## **Contents**

List of Figures	xiii
List of Tables	xv
Part I Introduction  John Knight	
1. Setting the Stage	3
1.1 The Issues	3
1.2 China's Economic History	4
1.3 The Data	6
1.4 The Methodology	8
1.5 Outline of the Book	9
2. Approaches to Understanding Economic Growth	11
2.1 Models of Economic Growth	11
2.2 Empirical Approaches to Economic Growth	14
2.3 Economic Growth and Economic Development	16
2.4 Economic Growth and Inequality	19
2.5 Looking Ahead	20
3. The Evolution of Institutions and Policies	24
3.1 Introduction	24
3.2 Central Planning	25
3.3 Rural Reform	28
3.4 Urban Reform	35
3.5 Economy-Wide Reform	39
3.6 The Political Economy of Economic Reform	43
3.7 Conclusion	50
Part II The Determinants of China's Economic Growth Sai Ding and John Knight	
4. China in a Cross-Country Growth Perspective	57
4.1 Introduction	57
4.2 Background to China's Growth	58
	ix

## Contents

4.3 Augmenting the Solow Model	62
4.4 Data and Sample	65
4.5 Empirical Methodology	67
4.6 Empirical Results	69
4.7 Explaining China's Relative Performance	76
4.8 Conclusion	81
Appendix 4.1	82
Appendix 4.2	83
5. The Basic Cross-Province Growth Equation	92
5.1 Introduction	92
5.2 Methodology	94
5.3 The Data	98
5.4 Model-Selection Results	100
5.5 The Baseline Model	102
5.6 Conclusion	105
Appendix 5.1	107
6. The Role of Physical and Human Capital Formation	112
6.1 Introduction	112
6.2 Physical Capital Accumulation	113
6.3 Human Capital Accumulation	119
6.4 Illustrative Counterfactual Predictions	122
6.5 How was Rapid Capital Accumulation Possible?	124
6.6 Conclusion	125
Appendix 6.1	127
7. The Role of Structural Change: Trade, Ownership, Industry	131
7.1 Introduction	131
7.2 Increasing Openness	132
7.3 Institutional Change	137
7.4 Sectoral Change and Industrialization	141
7.5 Conclusion	147
Appendix 7.1	149
8. Why Does China Invest so Much?	155
8.1 Introduction	155
8.2 The Demand for Investment	156
8.3 The Supply of Investment: Resources	160
8.4 The Supply of Investment: Funds	165
8.5 The Efficiency of Investment: Static	171
8.6 The Efficiency of Investment: Dynamic	172
8.7 Conclusion	177

Part III The Consequences of China's Economic Growth  John Knight	
9. Economic Growth and the Labour Market	185
9.1 Introduction	185
9.2 The Lewis Model	186
9.3 Trends in the Chinese Labour Market	187
9.4 Literature Survey	189
9.5 The Data	190
9.6 Migrant Wage Behaviour	191
9.7 The Pool of Potential Migrants	200
9.8 Projections into the Future	206
9.9 Conclusion	210
10. Economic Growth and Inequality	215
10.1 Introduction	215
10.2 The Rise in Inequality	216
10.3 Inequality of Wealth	220
10.4 The Rise in Inequality and the Relation to Poverty	220
10.5 The Components of Rising Inequality: Urban Income	221
10.6 The Components of Rising Inequality: Rural Income	226
10.7 The Components of Rising Inequality: Spatial Income	227
10.8 Rising Inequality: the Policy Issues	230
10.9 Conclusion	232
11. Economic Growth and Happiness	236
11.1 Introduction	236
11.2 Background on Subjective Well-Being	237
11.3 Survey, Data, and Method	239
11.4 Rural Happiness	240
11.5 Urban Happiness	244
11.6 A Rural-Urban Comparison	247
11.7 Migrant Happiness	248
11.8 Aspiration Income and Happiness	254
11.9 Conclusion	258
Part IV Conclusion	
ohn Knight	
12. Economic Growth in China: Prospect	265
12.1 Introduction	265
12.2 The Maturing Economy	266
12.3 Macroeconomic Imbalances	269

## Contents

12.4 Political Shocks	295
12.5 Conclusion	306
13. Economic Growth in China: Retrospect	311
13.1 Introduction	311
13.2 The Causes of China's Growth	311
13.3 The Consequences of China's Growth	317
13.4 Lessons for Growth Research	319
13.5 Lessons for China	321
13.6 Lessons for Other Developing Countries	323
Index of Names	327
Index of Subjects	332