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Yu Yongding and The Chinese Economic Miracle

The Institute for New Economic Thinking's lecture at the Trento Economics Festival featured Yu Yongding, the director of the Institute of World Economics and Politics at the Chinese Academy of Social Science, who discussed the main challenges currently facing China.

Over the last 35 years China has experienced tremendous economic growth, making many worry that the Chinese economy would soon catch, and possibly overtake, that of the United States. Mr. Yongding assured that despite China's "miraculous" growth, this would not happen in the near future. Recently, China has been experiencing a dramatic slowdown of growth, marking a drastic change from the trend since 1985. This slowdown is attributed to multiple causes, notably the narrowing space available for reform and operation at overcapacity.

"The challenges facing China are twofold," Yongding continued that China must improve the potential growth rate in the long term and prevent the economy from future sliding. "The problem is not the policy" Yongding added, "it is the implementation." The gap between the potential growth rate and actual growth rate can be reduced through macro management that addresses the causes of slowdown, such as overcapacity and fall in real estate investment.

The Chinese government has proposed a five-year plan to invest in infrastructure throughout the country. This is not enough, Yongding added that investment is not only physical but social, and proposed additional areas for investment including environmental policies to reduce smog and pension programs for retirees. There is tremendous room for future investment if China is able to operate at its potential, Yongding concluded that this will lay a foundation for future growth.

<https://www.youtube.com/watch?v=OgfiFAMULJ4>

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