

The Aims and Purposes of the China Papers

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For the past few years, international economic discussions worldwide have been intensively and extensively concerned with China's role on the global economic scene. There is no shortage of papers, books, news items or other media coverage about the Chinese economy, as a new phenomenon that was hardly expected a few years ago. There have been similar developments elsewhere in the analysis of Japanese economics, the Asian Miracle, and for a time the developing world as a whole. Among transition countries, especially in Eastern Europe, there were great hopes of finding extraordinary performance but all these other flashes of awe-inspiring economic development turned out to be, in a relative sense, short lived. Now, one can look back on more than 25 years of unusual economic gain in China and very promising expectations of more to come. Perhaps, the mere size of China makes the case even more awesome. In this respect, China may relatively soon be joined by India as a formidable economic power, and the Chinese-Indian economies may well influence the world economic scene, in an impressive dual performance. Official Indian sources have announced in February 2006, that annual economic growth in 2004-05 reached an impressive 8.5 percent further enlarging the burden for understanding the forces behind such growth figures.

In the papers and commentary assembled in this China-section, we have tried to find authors who have deep understanding of the economics of China from a long historical perspective and from contemporary performance since reforms were put into place in 1978, or perhaps a bit earlier. The contributions cover quantitative studies, woven into the culture, politics and social relations of China over relevant centuries, as well as general historical analysis of Chinese economics.

Angus Maddison can draw upon his vast store of quantitative studies of most parts of the world since 1300. Dwight Perkins used his Chinese and broader Asian studies background to guide high level officials through China when new relations with the Western world were being developed, in anticipation of political interaction as well as economic reform.

Gregory Chow used his insight into the Chinese way of life and his intimate knowledge of the Chinese economy, as the reform process got under way, to study a very important obstacle in the path of smooth development, by assessing the distorting role of corruption. Professor Chow could have taken up any number of important

aspects of Chinese economic life, but has carved out a serious analysis of something that could hamper success in economic reform.

We have tried to put together forecasting techniques that have been successfully used in many economies, even for the Special Administrative Region (Hong Kong), to produce, with the able help of Wendy Mak, fortnightly projections of the Chinese economy. One of the most recent of these, for a forecast horizon of six months, is presented to help us analyze by tiny, tiny steps the forward movement of the Chinese economy.

Thus, we present both long-term and very near-term assessment of Chinese economic developments, and their place in the wider aspects of Chinese life.

BRIC CONTAGION

In an analysis of equity market movements among promising leaders of the world economy, Professor Shachmurove, examines the market dynamics of four countries: Brazil, Russia, India and China. These countries are grouped together under the acronym BRICs by the economic research staff of the global investment firm, Goldman-Sachs. This is an extremely interesting combination of large transition or developing economies that are playing leadership roles, under modern conditions of Globalization.

China and India are, of course, preeminent in shaping much of present world activity, and Goldman-Sachs see imminent possibilities in Brazil and Russia. When the financial crisis broke out in Southeast Asia in the summer of 1997, crisis effects spread from country-to-country in East Asia. Economists treated this event as contagion. There have been some challenges to the use of the descriptive noun for the identification of the spreading crisis, and Professor Shachmurove uses the popular techniques of VAR-analysis, in which each of the four countries' daily stock market index is related to its own previous index values and also those of the other three markets (similarly dated at previous periods). This method may not be able to disentangle all the causes of the flow of crisis values, but does point out some key correlations at the margins of each current index with previous values of all four indexes. That is the VAR-technique and can be implemented with thousands of historical daily values of each country's index, which constitute the explanatory variables in his analysis. Many of his estimated coefficients are statistically significant, thus accounting, in part at least, for the concept of contagion. Indeed, this was a crisis period when the US Administration prevailed upon China to act as a stabilizing force for Asia in this period.