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执行主编 陈志武

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Foreword

Chen Zhiwu

Since the Reform and Open-Door Policies started in 1978, economics research in China has advanced into a new stage. Early on, China had an economy but no real economics as an academic research field. But, since then, a research profession in economics has gradually emerged. Consequently, there are not only economic policy professionals, but also academic economists in China.

In the past thirty years, the Chinese economy and society have experienced three types of transformation: that from an agrarian society into an industrial society, that from a planned economy to a market-oriented economy, and that from a closed society to an open society. Each one of these transformations alone can disrupt a society and cause dislocations in both societal structure and social culture, let alone all three transformations happening at the same time. And the social and economic phenomena which these three transformations have brought about to the Chinese society provide rich and unique data for not only economic research, but also social sciences in general. Studying economic facts and problems that arise in the complex transition process will contribute to human acknowledge about the depth and extent of social changes that economic development brings to a society, and this will enrich our understanding of human societies. In this sense, we are living in a golden

time full of new research opportunities in economics and other social sciences.

With the increasing depth of Chinese economic research and the expanding international academic exchange, scholars in China have gradually started to apply the neoclassic analytical framework and research methodology to probe economic issues arising from the economic and social transition process. The neoclassic principle of economic analysis and research methodology, which have no geographical limits, can be applied to address economic issues in any economic environment and under any institutional arrangements.

There are 15 papers selected in this book, "Economics in China—2007", which provides a snapshot of Chinese economic scholars' work in 2007. The following considerations are applied in the selection process; the research methodology must be internally consistent and formal; data must be used if it is an empirical study; analysis must be supported by a formal analytical framework; the research topic must be one of general interest in modern economics, or related to a real economic issue if it is a China-specific topic; exceptions are given to papers on economic history and economic methodology review. But, the selecting process cannot be perfect as it is bound to be subjective. For this reason, some high-quality papers published in 2007 may have been excluded from this collection. We have selected these 15 papers only to provide an overview of economic research done in China in 2007.

The selected papers are mostly focused on ages-long agenda and topics in economics. But, some of the papers attempt to apply the modern economic analytical framework to interpret patterns and phenomena that have emerged out of China's economic transition process.

Economic methodology

“The Status, Roles and Limitations of Econometrics”, written by Hong Yongmiao, illuminates the basic thoughts and methodologies of econometrics and its status, roles and limitations in modern economics, and discusses its difference from mathematical economics, mathematical statistics, and economic statistics. A variety of economic and financial examples illustrate how econometrics can be used in empirical studies. Its substance not only considers econometrics as technical tools for the empirical studies, but also emphasizes the essence of econometrics as economic methodology. The author aims to understand the roles and limitations of econometrics from the basic methodological perspective, not limit with the technical level. This contributes to evaluate and acknowledge the roles of econometrics in economic theory system objectively and rationally.

In the past several years, some oversea Chinese economists have produced a series of papers on the economic methodology to address themselves' insights on economic educations and researches from the different perspectives, such as “Explicating the current economics in China—how do economics and media interact and co-involve?” by Chen Zhiwu, “Basic analytical frameworks and research methods in the modern economics” by Tian Guoqiang, “Understanding the modern economics” by Qian Yingyi, “Economics, economists and economic educations” by Xu Cheng-gang and so on. These articles represent the vital importance of combining the normative analysis of economic research with the Chinese styled facts based on the core and extent of modern economic research method and framework, specially

focus on conflicts and harmonies between the instrumental rationality and valuable judgement in the academic research.

Research on Chinese regional economy and market integration

“Civil trade and regional border effect”, written by Zhao Yongliang and Xu Yong, introduces the two-region trade gravity model and the governmental expenditure preference and study inter-provincial bilateral trade relations and the degree of market separation. The paper uses the three industries' data from 28 provinces and for 1997, 2002, 2005 to analysis the border effect and market integration such as public spending ratio, the ratio of SOE, financial independence, import ratio, employment ratio. Their conclusions represent the barrier in the western China is higher than eastern China, the barrier of industrial commodity is lower than agricultural goods, partly verify local governments are apt to protect their materials, state the enhancement of financial independence of local governments and control over economy are factors to produce the inter-provincial trade barriers and market separation. And they consider the increase of the non state-owned economy will reduce the border effect of trade, undermine the trade barriers, enhance the market mechanism, improve the market integration.

Several comments about this topic follow:

1. Between economic developed provinces and economic developing provinces there are one-to-one supportive relations. Under this condition, the data which are generated in the trade stream between the marched provinces may be nonsingular. So how to control the inter-provincial support in the model?
2. The behavior of the central state-owned firms is differ-

ent from the one of the local state-owned firms. Since the provincial state-owned firms are largely influenced by the provincial governments, the inter-provincial economic activity of the central state-owned enterprises increases the volume of trade. Though the decrease of the scale of state-owned economy can increase the degree of market-oriented reform, but following the logics of the paper, we don't get the conclusion that the high ratio of state-owned firms which include the central and local ones will produce the decrease of inter-provincial trade and the increase of border effect. In the other words, using the whole state-owned firms' data does not reflect the topic of this paper.

3. The acknowledge concerning about the barrier of industrial commodity is lower than agricultural goods is problematic. In fact, the statement that the "Jiandaocha" price between industrial and agricultural commodity still exist is better than the one that local government prefers the protection of agricultural goods. From the perspective of term of trade, the TOT of industrial commodity is better than the one of agricultural goods. So this does not verify and illustrate the provincial market separation, but the separation between industrial and agricultural sector.

"Regional integration, economic growth and political improvement", written by Xu Xianxiang et. al., studies a topic in new political economy—how does the motivation of political improvement of local governmental officers influence the regional integration and economic growth. They build the game model of political improvement of local governmental officers and do empirical analysis. In addition, through controlling the several conditions, they try to explain the different behaviors

of local governmental officers in the different areas under the unified logics which is internal consistent. Meanwhile, the findings of this paper: the one is the central government use the index of economic performance to evaluate local offers that induces them to work hard. The other is when the condition is sufficient the rational local government will spontaneously choose regional integration and almost lead to a unified market in the whole China.

We can think about this theme further: it involves with the incentive compatibility in the local governmental offers political improvement model. If the index of administrative performance is only the economic growth rate, the main officers in the local government will behave based on the increase of the economic growth rate. If the regional integration can contribute to the local economic growth, the choice is incentive compatible. But we should introduce the occupation duration into this analysis, they does not do it.

Furthermore, the behavioral choice of local governmental officers is dependent with the economic environment. This should be the one of the sufficient conditions which is referred to. The developed provinces in the eastern China relatively gain more in the regional integration while they have more incentive to do it.

Foreign direct investment and economic development in China

“Foreign investment in Modern China: Scale and effect analysis” by Yang Decai studies the scale and return of foreign investment in China and its impact on the development of local enterprises and the economy. He considers that the positive effect of the FDI is significant and it is not the barrier of local

enterprise development, but induces the growth and development of them. As the indirect investment, though the industrial loan such as railway loan has a certain negative effect, it improves the infrastructure in China and indirectly contributes to the economic growth. So the effect is similar to that of FDI. Note that the choice between the shareholders' rights and creditors' rights as an implement of foreign investment is the problem of contract design. Like the other scholars, it only focuses on the two kinds of rights from the China's side and ignores the foreign investor's perspective. Under the economic environment which is ruled by person and anti-foreigns, the arrangement of creditor's rights maybe safer to the foreign investors than the other arrangements. About that, Oliver Hart, Robert Townsend and so on have written several seminal papers such as about the optimal capital structure in corporation and optimal security design. Though their analyses base on firm, it helps us to understand the capital arrangement of foreign investment from the late Qing. Generally speaking, from the investor's perspective, when rights of contracts, investor's property and legal environment is far away from perfection, creditor's rights of the fixed income are better than the shareholder's rights.

“The spillover effect analysis of foreign direct investment on Chinese enterprise” by Ping Xinqiao et. al. studies the relation between FDI and the development of Chinese manufacturing industry, specially probes the technical spillover effect of FDI with the Chinese first nation economical general survey data of December 31, 2004. The findings of this paper are: FDI is significantly related with the total productivity of Chinese manufacturing industry positively, but this coefficient

overestimates the degree of the technical spillover effect of FDI, the relation between the ratio of foreign capital within industry and the total productivity of domestic firms is not obvious. Only the ratio of the capital from Hongkong, Macao, Taiwan is significantly related with the total productivity of Chinese manufacturing industry positively. The foreign capital enters can hinder that the domestic capital enterprise improves themselves R&D in order to catch up to the international advanced level and, but the Hong-Kong, Macao and Taiwan capital enters can obviously reduce the gap between them and the domestic capital enterprise in the technical level.

“SOE Reform as Signaling and Credible Commitment” by Zhu Linke and Wang Zheng states how the FDI facilitate the SOE reform from signaling and credible commitment hypotheses. The logics of this paper are: under asymmetrical information, SOE reform may act as a signal for market-oriented reform of the local government. In order to convince the foreign investors that is open, the local government has motivation to enforce more SOE reforms. Meanwhile, the SOE reform decreases the incentive of the local government to intervene at the market, which would make it credible commitment to maintaining fair competition, hence attract more FDI. In the empirical analysis part they use the panel data of 28 provinces from 1991 to 2002. The signaling hypotheses turned out to be consistent with the case of the eastern China during the period from 1991 to 1996.

First, like the article mentioned above, the reform of state-owned firms and FDI may be specified by the same other factors. Without the estimation of simultaneous equations, the coefficients will be misled. Furthermore, the number of the

sample data is less than the level which assures the credibility of regression results.

Secondly, the paper tries to verify the lemmas that FDI improves the reform of state-owned firms through competition pressure and through providing the fund, and the lemma that the reform of state-owned firms providing the fund for the infrastructure improves FDI. The first lemma is not supported by empirical data. And the later two are consistent with empirical analysis. The confusion is: have the two propositions in this paper more explaining power and theoretic robustness than the three lemmas in the large literature. But the paper only expresses the signaling hypotheses match the fact of Eastern before the mid of 1990s.

Thirdly, how should we understand the possible causality relation in the interactive mechanism between the reform of state-owned firms and FDI? Or what specifies them? How are they specified?

The three papers analyze the influence of FDI on the development of China's economy and domestic capital from the foreign perspective. They have also formed certain historical span. This enlightenment which studies to us is, all should place in a more long-time historical sight to any economic problem analysis to carry on. About the modern China economy, the mainstream opinion is the China is varying, but it is pushed by the external shocks, such as "shock—response" theory which is stated by John King Fairbank. And whether does the resource of economic development in China from the external shock, or from the internal force's self-filling? The three papers also explain this issue from FDI perspective. From the analyses mentioned above we can see that in spite of

negative effect, the positive effect of FDI finally will finally contribute to the stable development of economy through the absorption of internal mechanism and well-functioned institutions.

Research on Chinese dual economic society and the Sannong problem

“China’s Lesser Know Migrants” by Deng Quheng and Bjorn Gustafsson focuses on permanent migration from rural to urban areas. Using large sample survey for 2002, they study the scale of permanent migrants and destination. They find that the probability of becoming a permanent migrant is positively related to parental education, belonging to the ethnic majority and the parent’s membership in the Communist Party. Then they analyze the employment probability of permanent migrants and factors which influence the wage level and verify the relations between independent variable and dependent variables such as the gender, education level, marriage, age etc. . Finally, permanent migrants’ income relates to the way which do they gain the Hukou (professional way and non-professional way).

“The department choice and gender difference in the Chinese rural labor force migrating process”, written by Yi Junjian and Di Longbow, empirically analyzes the departmental choice in Chinese rural labor force migrating process. They study the gender discrimination between employment departments of rural migrating labor force. They consider the employment search way and the education level significantly influence the department choice in Chinese rural labor force migrating process, but the characteristics of family and former

residential place have little effects. Meanwhile, though there is gender discrimination in department choice of Chinese rural labor force migrating process.

These two papers analyze the micro-behavioral mechanism of rural labor force migration from different perspectives which contribute to understand migration in urbanization process under dual economy. The internal mechanism of migration is complicated including economic, social, cultural factors. And in the transition of economy and society in China the psychological mechanism is more complicated. The two papers study the cause of the migration from rural to urban and consequent effects based on the analyzing the individual's characteristic variables and other economic variables.

About migration and mobility, we can consider the questions as follows: who want to migrate? Why do they migrate? Where do they come from? Where do they want to move to? What will be produced after their migration? The research on migration and mobility has several theoretic perspectives such as dual economy theory, human capital theory, supply-demand theory, push and pull theory, assimilation theory and so on. Among them, dual economy theory and push and pull theory are more popular. The two papers combine the three theories—dual economy theory, push and pull theory and human capital theory.

“Specialization and evolutionary of agricultural organization: based on the analysis of indirect pricing theory model” is written by Xiang Guocheng and Han Shaofeng which extend the indirect pricing theory of Yang Xiaokai and Yew-Kwang Ng in order to explain evolutionary path of agricultural organization uniformly and analyze effects of the specialization evolu-

tionary, transaction efficiency, production and transaction risks and so on.

From the research method, the paper applies the infra-marginal analysis to evolutionary path of agricultural organization from collective economy, family economy to agriculture commercialization, agriculture industrialization and peasants' team. They introduce the specialization economy, transaction risk and cost into the framework to analyze the evolutionary path of economic organization structure from autarky to commercialization. They try to extend this research method to analyze more problems. But the infra-marginal analysis has great power in the organization substitution and choice, does not cover the research on internal marginal change of single economic organization, such as the specification of organization scale, the factors which affect the border of organization and so on. The lack of this research context will negatively influence the study on the change direction and process of agricultural organization in some degree. In addition, we should study the possibility and condition of internal solution existing, while focusing on the corner equilibrium.

Research on Chinese economic history

How should we use the modern economic theory to rethink and research the Chinese history specially Chinese economic history? After Daron Acemoglu, Simon Johnson, James Robinson and Andrea Shleifer etc. have applied the modern econometric methods to research the rise of western world which significantly influences the researches on the relation between progress and development of human society and institutional factors, the historical scholars gradually renew

their insights. At the London School of Economics and Political Science, Ma Debin and his partners have followed this method to study the economic development history of China empirically comparing with the Japan and Western European. Unfortunately the research of this field in China does not progress well. Definitely from these researches that we should emphasize we can understand Chinese history better than that from traditional local research frameworks.

In "China's Macro-economy in the Great Depression", Guan Hanhui introduces the Chinese macroeconomic phenomena in the Great Depression and analyze it academically. The findings of this paper as follows: two factors played important role in China's economy of depression, one is Silver Standard, and the other is competitive bank system. Silver Standard caused China's economy being different from those Gold Standard countries. Unlike Western countries lived through the Great Depression by adopting active finance policy, China's money supply had not decreased in depression owing to competitive bank system, so bank crises did not swept China, which was an important reason why Chinese economy suffered little in Great Depression.

In fact, in 1930s the Great Depression provides the historic experiencing facts to economists for understanding the run of macro-economy more comprehensively. This paper tries to explicate the cause that China's economy is better than the other countries during those times from the monetary institution perspective.

The paper compares the economic growth rate of China with that of main Western counties from 1932 to 1936. The conclusions of data analysis reflect during that period the

China's economy is better than France's and America's, almost same to Germany's and UK's, worse than Japan's. From the logics, if we want to state the positive effect of the special monetary institution in China on the macro economy, we should control the other factors. That is to say we will study the cause why the economic growth rates of Germany, England and Japan were larger and get the common factors which will be controlled in analysis of China's economy. From this point, this paper is not strict to verify the hypotheses empirically.

In the section "China's banking system and money supply in 1930s", the author refers to private-owned banks, Qianzhuang (money shops) and foreign banks. Specially to the foreign banks, the paper states that they did not obey Chinese domestic laws under the extraterritoriality, but does not deeply analyze the role of foreign banks on the development of the private-owned banks and Qianzhuang and competitions. During those times, there were different foreign courts in Shanghai Concession which led to competition of the legal judgement. So the author does not refer to that what the competition influenced on the competition and efficiency of the whole banking system.

Economic growth and macro-economic policies in China

"Re-discussion on the quarrels of growth mode in Eastern Asia" by Li Yifu and Ren Nuo studies the theoretic basis and development of the TFP method and addresses the pros and cons of the Asian economic growth model.

In light of the debate on the Asian economic growth, they claim that the TFP analysis by Paul Krugman of the East Asian economic growth experience is wrong to some degree. And