
Comments: from 1994 reforms through today, to be published in a book on fiscal decentralization a unitary state with five levels of administration:
- 31 provincial-level unites (22 provinces, 4 cities, 5 autonomous regions)
- below that are 335 preferctures and cities of prefectural level
- 2142 counties / autonomous counties / cities at the county level
- many, many townships / towns / city districts.
- until 1994 reform, tax handled in effect by provincial governments
- much data on actual revenue sharing, etc


Comments: superceded by Ahmad et al. but a good source for why reforms needed. of course Jean Oi has an entire book on that topic


Comments: standard overview of the economy through mid-2000


Comments: good to hand out the current one in class


Comments: long report, with lots of country-by-country stuff for every atol in the pacific...


Comments: great bibliography!

massive 400+ page study of policies to reform western china

Chapter 1: The macroeconomy
Chapter 2: The fiscal system
Chapter 3: The financial system
Chapter 4: Agriculture and natural resources
Chapter 5: Social conditions
  Demographic context
  Incidence of poverty
  Burden of disease
Chapter 6: Transport policies
Chapter 7: Energy policies and strategies
Chapter 8: Technology policy

Comments: China's rapid overall growth since 1978 masks significant differences in relative economic performance across its provinces. This paper finds that, while per capita income of poor provinces are catching up with those in the rich, the relative income distribution appears to be stratifying into a bimodal distribution -- the coastal provinces gravitating toward one mode, and the remaining provinces toward the other -- with economic structure and policies playing important roles in the growth dynamics.


Overview: The State industrial sector is the Achilles heel of China’s otherwise remarkable economic performance over the past two decades. Most other countries in transition from socialism have transformed SOEs into commercial entities through systematic, market-driven restructuring and privatization to become more efficient and competitive. In China, a series of innovative, if often administrative, institutional reforms since 1978 have begun to achieve the Chinese authorities’ goal of “separating government from businesses.” But the Chinese State still maintains ownership of key enterprises, and government agencies carry out shareholder functions typically performed by private owners in a market economy. Although privatization and restructuring of SOEs is occurring, it mostly pertains to small and medium sized firms. For the principal businesses, by contrast, the creation of large state enterprise groups and holding companies (and experiments in other forms of “state asset management”) have become the main form of restructuring. Today, China’s SOEs still account for more than one-quarter of national production, two-thirds of total assets, more than half of urban employment and almost three-quarters of investment. While direct budgetary subsidies have declined, explicit and implicit subsidies are still making their way
to prop up loss-making SOEs through the financial system and other routes. At the same time, SOEs are still producing non-marketable products, resulting in a sizeable inventory overhang. These inefficiencies and distortions represent a drain on the country’s resources and thus present a challenge to the Chinese leadership for reform. This paper sheds light on these challenges by analyzing the incentives and constraints on China’s SOE reform program. Four critical aspects of the reforms are highlighted and evaluated against the backdrop of international experience: clarification of property rights; establishment of large group/holding companies and other new organizational structures; improved corporate governance incentives; and implementation of international financial accounting and auditing practices. The paper concludes with policy recommendations.

Comments: no precise date on it - need to check


Overview: [excerpt] broaden the focus of these earlier efforts to include transfer rights, meaning an individual’s liberty to rent or sell the use, income and other rights that he or she holds. Theoretically this paper shows that transfer rights permit specialization in off-farm activities

Comments: uses data on rice producing households in 1988 and 1993. if can't transfer, then stuck on the land -- title alone isn't the issue.


Comments: estimates elasticities, shows that are rising as prices matter more in the economy. see Cerra's later paper


Comments: calculates lots of elasticities


Overview: The objectives of this paper are to estimate the costs and benefits of labor retrenchment in state-owned industrial enterprises in China. Our results indicate the prevalence of low and stagnant labor productivity, low capital productivity, and excessively high wages in the state sector during the period under review (1994-97), while the non-state sector consistently exhibited greater productivity. The most striking finding was that the gain from labor retrenchment is small, compared with the large gain that could be realized from capital transfer. Thus our results suggest that reform in state-owned enterprises should pay greater attention to the efficiency of capital allocation in addition to current labor retrenchment. More important, efficiency capital allocation would reduce the pressure on labor and bring larger gains at a lower social cost.

Comments: data through 1997

Overview: This paper investigates the recent trends in poverty and inequality since the 1990s, and decomposes poverty reduction to see who has benefited most from China’s economic growth. We find that first, by several measures poverty has declined significantly across a wide range of poverty lines during the 1990s, except for a slight increase in 1997-99 for lower poverty lines. Second, economic growth contributed significantly to poverty reduction, while a rising inequality increased poverty. Third, the poor benefited far less than the rich from economic growth, and it was only the richest 20 percent of the population whose income growth could reach or exceed the average growth rate. Finally, we examine the relationship between human capital, growth and poverty, and find that there is a huge regional disparity in human capital stock, and the distribution of education is becoming increasingly skewed. This problem should be addressed if China is to succeed in its efforts to attack poverty and inequality.


Comments: • accessible to students, who can read around the math • projects population size and LF in a growth model context. uses to generate a savings estimate which then feeds back into investment • numerical CGE model, lower fertility generates lower savings and lower returns on capital but higher returns to labor. but not much impact on per capita income. does however lead to higher capital mobility, taking ROW returns as ceteris paribus.


Overview: Using household-level data specifically collected for the purpose of evaluation, we empirically evaluate the impact on household income of a rural program in China that focuses on increasing women’s economic and social participation in the local community. We find that the program substantially increases women’s participation and household income, and also generates positive social benefits. Our results also suggest that the income gains accrue to participants only and partly at the expense of non-participants. We find that the magnitude of the program impacts depends sensitively on the program’s ability to increase participation rates within villages. In the presence of the program, individual participation helps to avoid the negative externalities and to buy into the positive gains accruing to participants. Our results support the view that effectively implemented gender-focused interventions can have substantial social benefits when supported by the necessary legal and institutional framework.

Comments: interesting combination of disciplines


Overview: This analysis examines the implications of WTO accession for China’s domestic policies and institutions by identifying some of Chinese agricultural policies and institutional arrangements that may generate conflicts with WTO requirements and analyzing the nature and extent of the conflict that may be introduced by WTO accession. We differentiate three alternative ways that China’s current domestic policy or institutions may conflict with or be incompatible with WTO accession: (1) the domestic policy or institution is expressly prohibited by WTO rules and principles; (2) the changes required
by WTO accession impose additional costs on the government such that the existing policy or institutions are difficult to sustain; and (3) the changes required for WTO accession reduce the effectiveness of the policies or institutions.

Based only on the incomplete information currently available on China’s WTO commitments, we suggest that the greatest conflicts center on China’s policies that manage agricultural supply, distribution, and trade of major commodities. First, China’s state trading enterprises will no longer have a monopoly on trade. This is likely to reduce the government’s ability to use STE as a policy instrument to limit imports in order to support domestic production. Second, the most important conflict with China’s WTO commitment is likely to be China’s use of a state-run monopoly procurement system for grains and cotton. This change will diminish the government’s current policy goal of managing supply and distribution of key agricultural commodities. The impact on farmers, however, is likely to be mixed and will be influenced by general agricultural supply and demand conditions. Third, the change in China’s import tariff duties is not expected to have a significant impact on either domestic policy or on government revenues. However, in terms of domestic support, China will face a conflict in the operation of its grain stockholding policy, while the large number of government programs that meet the WTO “Green Box” criteria will be increasingly important to China’s agriculture. In this way, China’s farmers will hopefully be able to reduce costs, increase yields, and improve their competitiveness.

Comments: useful and readable


Comments: no China material, or Japan. Discusses credit creation and transmission mechanisms, focus on banking.


Overview: China faces formidable challenges in maintaining a high rate of growth, in restructuring its manufacturing and financial sectors, and in modernizing its economy. But current Chinese leaders acknowledge the difficulties, are aware of the steps that need to be taken, and seem prepared to take the difficult steps when the moment is propitious. They have a reasonable chance of succeeding.

Comments: sensible overview of many issues, lucidly written. Much on international nexus.


Overview: How has the history of the twentieth century affected the extent of female disadvantage in child survival in China, South Korea and India, and how has this in turn shaped spousal availability and marriage payments? These three countries represent South and East Asia, the parts of the world which show the highest levels of excess female child mortality. This is a longstanding pattern in all three countries, as evidenced by data from the nineteenth and early twentieth centuries (Xin 1989, Kwon 1977, Visaria 1969). We explore how historical events have influenced the extent of excess female child mortality during 1920-90, and some of the substantial social ramifications of changes in the level of gender-based discrimination.

We examine how the level of discrimination has been affected by events in the wider society which
place households under severe stress. The focus is on three kinds of resource constraint. The first is the disruption and privation of war, which was experienced at the national level by China in the first half of this century and especially during World War II, and by South Korea during the Korean War of 1950-53. The second is famine, which was experienced on a large scale in China in 1959-61. The third is the substantial fertility decline which has taken place in all three countries in recent decades. Since these societies are characterized by strong son preference, this amounts to another form of resource constraint on the household because reducing the number of births means reducing the number of opportunities to have a son. Empirically, fertility decline in these countries has been accompanied by rising female disadvantage in survival even at low birth orders, and more masculine sex ratios of children (Das Gupta and Bhat 1995).

Comments: looks really nice, good for Econ 274?!


Overview: We compare changes in gender roles and women’s empowerment in China, the Republic of Korea, and India. Around 1950, when all these countries had new governments following revolution or the end of colonial rule, they were largely poor and agrarian, with many cultural commonalities which placed similar severe constraints on women’s autonomy. They adopted very different paths of development, which are known to have profoundly affected development outcomes in these countries. However, these choices have also had tremendous impact on gender outcomes, and today these countries show striking differences in the extent of gender equity achieved: China has achieved the most, and the Republic of Korea the least. We conclude that:

· States can exert enormous influence over gender equity. They can mitigate cultural influences on women’s autonomy (as in China and India), or slow down the pace of change in gender equity despite rapid integration of women in education, formal employment and urbanization (as in the Republic of Korea).
· The impact of policies to provide opportunities for women’s empowerment can be greatly enhanced if accompanied by communication efforts to alter cultural values which place heavy constraints to women’s accessing these opportunities.


Comments: looks at India, China and to some extent Korea, especially in terms of the highly skewed ratio of male to female children. includes a simple cost-benefit framework on having children, cf Table 1 which lists sources of support in old age for South Korea in 1995, where eldest son is key for 30% of urban but 48% of rural; self support is 41% urban 22% rural. daughters alone is under 2% and "sons & daughters together" is about 10%, just a bit more than "all sons".


Comments: see the other papers by her and co-authors

Overview: Even though it is widely recognized that giving farmers more secure land rights may increase agricultural investment, scholars contend that, in the case of China, such a policy might undermine the function of land as a social safety net and, as a consequence, not be sustainable or command broad support. Data from three provinces, one of which had adopted a policy to increase security of tenure in advance of the others, suggests that greater tenure security, especially if combined with transferability of land, had a positive impact on agricultural investment and, within the time frame considered, led neither to an increase in inequality of land distribution nor a reduction in households' ability to cope with exogenous shocks. Household support for more secure property rights is increased by their access to other insurance mechanisms, suggesting some role of land as a safety net. At the same time, past exposure to this type of land right has a much larger impact quantitatively, suggesting that a large part of the resistance to changed property rights arrangements disappears as household familiarity with such rights increases.


Overview: 2003.04

Comments: (18) http://www.usc.edu/dept/LAS/economics/Pages/faculty/fac_pages/nberagingfinal.pdf
(19) University of Southern California and National Bureau of Economic Research
(42) a revision of his JES paper, of which I was the discussant


Overview: We have identified a group of developing countries that have had large cuts in tariffs and large increases in actual trade volumes since 1980. Since China, India, and several other large countries are part of this group, well over half of the population of the developing world lives in these globalizing economies. The post-1980 globalizers are different from the rest of the developing world in terms of the extent of tariff cutting (22 point reduction compared to 10 points) and in terms of the increase in trade volume over the past 20 years (an increase from 16% to 32% of GDP, versus a decline from 60% of
GDP to 49% of GDP). While rich country growth rates have slowed down over the past several decades, the growth rates of the globalizers have shown exactly the opposite pattern, accelerating from the 1970s to the 1980s to the 1990s. The rest of the developing world, on the other hand, has followed the same pattern as the rich countries: growth decelerating from the 1970s to the 1980s to the 1990s. In the 1990s the globalizing developing countries grew at 5.0% per capita; rich countries at 2.2% per capita; and nonglobalizing developing countries at only 1.4% per capita. Thus, the globalizers are catching up with rich countries while the non-globalizers fall further and further behind.

Comments: very good overview of openness debate, both conceptually and especially empirically. extends work done on 1960s and 1970s -- very sensible and important


Overview: Output in Chinese agriculture has grown rapidly for the last several decades, as reported by the Statistical System in China. However, reported total output is aggregated using constant prices, which has been proven to be inappropriate by many economists. As a result, growth rates of output reported by the government may be biased. This bias can be large, particularly at a time when relative prices of agricultural products were changed substantially as part of the policy reforms during the 1980s and 1990s. A similar problem exists in the aggregation of total input. Consequently, estimates of total factor productivity, an index of output minus input, can also be biased.

This study uses a more appropriate approach to measure growth in output, input and total factor productivity for Chinese agriculture. Using newly estimated production and productivity growth indexes, the impact of rural reforms are reassessed. The conventional approach overestimates the impact of the rural reforms on both production and productivity growth. Nevertheless, both production and productivity still grew at respectable rates during the reform period.

Comments: good to compare to Rawski's debate about GDP statistics. overestimates, but not so much as to belittle growth.


Overview: This paper analyzes the macroeconomic assumptions, demand and supply parameters, and structures of the models used in projecting China's future food supply, demand, and trade. Projections from these models vary greatly, from China being almost self-sufficient in grain to becoming a net importer of 369 million metric tons of grain in 2030. The differences arrive mainly in the supply projections (the combined effect of land decline and yield growth). The paper also suggests methodology improvements needed in making future projections of China's grain economy, such as endogenizing government policies, and taking into account the linkage between the agricultural with the non-agricultural sectors, technical change in livestock industry, and infrastructure constraints on grain imports.

Comments: good to pair against the china-will-starve people such as Lester Brown. notes potential for trade, productivity improvements (e.g., modern meat production instead of household byproduction)

Comments: production function estimation, not clear how sensible it is as an approach to desegregate different sources of efficiency


Comments: Public investment, together with institutional and policy reforms, has contributed substantially to rapid economic growth in rural China since the late 1970s. This rapid growth has also led to dramatic reductions in rural poverty. In this study we use a simultaneous equations model and time-series (1978-97), cross-sectional (25 provinces) data to analyze the differential impact of different types of public investments on growth and poverty reduction in rural China.

The results show that government expenditures on education have by far the largest impact on poverty reduction, and the second largest impact on production growth; it is a dominant "win-win" strategy. Government spending on agricultural research and extension has the largest impact on agricultural growth, and the third largest impact on poverty reduction. It is another win-win strategy. The next best investment is rural telecommunications, which gives the second largest impact on poverty reduction and the third largest impact on agricultural growth. The results also show that there are regional tradeoffs in achieving growth and poverty alleviation goals. If the government wishes to maximize its poverty reduction effects, then investments should be targeted to the western region. However, the sacrifice in growth by investing more in the western region is small. But, the government wishes to maximize the returns to growth in agricultural production, then it should definitely target the central region.


Comments: builds a big formal model and parameterizes it using china. focus seems to be international sector and convertibility - very much a "big bang" bottom line, though the model doesn't require that policies be sustainable...

Overview: China is home to the developing world’s most important capital market.1 It is also one of the world’s most protected. Over the next five years this will change.

an explicit consideration of the prospects for, and impact of, the entry of foreign institutional investors is provided.

Comments: lots of details on investment rules, so probably already relatively dated

Overview: This paper uses provincial time series data from the People’s Republic of China to
empirically investigate two propositions relating to economic development: (i) that economic takeoff—or an acceleration in economic growth—is associated with inflows of foreign direct investment (FDI), possibly through technological transfer; and (ii) that takeoff is accompanied, at least in the short term, by widening income inequality. The results indicate that FDI flows have increased the rate of convergence in per capita incomes across China’s provinces. However, the pattern of FDI, which has gone mainly to the relatively wealthy provinces, has caused different provinces to converge toward different steady states.


Comments: leverage, efficiency & debt-repayment capacity, using macro & micro data, esp cash coverage of interest expense. corroborates the high level of nonerforming loans


Overview: improvements in health status and health-related process indicators have been slower than similar advances made in the mid-1980s. What accounts for these relatively stagnant and sometimes deteriorating health indicators, and what strategies should be designed to address them as China enters 21st century? Overall, as this paper argues, the recent erosion in gains stems from three factors. One, changes in government financing for the health sector have created greater inequity, inefficiencies and raised the costs of medical treatment. Two, the major contributors to burden of disease have changed from maternal and infectious toward non-communicable diseases (NCD) and injuries, the prevention of which has not been a traditional part of public health programs (PHP), and three the shift to a more market oriented economy has changed environmental and behavioral risk factors, thus diversifying the types of disease across regions.


Overview: China must confront major challenges at each level of its educational system. At the primary level, for example, only two-thirds of primary school students currently complete their entire primary cycle, completion rates are particularly low among poor regions and female students at the secondary level, many families lack the incentive to send their children in school, due largely to both economic and cultural factors. And at the higher level, coverage is extremely low, and the subsector has been slow to respond to the emerging labor market demand inspired by China’s growing economy. The purpose of this paper is threefold: to assess the current status of education in China with a regional perspective, to examine the main challenges, and to propose strategic directions for creating an externally efficient education system that enables the country to enter the 21st century on a sound footing.


Comments: (42) from 1996/75 working paper of same tile that has more detail. central claim:
productivity is the source, not capital investment.


Comments: finds big impact, with both skilled and unskilled labor benefiting. estimations show China ends up with 47% share of global textile trade. but hard to know what quotas or other constraints they will actually face, and no data to estimate the level of implicit protection in agriculture to be able to estimate that.

lots of tables and graphs. other pubs in EDCC etc. refs to Monash U working paper as well at www.monash.edu/policy/conf/


Comments: doesn't use a production function, which typically imposes competitive market restrictions (output elasticities = income shares). their approach rejects that empirically, and finds TFP to be significant. but they use data for 1960-95, an awkward extent to the data set

except for China and Hong Kong they find capital elasticities of 0.18 (China 0.28) but widely varying labor ones (Korea 0.81, Philippines 0.34, China 0.95). they compare with the Young and the Collins, which show TFP under 3% whereas theirs gives 3.7% or so (China 2.8%). full comparisons only for Korea and Taiwan, but their method increases TFP by 1.5 points or more. capital income share is 10 points higher than their elasticity; labor income share is 10 points lower for Korea (0.81 vs 0.71), but identical for Taiwan (at 0.75)


Overview: We have tried to assess whether existing (private and social) arrangements within a poor rural economy are able to avoid what is possibly the worst potential manifestation of uninsured risk, namely that a sufficiently large transient shock might drive a household into permanent destitution. This requires a specific kind of nonlinearity in the dynamics of household incomes. Economic theory offers little support for the common assumption of linear dynamics, whereby households inevitably bounce back in time from a transient shock. Theoretical work has pointed to the possibility of a low-level nonconvexity in the recursion diagram, such that a short-lived uninsured shock can have permanent consequences. It is an empirical question whether the dynamics found in reality exhibit such properties.

This suggests that households in this setting tend to bounce back in due course from transient shocks. Our results are broadly consistent with those of Lokshin and Ravallion (2001) using panel data for Russia and Hungary. While we do not find evidence of a poverty trap arising from nonlinear dynamics, in other work we have found strong signs of geographic poverty traps in these data, whereby location matters crucially to prospects of escaping poverty at given (latent and observed) household characteristics (Jalan and Ravallion, 2002).
Comments: part of larger body of work on persistent poverty


Overview: In conclusion, China faces high, fiscal risks associated with contingent liabilities of the financial sector, the fiscal obligations arising from reform of state-owned enterprises and the social security system, and the problematic fiscal relations between the central and local governments. Clearly, the government's ability to manage these fiscal risks depends largely on how it addresses these problems. Expanding on conventional fiscal analysis and putting these problems into a broader fiscal context may help reinforce the importance of addressing them. One legacy of the planned economy is that the Ministry of Finance is a relatively weak institution: it is not in charge of formulating a comprehensive budget; it is not empowered by law to be the sole manager of public funds and assets; and the budget process is not well-designed to ensure efficiency of public spending. A comprehensive reform of the budget system is essential for strengthening the institutional arrangements for managing fiscal risks. Given that the necessary reforms will redistribute power and resources across ministries and departments, however, the process will likely be protracted and difficult and will require commitment from the highest levels of China's political structure.


Overview: From introduction:
The central thesis of this paper is that China avoided the Asian financial crisis primarily because its financial system was relatively closed. Domestic financial liberalization had not yet begun, limiting China’s vulnerability to a currency crisis. Yet China remains vulnerable to a domestic banking crisis. Sustaining strong economic growth and avoiding a banking crisis will depend very much on skillful implementation of further financial and other economic reforms. This is because China’s pre-crisis financial fundamentals were in many ways considerably worse than other Asian countries drawn into the contagion; its fiscal position is fundamentally weaker; economic growth is decelerating; price deflation is deepening; the balance of payments, particularly the capital account, has deteriorated at a pace and for reasons that are not well understood; and political constraints inhibit the rapid closure and exit of large numbers of moneylosing state-owned companies, compounding weakness in the financial sector.

Concluding paragraph:
It would be hard to argue, however, that the case of China’s supports the desirability of postponing financial liberalization. In certain respects financial liberalization has not yet begun in China. A high degree of financial repression remains, with the central bank continuing to exercise pervasive controls over interest rates on both the deposit taking and lending sides of banking business. Similarly, banks remain subject to confiscatory levels of taxation. The costs of this approach are high. Most obviously intermediation remains quite inefficient, resulting in the continued waste of a large share of national savings. Above all, the current system is not sustainable. It is, in effect, a pyramid scheme that is viable only as long as there is a continued large flow of household savings into the banking system. The sooner more fundamental reforms are undertaken the lower the ultimate costs to depositors will be.

Comments: pulls together both his banking and his international work. very nice.

Overview: China's General Agreement on Trade in Services (GATS) commitments represent the most radical services reform program negotiated in the World Trade Organization. China has promised to eliminate over the next few years most restrictions on foreign entry and ownership, as well as most forms of discrimination against foreign firms. These changes are in themselves desirable. However, realizing the gains from, and perhaps even the sustainability of, liberalization will require the implementation of complementary regulatory reform and the appropriate sequencing of reforms. Three issues, in particular, merit attention:

* Initial restrictions on the geographical scope of services liberalization could encourage the further agglomeration of economic activity in certain regions to an extent that is unlikely to be reversed completely by subsequent countrywide liberalization.

* Restrictions on foreign ownership (temporary in most sectors but more durable in telecommunications and life insurance) may dampen the incentives of foreign investors to improve firm performance.

* Improved prudential regulation and measures to deal with the large burden of nonperforming loans on state banks are necessary to deliver the benefits of liberalization in financial services. And in basic telecommunications and other network-based services, meaningful liberalization will be difficult to achieve without strengthened pro-competitive regulation.


Overview: for our purposes we find it useful to divide up theories of the Asian Miracle into two groups. One group, which we will call "accumulation" theories, stresses the role of these investments in moving these economies "along their production functions." The other group, which we will call "assimilation" theories, stresses the entrepreneurship, innovation and learning that these economies had to go through before they could master the new technologies they were adopting from the more advanced industrial nations; it sees investment in human and physical capital as a necessary, but far from sufficient, part of the assimilation process.

Comments: good as a reading on growth theory


Comments: very wide-ranging overview of a larger study. lots of data, accessible in terms of reading

also available in Chinese


Overview: 7

Part I

SECTOR STUDIES

Chapter 1. Agricultural Prospects and Policies

Chapter 2. Rural Industries
China

Saved!!

Chapter 3. Implications for the Rural Economy

Chapter 4. Overview of Industry Prospects


Chapter 6. Technology Challenges for China’s Industries

Chapter 7. Challenges to China’s Banking Industry

Chapter 8. The Development of China’s Insurance Industry

Chapter 9. The Development of China’s Distribution Sector

Chapter 10. Foreign Direct Investment: Prospects and Policies

Part II

ECONOMY-WIDE ISSUES

Chapter 11. An OECD Perspective on Regulatory Reform in China

Chapter 12. The Role of Competition Law and Policy

Chapter 13. Establishing Effective Governance for China’s Enterprises


Chapter 15. Priorities for Development of China’s Capital Markets

Chapter 16. Labour Market and Social Benefit Policies

Chapter 17. Environmental Priorities for China’s Sustainable Development

Chapter 18. The Current Tax System and Priorities for Reform

Chapter 19. Public Sector Budget Management Issues

Chapter 20. Issues Concerning Central-local Government Fiscal Relations

Chapter 21. China’s Regional Development: Prospects and Policies

Chapter 22. Macroeconomic Policy Priorities to Realise the Benefits of Trade and Investment Liberalisation

Annex I. Summary of China’s Commitments under WTO

Annex II. Summary of studies of the impact of WTO on China

Annex III. Managing rapid expansion of tertiary education provision

Annex IV. Main economic indicators for China
Overview: 1. INTRODUCTION
A. Twenty Years of Reform: The PRC’s Transition Economy
B. The Concept of Sound Development Management

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A. The Legislature
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E. The Policy Making Process
1. Public Hearings
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3. Advisory Committees
4. Community Organizations and Community Participation
5. Letters and Visits
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III. DISCUSSION OF SELECTED DEVELOPMENT MANAGEMENT ISSUES
A. Public Financial Management
1. Revenue Administration
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3. Decentralization and Intergovernmental Fiscal Relations
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B. Public Administration Reform
1. Government Restructuring
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3. Integrity in Public Service
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5. Summary
C. Reform of the Legal, Judicial, and Regulatory Systems
1. Legal Framework
2. The Judicial System
3. Regulatory Regimes
4. Summary
D. Public Service Delivery and Performance
1. Changing Responsibilities for Public Service Provision
2. Improving Public Service Delivery
3. Addressing Issues in Providing Public Services
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E. Public Accountability
1. Bureaucratic Accountability
2. Accounting, Auditing, and Statistics
3. Summary
F. The Public-Private Interface
1. The Emerging Private Sector
2. Corporate Governance
G. The Role of Civil Society
1. Nongovernment Organizations
2. Access to Information
3. Summary
IV. CONCLUSIONS AND IMPLICATIONS

A. Recommendations for the Government
1. Public Financial Management
2. Public Administration
3. Legal, Judicial, and Regulatory Systems
4. Public Service Delivery
5. Public Accountability
6. Public-Private Interface
7. Civil Society

B. Recommendations for International Funding Agencies

C. Implications for ADB Action

Comments: has data on subsidies for local government and so on; reasonable presentation of data


Comments: traces four cycles from 1979. decomposes sources of excess demand that led to inflation


Overview: Ravallion tests for external effects of local economic activity on consumption and income growth at the farm-household level using panel data from four provinces of post-reform rural China. The tests allow for nonstationary fixed effects in the consumption growth process. Evidence is found of geographic externalities, stemming from spillover effects of the level and composition of local economic activity and private returns to local human and physical infrastructure endowments. The results suggest an explanation for rural underdevelopment arising from underinvestment in certain externality-generating activities, of which agricultural development emerges as the most important.

Comments: obtuse in his use of jargon, but tries to show that initial development creates local markets and hence has a spillover effect on overall development. looks in particular at high agricultural income as a generator of growth in other sectors.


Comments: official agri LF data show increase throughout 1980s, and share of farm workers in the rural LF declining only slowly from 94% in 1981 to 73% in 1994. meanwhile women's share only went from 47% to 52%. none of these trends match common sense observations of actual change in rural china


Overview: Rural elderly have 40% of the income of those in urban areas, spend a larger share of their income on food, are in worse health, work later into their lives, and depend more on their children, lacking pensions and public services. The birth quota since 1980 has particularly restricted the childbearing of rural less educated women, who now face retirement with fewer children for support. Inequality in China is also be traced to increasing returns to schooling , especially beyond secondary school. Government
restrictions on rural-urban migration reduces national efficiency, adds to the urban-rural wage gap, and increases inequality.


Overview: Decentralization vests greater decision-making authority with local management so that they can compete effectively in a market environment. As with other types of decentralization, financial decentralization aims at both promoting lenders’ initiative and exploiting local information so that better decisions can be made in allocating resources.

Dewatripont and Maskin (1995) present a second motive for decentralization. They show that the division of large banks into small ones can serve as a commitment device that helps lenders harden the budget constraint of borrowers. Unlike large banks, small banks are incapable of refinancing ongoing projects independently. Other potential lenders may be unwilling to refinance projects if they have imperfect information about firm quality. Entrepreneurs with bad projects who anticipate refinancing thus may find that it is not profitable to seek financing in the first place.

However, other factors may undermine the potential benefits of decentralization. The disadvantages of decentralization are associated with both agency problems and commitment failures, which are frequently observed in underdeveloped markets or poor regulatory environments commonly found in developing and transition economies. In this paper, we consider two main agency problems and one commitment failure associated with decentralized systems—collusion between local bank managers and borrowers, collusion between local bank managers and local government officials (or government influence), and the commitment problem of lenders not to refinance bad projects (excessive refinancing).

Comments: from a conference with Loren Brandt, Jean Oi and others


Overview: 26

Our analysis suggests that PCs did not on average improve the productivity of state enterprises in China; they may even have reduced it. This supports with a much larger sample our earlier findings (Shirley and Xu 1997), and suggests that PCs are ineffective in competitive firms as well as natural monopolies. Also supporting our earlier model, PCs did more harm when they: (1) did not reduce information asymmetry (although the evidence is mixed); and (2) provided only weak incentives. We have failed to find any connection between commitment variables and PC effects. Design mattered: when firms signed PCs which contained all the “good” features—managerial bonds, profit orientation, higher wage elasticity, and lower markup ratios— one estimate suggests that their productivity growth rate would increase by 10 per cent.

Our findings cast strong doubts on performance contracts as a way of reforming or regulating SOEs. The Chinese government tried to implement PCs quite seriously, as demonstrated by the use of firm-level wage elasticity, large managerial bonds, bidding procedures, measures considerably more radical than those observed in other countries we have studied (Shirley and Xu, 1997). In fact, the central government once hailed the contract system as the official mode for SOE reforms on a national scale. Yet we still observed that the overwhelming majority of the PCs have little or negative growth rate effects, and that the observed frequency for contracts with “good” provisions was exceedingly low. These results, coupled with our earlier findings, suggest that the political economy of incentive
contracts in government settings merits further study. Political determinants may preclude the design of incentive contracts for government actors that produce the sort of productivity gains they have achieved in private firms.

Comments: notes that such contracts often backfire since they include weak or perverse incentives, indeed the majority are "weak"


Comments: large market, low wages, infrastructure but also friendly tax approach, political commitment, and HK and Taiwan as initial source downside is that it contributed to complex tax structure and regional inequalities


Overview: Continued industrialization in China and increase in its agricultural productivity imply that surplus rural workers will to be attracted into non-agricultural production activities and, consequently, will have the opportunity to increase their off-farm income, ... Studying the structure of the rural labor force and its characteristics is important for evaluating its migration potential into non-agricultural sectors. This study examines the rural labor market in China exclusively based on China’s first national agricultural census. We analyzed the demographic characteristics of the rural labor force and their association with the type of employment, place of work, and labor migration. Furthermore, we investigated demographic distributions of rural labor force and attempted to capture their relation with the distribution of other resources especially land availability or land constraints. ... We finally applied a generalized polytomous logit technique to analyze the patterns of rural labor employment and forecast rural migration. In this framework, we related rural labor migration with demographic characteristics, types of occupation, place of work, geographic characteristics, and various economic development indicators.


Comments: from the annual assessment required by congress, but a good overview of the issues


Comments: probably better to look to Lardy, but contains a case study of Chinese investment in Australia


Overview: A serious obstacle to China’s economic reform is the lack of an effective and sustainable pension system. Two major problems with China’s current pension system, the short-run problem of the heavy pension burdens of State enterprises, and the longer-term problem arising from the rapid aging of the population, have only deepened over the past few years. Using a newly designed Computable General Equilibrium (CGE) model that
differentiates among three types of enterprise ownership and 22 labor force groups, this study estimates the effects of China’s pension reform and compares various options for financing the implicit pension debt and transition cost. The study examines the impacts various reform options would have on the sustainability of the system, on overall economic growth, and on income distribution. Results from simulations of the various options are promising:

• The baseline scenario. Because China’s population is growing at a decreasing rate, the labor force will stop growing between 2015 and 2020 and will decline afterward, but the populations age 65 and over will continue to grow. Thus, the old age dependency ratio will rise steadily from 11 percent in 1999 to 25 percent in 2030 and 36 percent in 2050. The system dependency ratio, which is currently as high as 30 percent with three workers supporting one retiree, will rise rapidly to 69 percent in 2030 and 79 percent in 2050. The pension system will be in deficit from 2000 onward, and the implicit pension debt in 2000 will be as much as 71 percent of the average annual GDP.

• Scenario set 1 assumes that the current system—pay-as-you-go with a notional individual account—remains unchanged. Simulation results confirm that this system is not sustainable. Expanding coverage under the current system will improve the financial situation in the short run, but it will lead to a worsening of financial viability in the long run.

• The second set of scenarios assumes that the transition cost will be financed by various taxes, and a new fully funded individual account will be established as of 2001. Various options are considered: a corporate tax, a value-added tax (VAT), a personal income tax, and a final demand tax, and the impacts of these options are compared. The annual transition cost is estimated at around 0.6 percent of GDP between 2000 and 2010 and decline to 0.3 percent by 2050. Using personal income tax to finance the transition cost would best promote economic growth and reduce income inequality.

• Effects of the abovementioned reforms and levying a social security tax are shown in Scenario set 3. After injecting fiscal resources to finance the transition cost, the reformed public pillar becomes financially sustainable. To finance a benefit of 20 percent of average wage, a contribution rate of only 10 to 12.5 percent is sufficient to balance the basic pension pillar annually. If the retirement age of female workers is increased gradually by five years, the balanced contribution rate would be reduced to around 9 percent. In addition, if a new social security tax is levied to replace the current pillar 1 contributions, the pension system would become nationally unified and financially sustainable.

Comments: need to xref for the japan's future paper / 3 models for undergards


Overview: China’s performance in economic growth and poverty reduction has been remarkable. There is an on-going debate about whether this growth is mainly driven by productivity or factor accumulation. Few studies however have incorporated annual data on China’s human capital stock, and thus contained an omission bias. In this paper, we construct a measure of China’s human capital stock from 1952-1999, and employ it in our growth accounting analysis. We found that, first, the accumulation of human capital was quite rapid and it contributes significantly to growth and welfare. Second, after incorporating human capital, the growth of total factor productivity still plays a positive and significant role during the reform period 1978-1999. In contrast, productivity growth was negative in pre-
reform period. Results are robust to changes in labor shares in GDP. The recent declining rate of human capital accumulation is a matter of concern, if China is to sustain its growth and welfare improvement in the next decade.

Comments: includes data charts and so on. basic growth accounting framework so easy for students to follow.


Overview: A limited number of papers have empirically examined the determinants of the monitoring and enforcement activities performed by the environmental regulator. Moreover, most of these studies have taken place in the context of developed countries. In this paper, we empirically examine the determinants of the enforcement of pollution charges in China. More precisely, we seek to analyze the determinants of the relative bargaining power that firms may have in their relation with local environmental authorities pertaining to the enforcement of pollution charges. We show that firms from the private sector appear to have less bargaining power than state-owned enterprises. We also show, contrary to previous results, that firms facing an adverse financial situation have more bargaining power and are more likely to pay less pollution charges than what they should be paying (less enforcement). Finally, we also show that the higher the social impact of a firm’s emissions (as measured by the presence of complaints), the smaller the bargaining power of the firms with local environmental authorities.


Overview: Critics of free trade have raised the specter of a "race to the bottom," in which environmental standards collapse because polluters threaten to relocate to "pollution havens" in the developing world. Proponents of this view advocate high, globally uniform standards, enforced by punitive trade measures that neutralize the cost advantage of would-be pollution havens. To test the race-to-the-bottom model, this paper analyzes recent air quality trends in the United States and the three largest recipients of foreign investment in the developing world, China, Brazil and Mexico. The evidence clearly contradicts the model's central prediction: The most dangerous form of air pollution has actually declined in major cities of all four countries during the era of globalization. Citing recent research, the paper argues that the race-to-the-bottom model is flawed because its basic assumptions misrepresent the political economy of pollution control in developing countries.

Comments: clearly shows concern with the environment is a normal good: growth leads to efforts to clean things up


Overview: China’s rural economic achievements of the past two decades--rapid growth and declining poverty--have been remarkable. However, replicating these achievements and improving sustainability during the next two decades will be difficult as many underlying conditions have changed. Economic reforms were initiated when supply shortages constrained growth, but currently, weak demand is more constraining. Furthermore, the productivity gains are largely exhausted from transition policies and institutions; future productivity gains will come from efficiencies, stimulated by market forces, and improved productivity of scarce water and land resources, through resource conservation and new technologies. The rural-agricultural sector will remain dependent on a robust urban-
industrial sector to create jobs and absorb surplus rural and agricultural labor—thereby permitting the remaining farmers access to additional land resources. Several crucial rural institutions need to be fostered—an effective fiscal system, a more efficient financial system, a workable land tenure arrangement with marketable land-use rights, and improved agricultural investment incentives. Continued reform will entail further liberalization of production, pricing and marketing policies and strong government promotion of a market environment and investments in public services and infrastructure.

Comments: very useful - over 100 pages of material

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_______. "East Asia Regional Overview." (2000).

Comments: not much content - did not save pdf file


Comments: standard sort of finance paper, not unusual in and of itself but with a current literature survey and reasonable discussion of "ownership" in the Chinese context


Overview: agriculture is joint production, collective decision making by family. industry is wage employment on solo basis. urban parents thus choose lower fertility, invest more in education and do so more equally; that is independent of wealth, education costs etc. applied to Taiwan, it explains both changes in educ, gender and fertility with the growth of non-agricultural labor markets.

Comments: used in class in 2001. stresses incentives to invest in children who won't stay on the
Overview: This paper studies the contribution of schooling to rural income growth during a period of factor market liberalization in China between 1986-1995. The relaxation of controls on labor mobility permitted farm households to reallocate productive inputs from agriculture to nonagricultural activities. It is hypothesized that education facilitates this adjustment. Panel data from the Sichuan province suggest that schooling enhanced the ability of farmers to devote more labor and capital to nonfarm production, given the evidence that less than optimum levels of these inputs were allocated to nonagricultural uses. During the transition period, the expansion of rural industries accounted for 42% of total income growth.

Overview: Shanghai can sustain its preeminence in China, it is the East Asian city most likely to become a global center.

Comments: would be good to use since there are scenes of Shanghai in the videos we show

Overview: This paper develops a method for decomposing the contributions of various types of public investment on regional inequality and applies the method to rural China. Public investments are found to have contributed to production growth in both the agricultural and rural non-agricultural sectors, but their contributions to regional inequality have differed by type of investment and the region in which they are made. All types of investment in the least-developed western region reduce regional inequality, whereas additional investments in the coastal and central regions worsen regional inequality. Investments in rural education and agricultural R&D in the western region have the largest and most favorable impacts on reducing regional inequality.

Overview: Rapid industrial development and urbanization transfer more and more land away from agricultural production, threatening China’s capability to feed itself. This paper analyzes the determinants of land use by modeling arable land and sown area separately. An inverse U-shaped relationship between land use intensity and industrialization is explored both theoretically and empirically. The findings highlight the conflict between the two policy goals of industrialization and grain self-sufficiency in the end. Several policy
recommendations are offered to reconcile the conflict.

Overview: This paper develops a method for decomposing the contributions of various types of public investment on regional inequality and applies the method to rural China. Public investments are found to have contributed to production growth in both the agricultural and rural non-agricultural sectors, but their contributions to regional inequality have differed by type of investment and the region in which they are made. All types of investment in the least-developed western region reduce regional inequality, whereas additional investments in the coastal and central regions worsen regional inequality. Investments in rural education and agricultural R&D in the western region have the largest and most favorable impacts on reducing regional inequality.