

What's wrong with Shanghai?

1. Looks modern and advanced.
2. High GDP but low income. $GDP = \text{labor income} + \text{capital income} + \text{profits}$. Huang estimates labor share is 41 percent (in USA is 66 percent). Secular labor income share has been in decline (around the world).
 - a. State owned enterprises claim profits for the state. Foreign businesses (FDI) which took off after WTO, profits leave the country.
 - b. Increasing income inequality.
 - c. The poorest people hit the hardest. New job opportunities scarce, low property ownership.
 - d. Small number of patents awarded to Shanghai people/firms. Unimpressive amount of innovation and inventiveness.
3. Huang says missing entrepreneurship is the problem.
 - a. Heavy-handed micromanagement of economy by the city government
 - b. Bias towards SOEs and Foreign businesses.
4. Comparison to Zhejiang.
5. Institutional Quality in Shanghai. Huang would say Shanghai is not inclusive. Rewards go to the elites.
6. Huang calls this State-Led Growth. Classic Industrial Policy State. Claims this kind of growth is not sustainable.

Huang Chapter 5

1. Huang predicts for the next 5 to 10 years stagnation.
 - a. Social opportunities (health and education).
 - b. Rising income inequality.

- c. Calls it a Commanding-Heights economy.
 - d. Corruption, typical of commanding heights economies. Is similar to crony capitalism.
 - e. The Grabbing Hand of the State. E.g., land grabs at local level, undermines security of property rights. Excessive school fees (taxes) on rural residents.
2. Let's summarize Huang's view of the future of the Chinese economy
- a. Pessimistic.
 - b. Reasons: bias against entrepreneurship. Heavy-handed top to bottom decision making suppresses productivity growth.