

Introduction to the Chinese Economy

Econ 43750

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Outline

- ① Geography of China
- ② Chinese People
- ③ Some Chinese Economic data
- ④ Contrasting Economic Systems

Geography

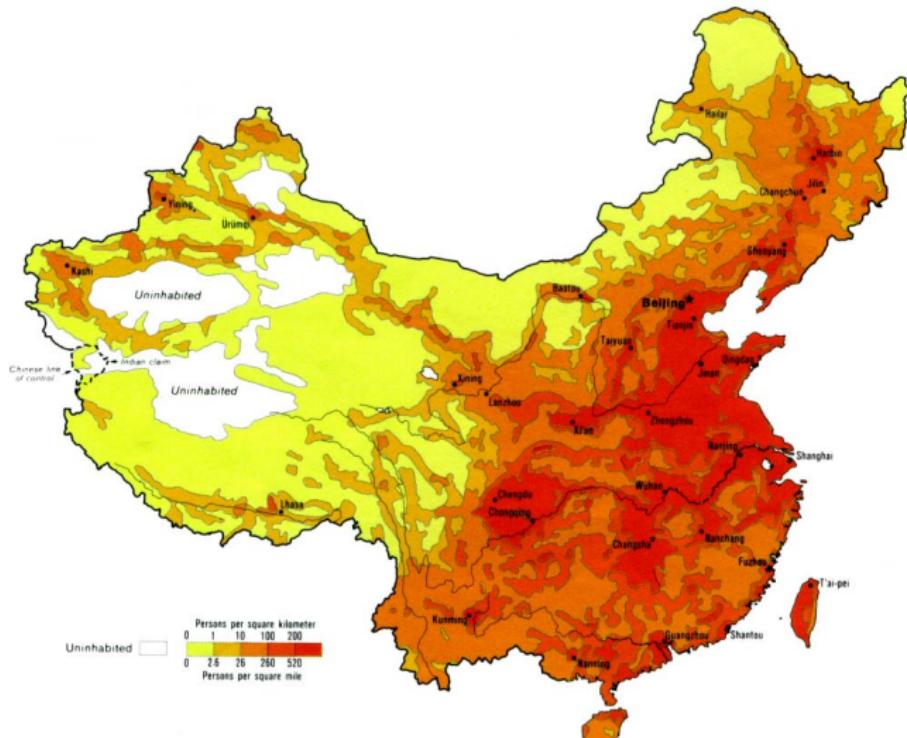
- ① Same geographic size as the US. Beijing latitude same as NYC.
- ② USA: 1/3 mountain, desert. 40% arable. 330 million people
- ③ China: 2/3 mountain, desert. 10% arable. 1,300 million people

Relief Map

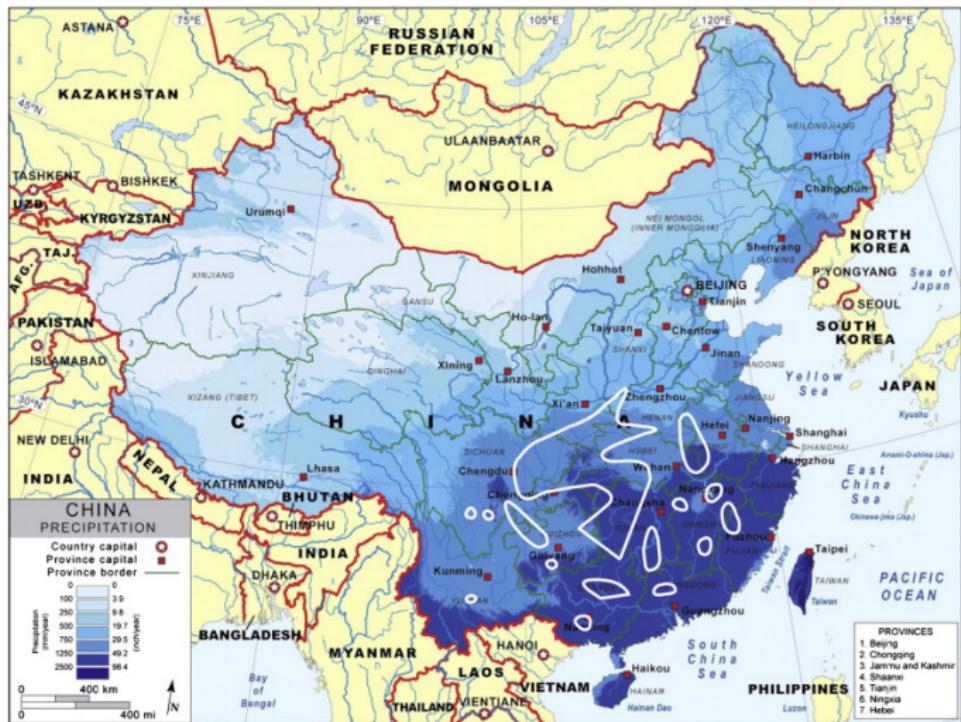


Population Map

China: Population Density



Rainfall Map



Provinces



Figure 2.3

China's provinces (includes provinces, autonomous regions, and municipalities with provincial rank).

Source: Based on Institute of Geography (2000).

SAR: special administrative region.

Ethnic Groups and Languages

Map 2b: Chinese and Non-Chinese Language Groups



My family origins



SOUTHEAST CHINA
0 km 62.5 125 187.5

Language and Name Conventions

- Even amongst Han Chinese there is huge variety of spoken dialects (Cantonese and variations, Shanghainese, Hakka, Mandarin,...the list goes on).
- Written language is the same for all
- Mandarin referred to in Chinese as “putong wah,” or **Common Language**.
- Different tones have different meanings. e.g., depending on the tone, can mean the number 4 or death.
- Mandarin has 0-4 tones. Cantonese has 6-9 tones.
- Words are monosyllabic.
- Pinyin is the alphabetized pronunciation system developed by Chinese scholars. Xiao is pronounced like Shao. Xi is pronounced like she. He is pronounced like her.
- Chinese people go last name first. Mao Zedong. Mark Nelson

Basic economic facts

- ① 1978-2010 average annual real GDP growth about 10% (give or take a percent or two due to mis-reporting).

Rule of 70

- ② Big population. In per capita terms, China is similar to Brazil, Mexico, Egypt
- ③ Considered a 'middle income' country
 - Life expectancy 76 (78 in US, 71 is global average)
- ④ Preceded by other Asian countries (Asian growth miracles)
 - Japan, Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Indonesia
 - Structural change. Agriculture → Manufacturing, Exporting → Post-industrial (services)
 - Miracles end
- ⑤ One of the most unequal in terms of income distribution

Rural China 1940



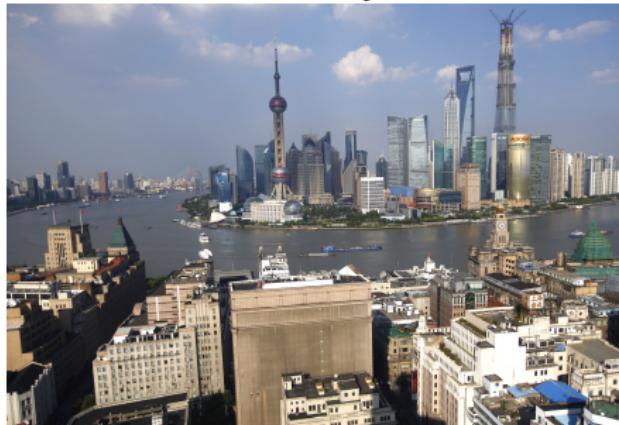
Today



Shanghai 1990



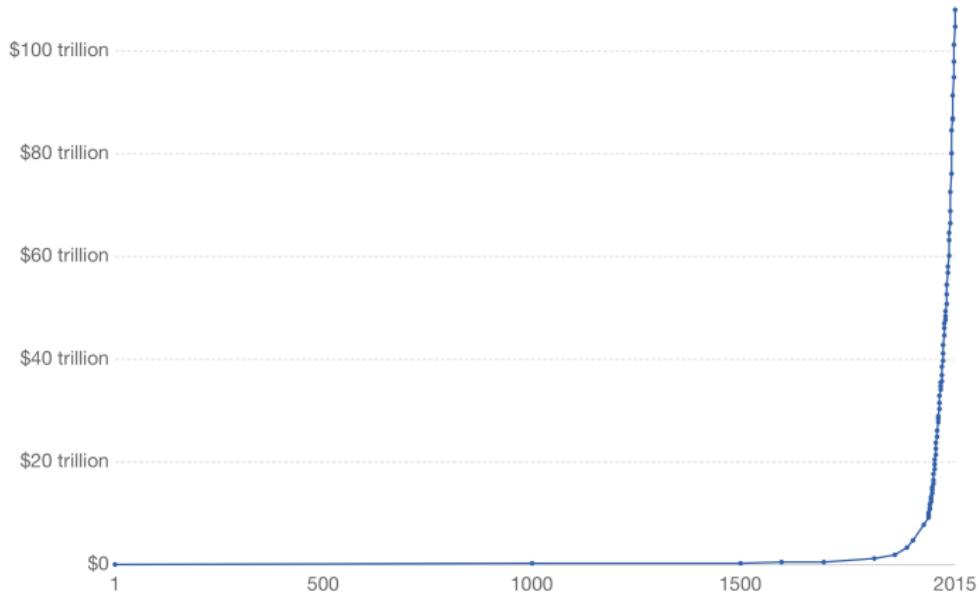
Today



A comfortable life is a recent thing

World GDP over the last two millennia

Total output of the world economy; adjusted for inflation and expressed in international-\$ in 2011 prices.



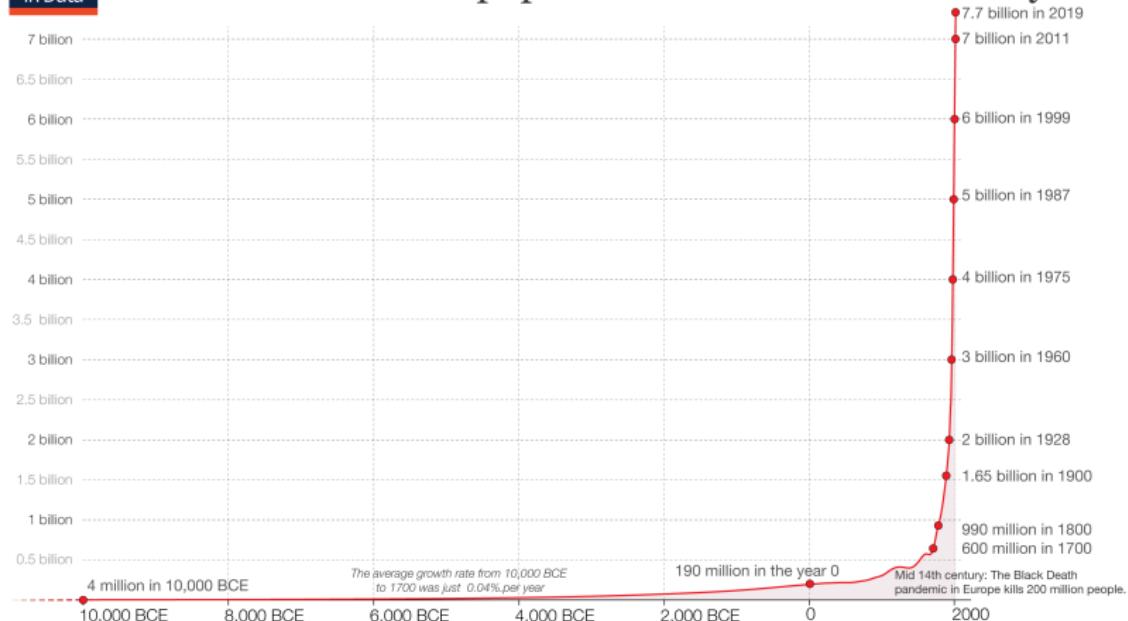
Source: World GDP - Our World In Data based on World Bank & Maddison (2017)

OurWorldInData.org/economic-growth • CC BY

Rising GDP gives more people the gift of life



The size of the world population over the last 12,000 years



Based on estimates by the *History Database of the Global Environment* (HYDE) and the United Nations. On OurWorldInData.org you can download the annual data.

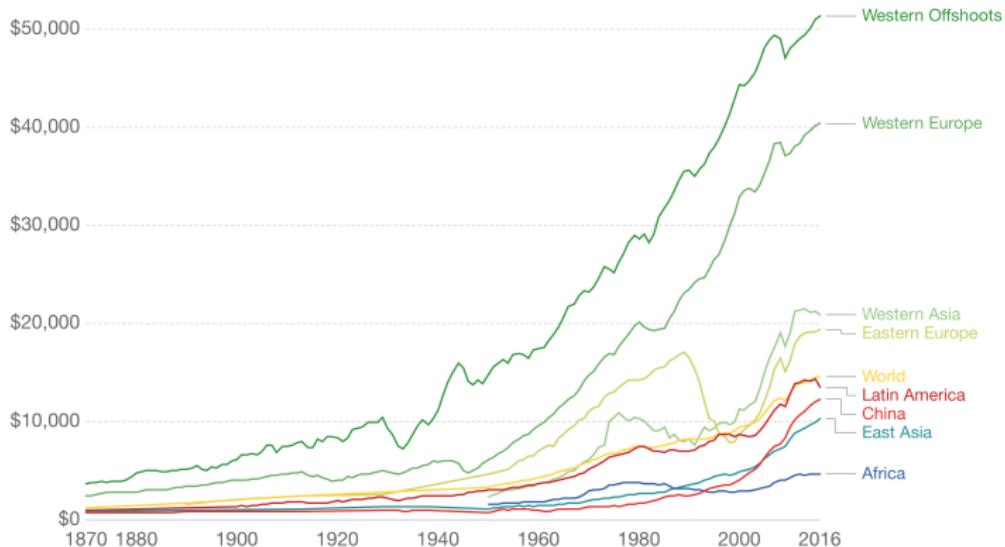
This is a visualization from OurWorldInData.org, where you find data and research on how the world is changing.

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What has China done?

Average GDP per capita across countries and regions

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database (2018)

Note: These series are adjusted for price differences between countries using multiple benchmark years, and are therefore suitable for cross-country comparisons of income levels at different points in time.

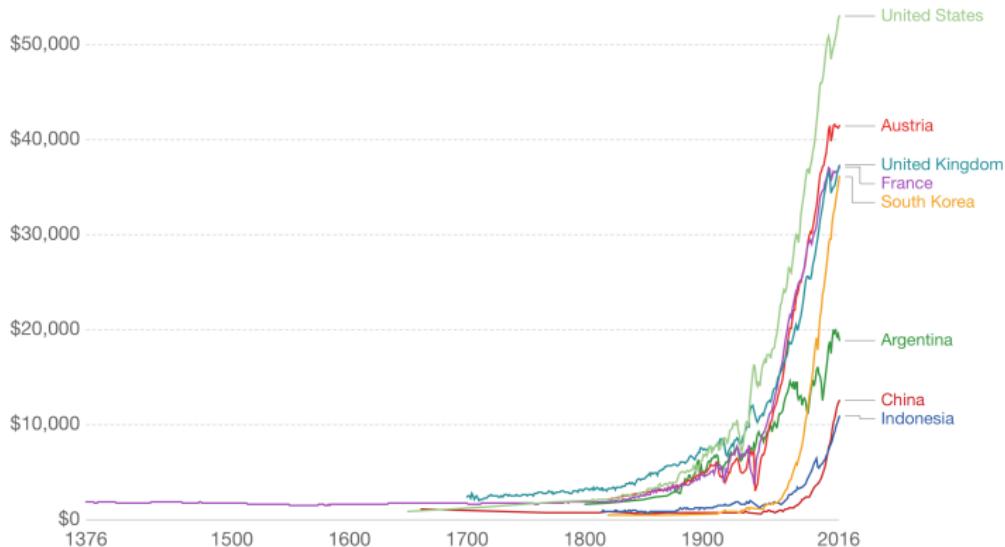
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What has China done?

GDP per capita

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.

Our World
in Data

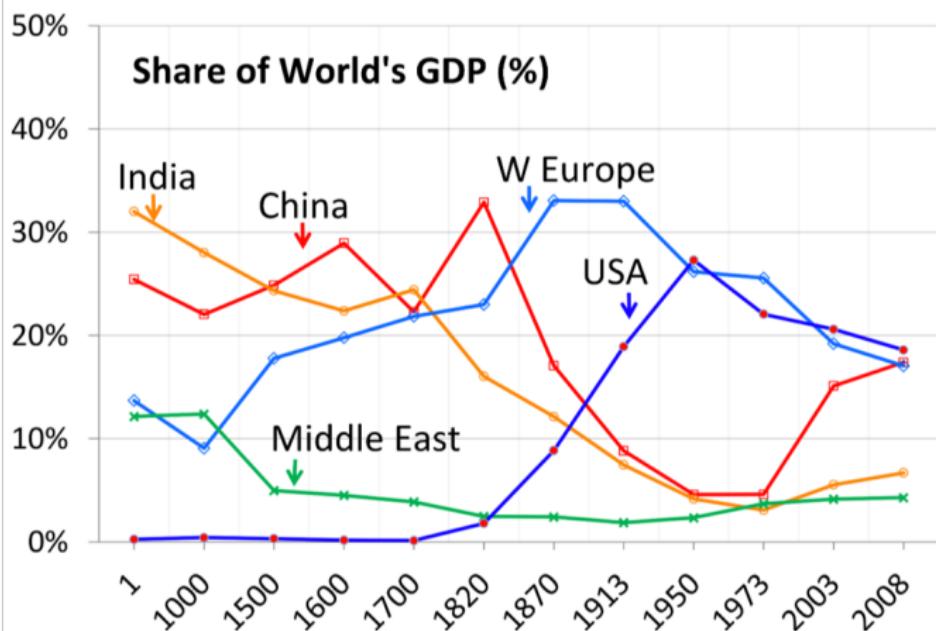


Source: Maddison Project Database (2018)

Note: These series are adjusted for price differences between countries based on only a single benchmark year, in 2011. This makes them suitable for studying the growth of incomes over time but not for comparing income levels between countries.

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What has China done?



What has China done?

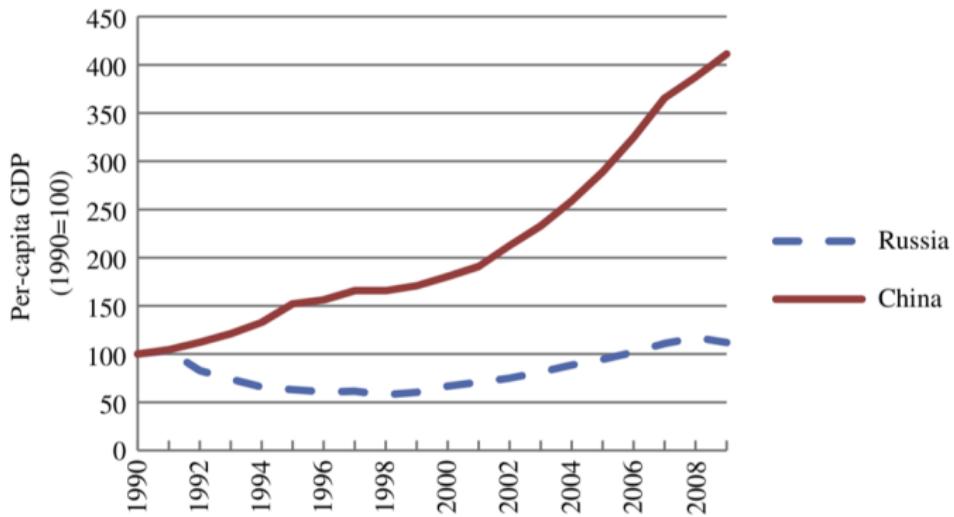


Figure 7.5 Economic performance of China and Russia in transition. Source: PWT 7.0.

How has China done it?

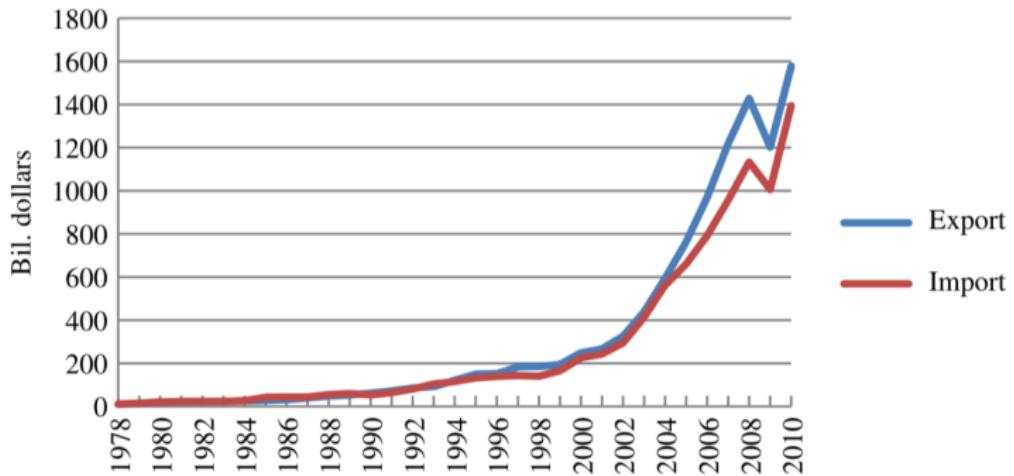


Figure 7.9 China's trade volumes (nominal dollars). Source: NBS at www.stats.gov.cn.

How has China done it?

- ① GDP growth

<https://fred.stlouisfed.org/series/NAEXKP01CNA657S>

- ② Consumption share

<https://fred.stlouisfed.org/series/KCPPPGCNA156NUPN>

- ③ Government spending share

<https://fred.stlouisfed.org/series/CGPPPGCNA156NUPN>

- ④ Investment share

<https://fred.stlouisfed.org/series/CSHICPCNA156NRUG>

Contrasting Systems and Terminology

- Communism
- Socialism
 - Risk sharing
 - State ownership of capital
 - Dictatorship
- Capitalism
- State Sponsored Capitalism
- Crony Capitalism
- Capitalism. **Good:** If markets work, system is dynamic and efficient. Competition of the Cold War, all that is left is Cuba and N. Korea. **Bad:** Markets sometimes don't work well—monopoly, externalities (climate, pollution). Corruption of the democratic process (lobbyists writing the legislation).
- What's wrong with income/wealth inequality?

China's System

- Politically, operates on a single party system
 - Emperor
 - Chinese Communist Party (CCP)
- Heavy state involvement in the economy. State owned enterprises, industrial policy. China uses the economy and economic policy as a political tool. Decisions not always economically grounded.

Conditions for Growth and Prosperity?

- ① What do economists say explains growth and prosperity? What characteristics separate rich from poor countries? What made the industrial revolution possible?
 - Rule of law
 - Property security
 - Freedom of choice
 - Democracy
 - Free and open markets
 - Freedom from governmental interference
 - Good quality of institutions
- ② Economic miracle begins in 1978. China's industrial revolution. Amazingly occurred with none of the above.

- How did/does China do it? What is the structure of the economy?
- Important to have some appreciation of Chinese history
 - Path dependence. You are the person that you are in, formed in part by your experiences, your history, which is different from everyone else. Same is true of economies. We want to know how Chinese society has gotten to this point.
- Consult course webpage. Watch the short videos to appreciate environment and institutional quality.