

Working Papers & Publications

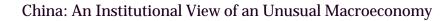
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## David Dollar, Benjamin F. Jones

NBER Working Paper No. 19662 Issued in November 2013 NBER Program(s): DEV EFG POL PR

China presents several macroeconomic patterns that appear inconsistent with standard stylized facts about economic development and hence inconsistent with the standard neoclassical growth model. We show that Chinese macroeconomic patterns instead appear consistent with an environment where state control of factor markets can promote aggressive output goals. We consider the micro-institutional features that can sustain this behavior, emphasizing the hukou system and state control over capital allocation, and present a simple model built on these features. The model can explain several puzzling facts about the Chinese economy, including its unusually low labor share and unusually high saving and investment rates. Interestingly, the model also shows that free-market reforms can initially take the economy further from global macroeconomic norms.





This paper is available as PDF (324 K) or via email.

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