

CONTENTS

Foreword	vii
Contents	ix
List of Tables and Figures	xiv
Introduction to: Econometric Modeling of China	1
Chapter 1 A Model Study of Balance of Payments and Money Supply of China	9
Introduction	9
1. Characteristics of the Chinese Balance of Payments.....	12
2. Current Balance.....	15
2.1. Trade Balance	15
2.2 Non-Trade Balance	20
3. Capital Account.....	23
3.1 Characteristics of Capital Account	23
3.2 Analysis of Long-Term Capital Account.....	25
3.3 Short-Term Capital Items	29
4. Balance of Payments and Money Supply.....	31
4.1 Balance of Payments and Foreign Exchange Reserves.....	31
4.2 Formation of Reserve Money	33
4.3 Money Supply	34
4.4 Influence of Monetary Supply on the Economy	37
4.5 Relationship between Money Supply M_1 and Nominal GDP	38
4.6 Relationship between Money Supply and Price Level.....	39
5. Structure and Test of the Model.....	40
5.1 Structure of the Model	40
5.2 Test of the Model.....	41
References.....	47
Appendix 1—List of Equations.....	47
Appendix 2—List of Variables	56
Appendix 3—List of Data Used in the Model	59
Chapter 2 ICSEAD'S Econometric Model of the Chinese Economy.....	67
1. Introduction.....	67
2. Econometric Models of the Chinese Economy: Brief Historic Review	68
3. Outline of the Model	69
3.1 Basic Principles of Model Building	69
3.2 Outline of the Model.....	70
4. Some Simulation Analyses.....	93

4.1. Effects of FDI Increase	93
4.2. Effects of Money Supply Expansion	93
4.3. Effects of Increase in Government Consumption	94
4.4. Effects of Increase in Public Investment.....	94
4.5. Effects of World GDP Increase	95
5. Reference	95
Appendix A—China Macro Econometric Model 1997 Version Equation List.....	96
Appendix B—Simulation.....	118
Appendix C—Statistical Data	138
Chapter 3 Outline of the PAIR China-Hong Kong Link Model	151
1. PAIR Project	151
2. Data Problems	152
2.1 China.....	152
2.2 Hong Kong.....	157
2.3 Merchandise Trade Statistics	159
3. Model Specification	161
3.1 Background.....	161
3.2 Trade Link	162
3.3 Domestic Block.....	163
4. Estimation Results and Simulation Analysis.....	165
4.1 Estimation Results	165
4.2 Simulation Analyses of Exchange Rate Policy.....	166
Appendix 1. Estimation Results of RRXM.....	171
Appendix 2. Structure of Trade Block in PCHLM.....	172
Appendix 3. Price Determination Structure of China Block	173
Appendix 4. List of Equation (PLM ver.98.1)	173
Appendix 5-1-1. List of Variables for China	175
Appendix 5-1-2. Data Set for China.....	177
Appendix 5-2-1. List of Variable for Hong Kong.....	179
Appendix 5-2-2. Data Set for Hong Kong	181
Appendix 6. Estimation Results of Equations.....	185
Appendix 7. Final Test (1985–1996)	199
Chapter 4 China’s Econometric Model for Project PAIR	201
1. Introduction.....	201
2. Data	202
3. Structure of the Model	205
3.1 Private Consumption Expenditures.....	205
3.2 Investment Function.....	206
3.3 Production Functions	207

3.4 Export and Import Functions	208
3.5 The Price Index Equations	209
3.6 Fiscal and Private Income Equations	212
4. List of the Equations	213
4.1 Domestic Demand Block	213
4.2 Production and Gross Domestic Product Block.....	214
4.3 Finance and Private Income Block	216
4.4 Price Block.....	217
4.5 Foreign Trade Block	218
5. Explanation of Variables	220
5.1 Endogenous Variables	220
5.2 Exogenous Variables	222
6. Dynamic Simulation Test.....	223
7. Policy Simulations	223
7.1 Impacts of an Increase of 10% in Nominal Public Consumption.	223
7.2 Impacts of a 10% Increase in Fixed Investment Loans.....	224
7.3 Impacts of an Increase of 10% in Tax Revenues on Agriculture, Industry and Commerce.....	224
7.4 Impacts of an Increase of 10% in Exports	225
8. Concluding Remarks.....	225
APPENDIX: China's Economic Model for Project LINK.....	239
1. List of Equations	239
2. Explanation of Variables	246
(1) Endogenous Variables.....	246
(2) Exogenous Variables.....	247
References.....	248

Chapter 5	A Computable General Equilibrium Model for the Chinese Economy.....	249
1. Introduction.....		249
2. Methodology—Why a CGE Model ?.....		251
3. The Structure of DRCCGE2		252
3.1 Production and Factor Market.....		253
3.2 Trade.....		255
3.3 Demand.....		256
3.4 Income Distribution		258
3.5 Government and the Extra-Budget Public Sector		259
3.6 Equilibrium and Macro Closure.....		259
3.7 Recursive Dynamics		260
4. Model Calibration and the Benchmark Equilibrium Data Set.....		261
4.1 Trade Data		262

4.2 Sectoral Taxes Data	264
4.3 Splits of Sectors	264
4.4 Estimating the Input-Output Matrix of Production for Processing Exports	264
5. Some Major Applications of DRCCGE Model.....	265
References:.....	269
Appendix A—Sector Classification in DRCCGE2 and Their SSB-IO Sector Concordance.....	270
Appendix B—Algebraic Specification of CGE Model for China	273
1. Sector Definition.....	273
2. Definition of Variables	274
3. Definition of Parameters	278
4. Equation List.....	280
Chapter 6 Natural Decomposition of Total Factor Productivity Growth	291
1. Abstract.....	291
2. Growth in Total Factor Productivity	291
3. Output Elasticities in Terms of Costs [2]	292
4. Decomposition of Total Factor Productivity Growth.....	294
5. Decomposition of Product Output Growth	296
References	301
Appendix I	301
Results of OLS Estimation.....	302
Appendix II	304
Results of OLS Estimation.....	304
Appendix III.....	305
Results of OLS Estimation.....	306
Chapter 7 China’s Macro Econometric Annual Model	307
1. Summary of the Model.....	307
2. Model Structure.....	308
2.1. Production Block	309
2.2. Population and Labor Force Block	310
2.3. Residents’ Income Block	312
2.4. Consumption Block	313
2.5. Investment and Capital Stock Block	313
2.6. Finance and Banking Block.....	314
2.7. Price Block.....	316
2.8. Foreign Capital and Foreign Trade Block.....	317
3. Model Application and Problems.....	318

Chapter 8	A Retrospective View of the Asian Financial Crisis: Special Reference to Exchange Rate Policy	321
1. Introduction	.....	321
2. Dollar Pegs	.....	322
3. How Large is the Effect of Exchange Rate Policy?	.....	326
4. Conclusions	.....	327
Appendix A: Estimated Equations and the Coefficients	.....	328
Appendix B: Summary of Simulation Results	.....	339
Appendix C: Swap Rate	.....	341
Appendix D: New Data	.....	342
Chapter 9	Output and Price Determination in Chinese Macroeconometric Models	363
1. Introduction	.....	363
2. The Case of Liang's Model	.....	363
3. The Case of Shen's Model	.....	364
4. Concluding Remarks	.....	365
References	.....	366
Chapter 10	A Note on the Statistical Data of China: Population and Labor	367
1. Introduction	.....	367
2. Data of Population and Labor	.....	367
3. Economically Active Population and Employed Persons	.....	368
4. The Number of Staff and Workers	.....	368
Index	.....	371