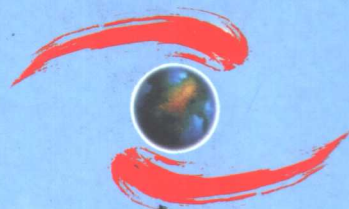


经济与金融高级研究丛书

Advanced Studies in Economics and Finance

丛书主编 邹恒甫

Editor in Chief Heng-fu Zou



# 经济全球化： 金融、贸易与政策改革

Economic Globalization: Finance, Trade, and Policy Reforms

魏尚进 著

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# 经济与金融高级研究丛书

## 出版前言

中国的经济学和金融学研究如何走向世界?这是一个值得探讨的问题。中国经济学者素以刻苦求知、真诚报国为荣。在国内,自改革开放以来经济学者的突出贡献已深得国人认同;在海外,中国的经济学者同样做出了可喜的成绩。但是,国内经济学者的学术成果得到国际上认可的为数寥寥,而海外中国经济学者所取得的学术成果在国内也鲜为人知。同时,国际经济学者的学术成果在国内的传播也很有限。凡此种种,原因当然是多方面的,其中之一是学术传播与交流上的障碍。这些障碍的存在造成彼不知我,我亦不知彼,国内经济学者的学术研究难以走向世界,国际经济学家和海外中国经济学者的学术研究难以走进中国这样一种尴尬的局面。不言而喻,在全球经济一体化趋势主导世界潮流的今天,这种状况不利于中国经济和中国经济学的发展。

随着改革开放的一步步深化,中国经济与世界经济日益接轨。世界各国经济学者对中国经济发展和中国经济研究的兴趣和热情有增无减。海内外中国经济学者的拳拳报国之心也日益高涨。科学无国界,学术交流也无国界。我们相信,学者们的热情与努力将冰释学术交流中的所有障碍。因此,在经济全球化的今天,在经济腾飞指日可待的中国,这套《经济与金融高级研究丛书》的出版是时代的要求,更是我们的历史使命。



本套丛书将尽可能全面地收录国际经济学者特别是中国经济学者在国际上已获得公认的学术成果。每部著作将基本保留其最初发表在国际刊物上的原貌(或其创作的原貌),由作者按研究专题编纂成书。此举一方面是为了让更多的国人了解这些学者的研究成果,或者至少感知一下国际经济学者和海内外中国经济学者在国际主流经济学发展进程中所迈出的坚实的步伐,从而激励更多的青年学子求知问道;另一方面也是为了使世界各国的经济学者对中国经济学者的研究成果有更多和更全面的了解,或者至少感知到中国的经济学研究并非固步自封置身世界之外,而是与世界同步与潮流并进的。知己知彼,互相交流,这对于繁荣学术是有百利而无一弊的。北京大学出版社真诚地希望更多的海内外学者向我们赐稿,并给我们批评、建议,以助于这项造福世人的学术文化传播事业。

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# 经济和金融高级研究丛书

## 编者说明

本丛书收录世界各国经济学者特别是海内外中国经济学者从事当代经济学和金融学理论研究和实际研究的前沿成果。就某一专题或者多个专题,作者既可以把已经发表的论文收集成册,也可以修辑整理成一部或多部专著。收集成册的公开发表的论文一律保持其发表时的各刊物排版印制的原貌,以方便读者查寻援引;尚未公开发表的论文则一律保持其创作原貌,以供读者参考。

本丛书主编同时还与海内外众多学者合作主办英文学术刊物 *Annals of Economics and Finance*。此刊物出版尚未发表的至少具有一些原创性的经济学和金融学(英文)论文。如有兴趣借此刊物宣布自己学术思想的学人,敬请寄论文给:

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但愿此丛书和杂志能促进中国经济学者与世界各国经济学者的学术交流,促进中国经济学和金融学研究走向世界主流。

邹恒甫  
于北京大学

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# Introduction

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Economic globalization and economic reforms have been the major fascinations of my intellectual life so far. This book collects my thinking on various issues associated with them. It is divided into four parts: (1) globalization of financial markets; (2) globalization and regionalization of trade in goods and services; (3) strategies of economic reforms, and (4) integration of China into the world economy. This introduction offers a brief overview of the content and the background of the papers.

## Part 1 Globalization of Financial Markets

This part of the book contains six chapters, discussing a range of new issues related to international capital flows, exchange rate dynamics, and financial market volatility.

Corruption, like cockroaches, has been with human societies for a long time. Whether it is beneficial or harmful to economic development is a subject of intense debate. The first chapter in the book, "How Taxing is Corruption on International Investors?" examines whether corruption in a host country actually reduces its ability in attracting foreign investment, and if so, by how much? There are two novelties in the paper. First, it used a data set on a matrix of bilateral foreign direct investment from fourteen major source countries to forty-some host countries in the world, which was the first time such a data matrix was used. Second, it used an econometric technique and derived its estimator that allowed zero-FDI observations to be used. I found that both corruption and taxes reduce inward FDI. The effect of corruption is negative, statistically significant, and quantitatively large. For example, an increase in corruption from a level that prevails in Singapore (i.e., very low) to a level that prevails in Mexico (i.e., high) has the same negative effect on inward FDI as raising the host country's marginal corporate tax rate by forty percentage points (say from 20% to

60%)。Many developing countries want to attract foreign investment by offering tax give-aways. This study would suggest that corruption may have discouraged foreign investment far more than a typical tax reduction can bring in [A more recent paper of mine, not in this book, shows that China is not an exception]. The result of this paper contributes to a clearer estimate of the economic consequence of corruption. Because of this, it has been reported in the *Economist* magazine, *Business Week* magazine, *Financial Times*, (London) *Times*, *Asian Wall Street Journal*, and other newspapers, and has been used in the Website by the Transparency International, an international non-governmental organization dedicated to fight corruption.

The second chapter, "Currency Hedging and Goods Trade," examines a connection between international finance and trade. It has been observed that exchange rate volatility may have negatively affected international trade in goods and services, but this effect has declined over time. One may conjecture that the development of financial hedging instruments on foreign exchange may have contributed to this decline. Such a hypothesis had not been formally examined before this paper. Using a large cross-section of bilateral trade, and allowing for imperfect information on the available hedging instruments, this paper concluded that the hypothesis, while nice and simple, was not supported by the data.

Chapter 3, "Convergence to the Law of One Price Without Trade Barriers or Currency Fluctuations," re-examines the failure of law of one price. Purchasing Power Parity (PPP)—the same basket of goods should cost the same amount of money in two countries—is one of the most basic propositions in international finance / open-economy macroeconomics. It is assumed in most models of open-economies. The only problem is that it does not hold. In the data, there are wide and persistent deviations from PPP. It has been estimated that a given deviation (say 20%) only shrinks by half (say 10%) every two to five years, which is remarkably slow. Why is the convergence to PPP so slow internationally? Primary suspects are barriers to international trade, volatility of exchange rates, and stickiness of goods prices. It is not always easy to tell which explanation is more important. The contribution of Chapter 3 is to make use of a "natural" experiment to separate the competing hypotheses. The foundation of PPP is the law of one price (LOP), which states that the prices of the same good in two locations should be the same. We collected prices on individual goods in a large number of US cities over 88 quarters. We can then perform estimation in a similar way to what one would have done for national CPI indexes across

countries and times. Our estimation is insightful because, by design, there is no policy barriers to trade among US cities, and there is no exchange rate fluctuations as all cities use the same currency. Without these impediments, we found indeed that the convergence to LOP is much faster than what can be found in international data.

Chapter 4, "Insignificant and Inconsequential Hysteresis: The Case of U.S. Bilateral Trade," examines another popular theory in international finance: the hysteresis hypothesis. The theory, developed by Paul Krugman, Richard Baldwin and Avinash Dixit, was motivated by their observations on the large and growing U.S. trade deficit throughout 1980s. If the U.S. trade deficit in the first part of the 1980s was caused by the sharp appreciation of the U.S. dollar, why didn't the deficit shrink after 1985 to where it was in 1980 as the value of the US dollar against other major currencies had declined sharply? The hysteresis theory argues that when the value of the dollar went up by a sufficient amount in the first part of the 1980s, it caused a structural change in the relationship between the US imports and the exchange rate - more foreign exporting firms started to set up marketing and advertising networks in the U.S. Because of the fixed costs involved, foreign exporters would not stop exporting to the US abruptly even when the value of the dollar declined to its original level. This is a very appealing theory, except that it is not supported by the aggregate trade data that these authors used to test it. Rather than relying on aggregate data, David Parsley and I took a different tack by using dis-aggregated product-by-product level data on volume and prices of imports from Japan or Canada to the US. The products were chosen so that they were homogeneous, and had sizable fixed costs on a prior ground. To our surprise, there was no significant support for the theory either even at our product-level data. While our study was the first to use dis-aggregated data to test the theory, it may not be the last word on the subject. My guess is that future research using other innovative ideas and data sets can still find support for the theory.

Chapter 5, "Yen Bloc or Dollar Bloc: Exchange Rate Policies of the East Asian Economies," was first written in 1992, five years before the recent Asian financial crisis. Many observers casually labeled East Asian economies as having a fixed exchange rate pegged to the U.S. dollar. In fact, most of them officially either had a basket peg (with secretive weights attached to different major currencies), or had a managed float system. This chapter suggests that the implicit weights that each country attached to the major currencies can be estimated econometrically. The estimation

reveals that most of these countries, *de facto*, did peg their exchange rates relatively rigidly to the U.S. dollar, despite of their official pronouncements. Furthermore, the results suggests that a much-talked-about emerging yen bloc in Asia was not supported by the evidence.

Chapter 6, "Price Volatility Without News about Fundamentals," is a small model that attempts to address the following puzzle: nominal exchange rates, stock prices, or other financial prices often appear to be too volatile to be explained by their underlying fundamentals. Using chaos theory, the chapter provides a simple story in which high volatility can be a natural outcome of the trading process of the financial markets.

## Part 2 Globalization and Regionalization of Trade

This part of the book has six chapters, dealing with international trade in goods and services. A key focus of these chapters is on regional trade blocs, motivated by the formation of the North America Free Trade Agreement (NAFTA), the greater economic integration of the West Europe, and the talk of a possible trade bloc in East Asia.

Chapter 7, "Regional Trading Arrangements: Natural or Supernatural?" summarizes the research work that Jeffrey Frankel, Ernesto Stein and I had done on the subject. This short and non-technical article provides a reader-friendly overview of the issues. Chapter 8, "Open Regionalism in a World of Continental Trade Blocs," studies when regional trade blocs would provide welfare improvement in the world. Chapter 9, "Trading Blocs and the Americas: The Natural, the Unnatural, and the Supernatural?" was one of our earlier studies on the subject. The chapter offers a formal model that assesses when regional trade blocs can be good and when they can be bad. It also uses data to assess how the current pattern of regional trade blocs should be judged against the theoretic model.

One of the concerns about the regional trade blocs is that they may act as impediments to global free trade. Chapter 10, "Can Regional Trade Blocs be a Stepping Stone to Global Free Trade?" is very different from the previous chapters. Instead of discussing the effects of the regional blocs purely in terms of economic efficiency, it examines what are called political economy considerations, namely, whether regional blocs can provide incentives (stepping stones) or dis-incentives (stumbling blocks) for

countries to engage in further trade liberalization once they are already members of a regional bloc.

Chapter 11, "Open versus Closed Trade Blocs," extends the earlier empirical studies that Frankel and I had done. In previous empirical work, we (and others) assumed that regional blocs remove trade barriers among the members but maintain the barriers against the non-members. Of course, as Chapter 10 suggests, the formation of regional blocs could also motivate members to undertake trade liberalization that include reducing barriers on the imports from non-member countries. In Chapter 11, we explicitly allow for this possibility by estimating how member countries of regional trade blocs trade with non-member countries as well as among themselves. We found that several blocs have indeed undertaken external liberalization, qualifying as "open trade blocs."

Chapter 12, "Regionalization of World Trade and Currencies: Economics and Politics," provides further estimation on a number of questions that were first raised in the previous five chapters.

### **Part 3 Political Economy Issues of Reform Strategies**

This part contains three chapters on economic reforms.

There has been an intense debate about whether gradualist reform (a la China) is more or less efficient than a big bang approach (a la Poland, Czech Republic, and some would argue, Russia). Chapter 13, "Gradualism versus Big Bang: Speed and Sustainability of Reforms," asks a somewhat different question: namely the effect of the reform strategy on the probability that it will be carried out, a so-called political economy question. There are times when big bang reform is simply not workable politically because too many interest groups would block it. In that case, I showed that a sequential or gradual reform can often help to overcome this political impasse. Thus, on a political economy ground, gradualist reform can be very useful.

Chapter 14, "To Shock or Not to Shock: Economics and Political Economy of Large-scale Reforms," also compares different reform strategies, but utilizes a very different theoretical model. In this chapter, Peng Lian and I choose to look at the possibility that a big bang reform may disrupt the "production chain" between upstream and down-stream firms, thus creating efficiency losses. We show that the more technically sophisticated an economy, the greater the potential efficiency loss for

a big bang approach. We also entertain the possibility that different people may be different in terms of their discount rates. We show, on a political economy ground, a gradualist reform strategy is often preferred to a big bang approach if people are allowed to vote on the reform strategy. This may have provided an explanation for why the big bang reform was difficult to push through in Russia, and apparently has caused a big drop in the output.

Chapter 15, "Corruption and Economic Development in Asia," is a survey of recent empirical studies on corruption. It discusses how corruption levels may be compared across countries, what the consequences of corruption in the economy have been estimated to be, and what the possible ways are to control corruption.

## Part 4 China in the World Economy

The five chapters in this part examine various aspects of the Chinese economy, particularly issues related to its integration in the world economy.

Foreign Direct Investment into China looks impressive in terms of the reported volumes. But of course, China is a large, low-wage, and fast-growing economy, which normally would attract lots of FDI. Has China reached its potential as a host of FDI? Chapter 16 provided the first estimation on the question. It reaches a somewhat surprising conclusion, namely, China can do far better.

Chapter 17, "The Open Door Policy and China's Rapid Growth: Evidence from City-level Data," was the first paper in the literature that utilized the Chinese city-level data to evaluate the open-door policy. The central question addressed in the chapter is the role of international trade and foreign investment in China's economic growth. The chapter concludes that both have played a statistically and economically significant role. Chapter 18, "Foreign Direct Investment in China: Source and Consequences," provides an update to the previous two chapters.

Chapter 19, "Noise Trading in the Chinese Stock Market," assesses the role of noise trading in the Chinese stock market. The most striking finding is that the stock returns on the same Chinese company (e.g., Qinghai Brewery) traded in Shanghai and Hong Kong are almost unrelated to each other, whereas the stock returns on unrelated companies (e.g. Qinghai Brewery and a sewing machine company) in Shanghai can be extremely highly correlated. This suggests that economic fundamentals probably have played a very small role in the stock trading in China.



Chapter 20, "The Siamese Twins: Do State-owned Banks Favor State-owned Enterprises in China?" estimates how much bias there is in the state-owned banks' lending in favor of state-owned firms. The engine of growth in China has been the firms outside the state sector. Yet, most of the bank credits appear to have gone to less efficient state-owned firms. This suggests that the quality and the level of the Chinese economic development can be made better if appropriate bank reforms are undertaken and the financial resource allocation are improved.

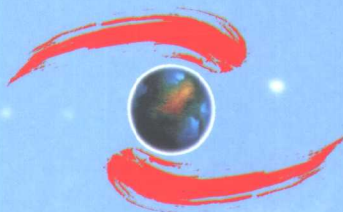
### Beyond the Chapters

With hindsight, many of the chapters in the book can be substantially improved upon. Some of the reflections and insights have been incorporated into newer papers that are not collected in this book. Readers may have many more comments and criticisms which I will be happy to hear about.

Several chapters in the book are co-authored. So I would like to take this opportunity to thank my friends and co-authors, Jeffrey Frankel, David Parsley, Peng Lian, Ernesto Stein and Tao Wang for their indispensable contributions. Jeffrey Frankel deserves my special thanks. He is a great economist and a great person. I was fortunate to have him as my doctoral thesis adviser in 1992. And he remains a constant inspiration for me to pursue rigorous and real-world relevant research questions. Second, I would like to thank the editor-in-chief, Hengfu Zou, for his tireless effort without which this book would not have come into existence. Third, I would like to thank various publishers for granting permission to reprint these chapters from their journals or books. Finally, I would like to thank my parents, Xingbang Wei and Huaxue Chen for their enduring love and support. This book is dedicated to my parents.

## 作者简介

魏尚进,男,加州大学伯克利分校 (UC-Berkeley) 经济学博士以及管理学(金融)硕士,宾夕法尼亚州立大学经济学硕士,复旦大学世界经济系学士。现任哈佛大学肯尼迪行政学院副教授,兼任(美国)国家经济研究局(NBER)研究员,联邦储备银行旧金山分行亚太地区货币与经济研究中心研究员,密歇根大学管理学院戴维森研究所研究员及清华大学经济研究中心研究员,欧洲经济政策研究中心(CEPR)研究员。从1999年7月起,受聘为世界银行问题专家顾问,同时兼任布鲁金斯学会 (Brookings Institution) 新世纪荣誉座高级研究员 (Senior Fellow, New Century Chair in International Economics), 亦为布鲁金斯学会第一位华裔高级研究员。曾担任国际货币基金组织(IMF)、联邦储备系统 (Federal Reserve System) 华盛顿总部及旧金山分行、亚洲开发银行(ADB)、经济合作和发展组织(OECD)与联合国开发署(UNDP)顾问,以及中欧大学(布拉格)客座教授。研究与教学领域包括宏观经济、国际金融、国际贸易、资本市场及亚太经济。学术论文发表于“经济学季刊”(QJE)、“发展经济学杂志”(JDE)、“美国经济评论”(AER)、“经济学与统计学评论”(RESTAT)、“欧洲经济评论”(EER)和“加拿大经济学杂志”(CJE)等多种国际学术杂志。关于中国经济开放的一篇论文获得1998年中国留美经济学会一等奖。



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