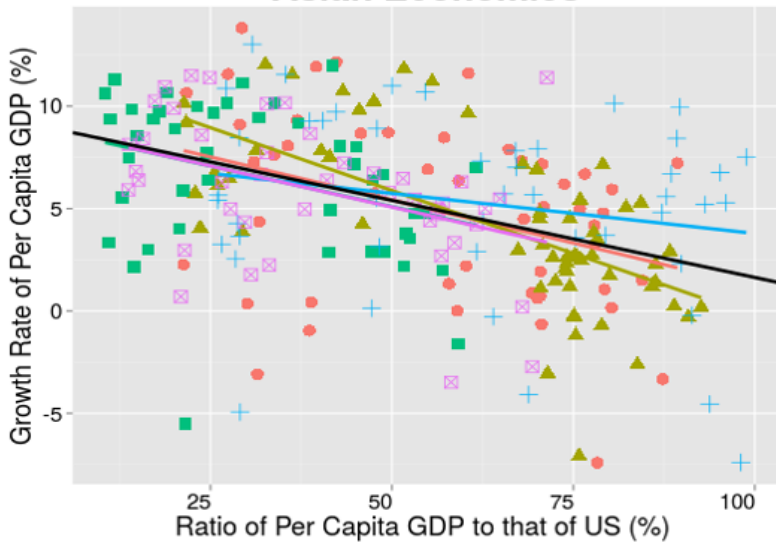
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China's long-term growth potential

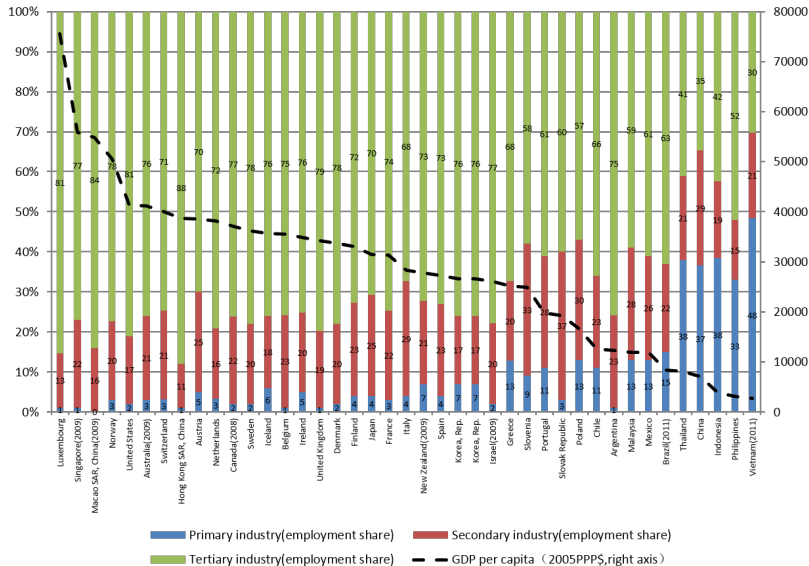


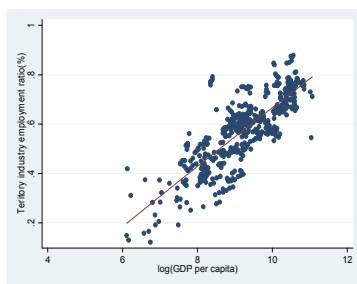
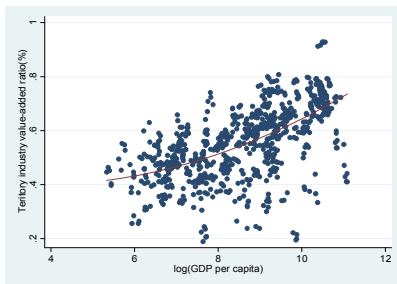
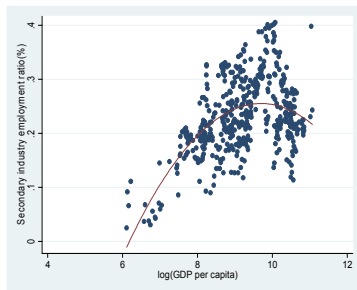
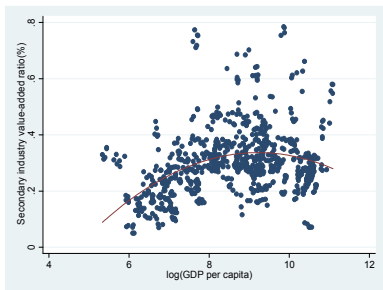
Asian Economies

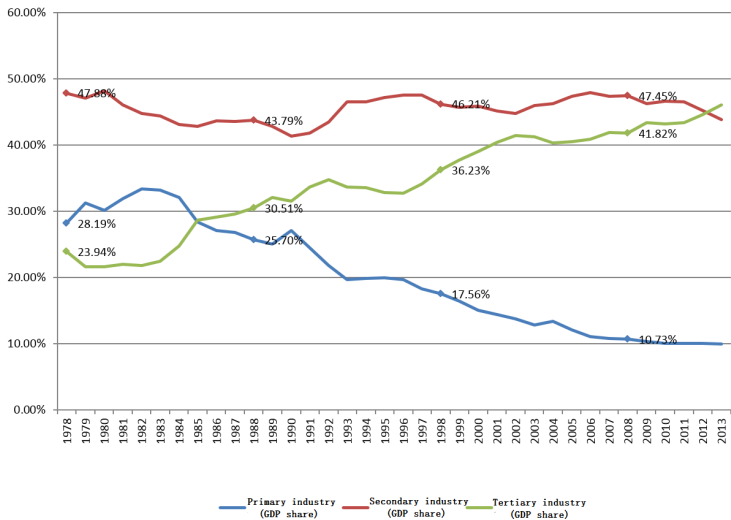


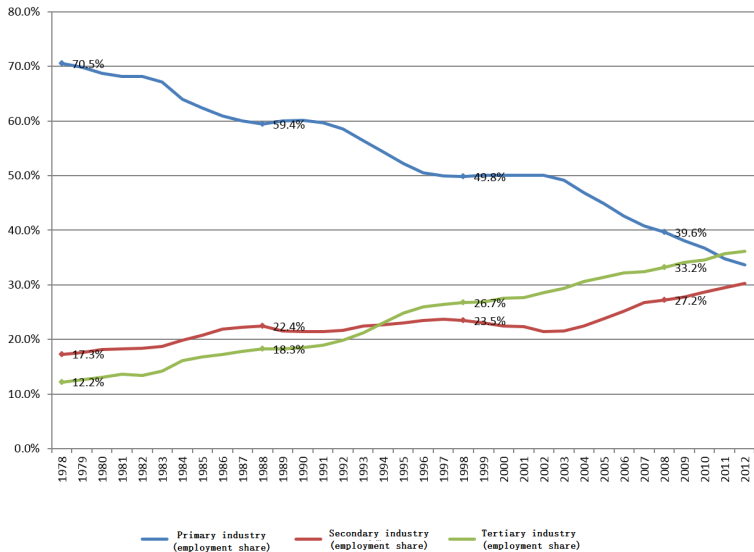
HKG JPN KOR SGP TWN

$$\begin{aligned} & \textit{Per Capita GDP Growth}_t \\ &= 16.7198 - 3.0008 \\ &\times \text{Log}(\textit{Ratio of GDP Per Capita of US}_{t-1}) \end{aligned}$$





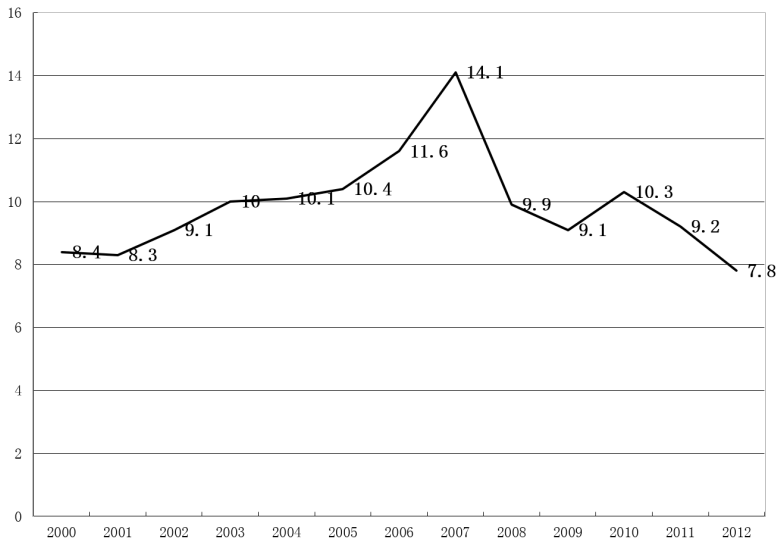


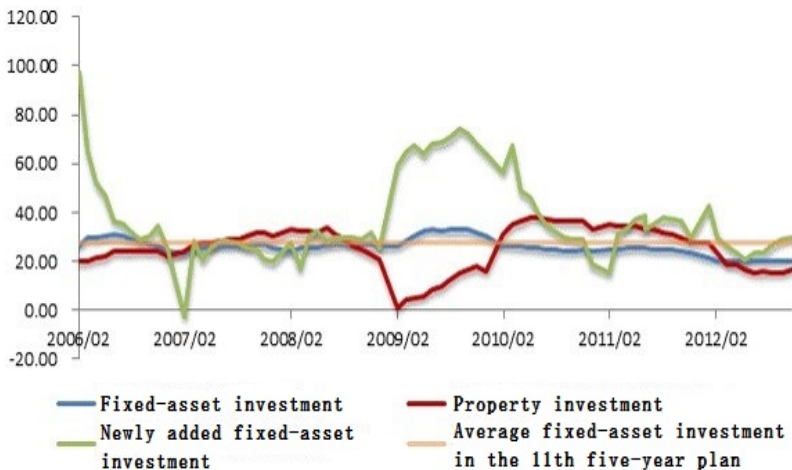


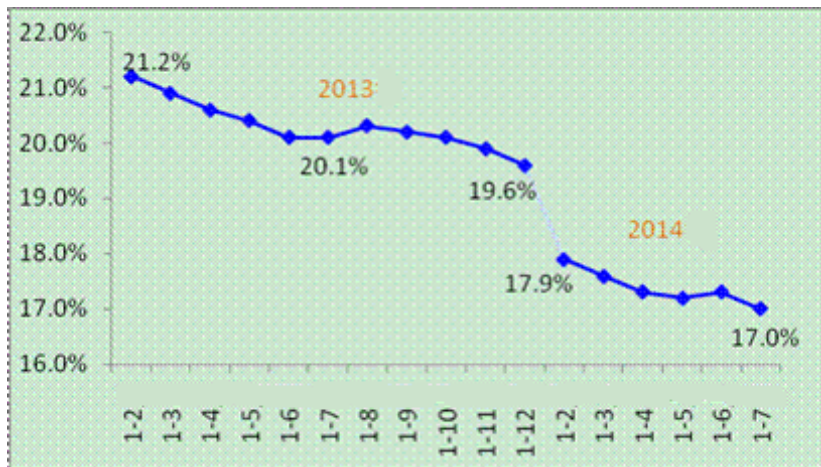
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Year	Growth of Per capita GDP(% PPP in 2005USD)	Per capita GDP (China, 2005USD)	Per capita GDP(US, 2005USD)	China's Per capita GDP as % of US
2015	8.07	10488	45670	22.96
2016	7.94	11268	46584	24.19
2017	7.80	12096	47515	25.46
2018	7.65	12973	48466	26.77
2019	7.50	13901	49435	28.12
2020	7.35	14881	50424	29.51
2021	7.20	15915	51432	30.94
2022	7.04	17003	52461	32.41
2023	6.87	18147	53510	33.91
2024	6.71	19347	54580	35.45
2025	6.54	20605	55672	37.01
2026	6.37	21920	56785	38.60
2027	6.20	23292	57921	40.21
2028	6.03	24722	59079	41.85
2029	5.86	26210	60261	43.49
2030	5.70	27754	61466	45.15
2031	5.53	29355	62696	46.82
2032	5.36	31012	63949	48.49
2033	5.20	32722	65228	50.17
2034	5.04	34486	66533	51.83
2035	4.88	36302	67864	53.49

Current growth drop in post-2010 China







Accounting for current economic growth drop:

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- ▶ Long term and structural factors?

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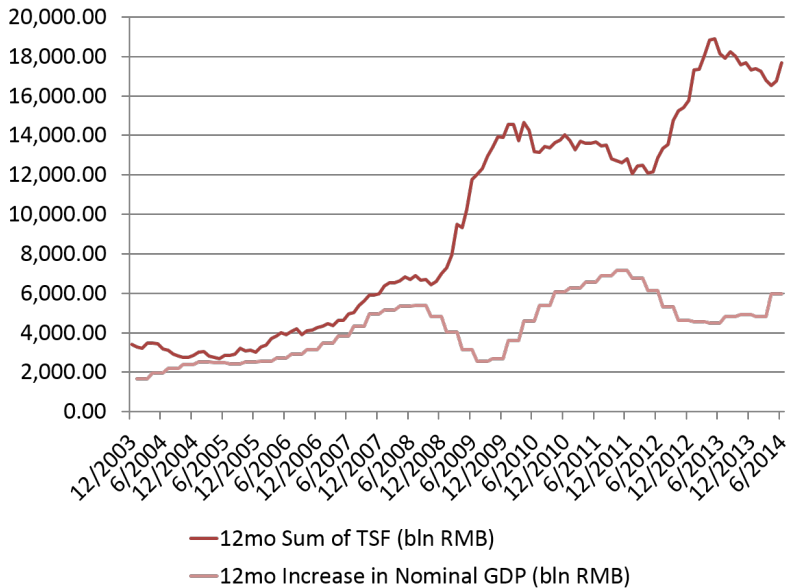
- ▶ Long term and structural factors?
- ▶ Demographic dividends

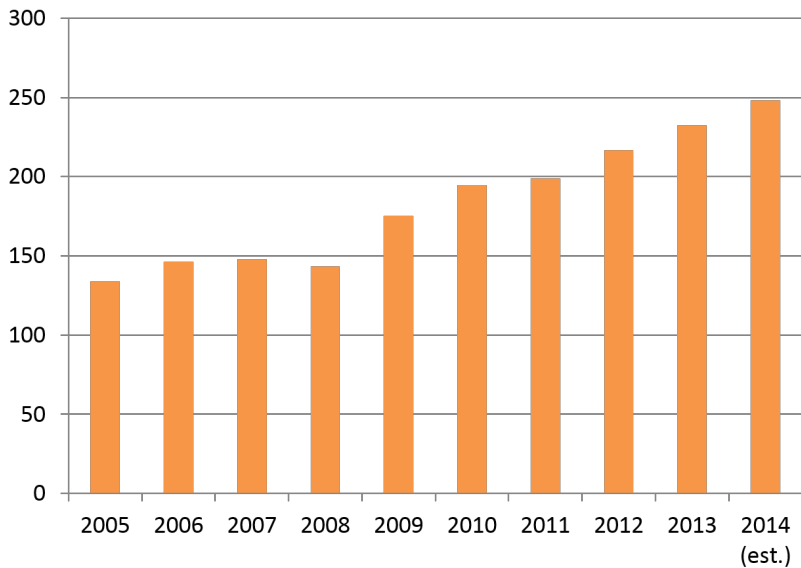
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- ▶ Long term and structural factors?
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- ▶ External shock and policy impact

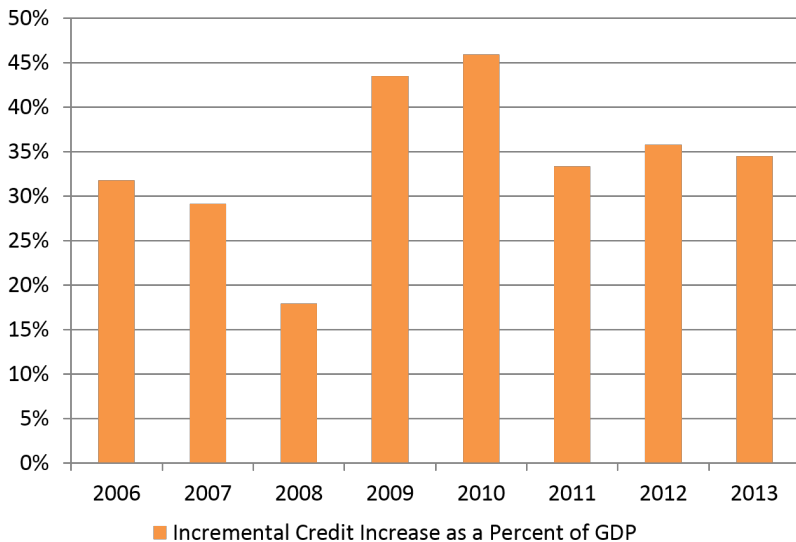
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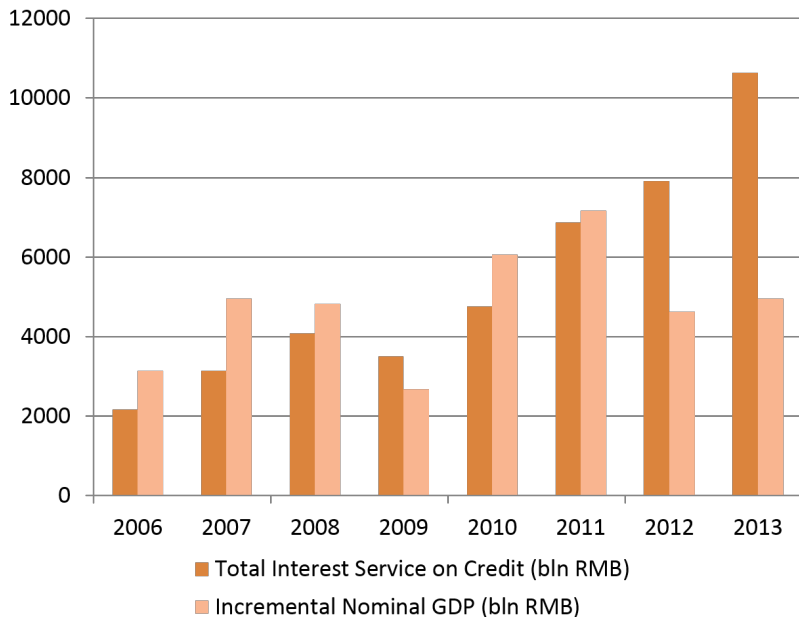
- ▶ Long term and structural factors?
- ▶ Demographic dividends
- ▶ External shock and policy impact
- ▶ Monetary overhaul and credit crisis





■ Total Credit as a Percentage of nGDP (%)





Policy reform

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- ▶ Shadow banking and rising cost of financing

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- ▶ Investment contraction

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- ▶ however, monetary easing is highly needed:
 - ▶ Rapid rising burden of interest service,
 - ▶ Debt write-off

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 - ▶ Stimulating the investment financing
 - ▶ Lowering the interest rate of shadow banks
- ▶ Central government bond issued to finance the debt write-off (20%?)
 - ▶ China has much lower public debt/GDP ratio

Institutional reform

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- ▶ Putting down rent-seeking and non-direct productive activities

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- ▶ Central-local fiscal relationship

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- ▶ Social security reform

THANKS