

Contents

	<i>Page</i>
Preface	v
I. Introduction	1
II. Overview of Reforms	2
China's Economy in Pre-Reform Period	2
Objectives of and Approach to Reform	3
Agricultural Reform	4
Enterprise Reform	5
Rural Enterprise Reforms	5
State Enterprise Reforms	5
Reforms in Retail Trade and Services	6
Reform of the Price System	6
Reform of the Wage System and the Labor Market	7
Wage Reforms	7
Labor Market Reforms	7
Reform of External Policies	8
Trade System	8
Foreign Investment	9
External Debt	9
The Exchange System	9
Banking and Financial Market Reform	10
Banking System	10
Nonbank Financial Institutions	10
Securities Market	11
III. Monetary and Fiscal Policies in Transition	12
Monetary Policy	12
Policy Formation and Implementation	12
Monetary Developments	14
Macroeconomic Impact and Transmission	15
Issues for Policies	16
Policy Liberalization, Inflation, Overhang	19
Analytic Considerations	19
Evidence	20
Fiscal Policy	21
Budgetary Developments	22
Fiscal Impact of Economic Reforms	25
Policy Options	30
Conclusions	30
Appendix: Demand for Money	33

References	37
Tables	
III.	
1. Monetary Survey, 1985–89	15
2. Operations of the People’s Bank of China, 1985–89	16
3. Velocity of Circulation, 1982–89	20
4. Government Revenue, 1978–89	23
5. International Comparison of Revenue	23
6. Government Expenditure, 1978–89	24
7. International Comparison of Expenditure	25
8. Budget Deficit and its Financing, 1979–88	26
Appendix	
9. Money Demand—Estimated Long-Run Coefficients	34
Charts	
III.	
1. Monetary Developments, 1984–89	14
2. Money and Industrial Production, 1984–89	17
3. Money and Prices, 1984–89	17
4. Broad Money/GNP: An Inter-Country Comparison	20
Figure	
III.	
1. Tax Rates Within the Contract System	27

The following symbols have been used throughout this paper:

- ... to indicate that data are not available;
- to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;
- between years or months (e.g., 1990–91 or January–June to indicate the years or months covered, including the beginning and ending years or months;
- / between years (e.g., 1990/91) to indicate a crop or fiscal (financial) year.

“Billion” means a thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.