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Comment on Lu and Cai (2014)

China's Shift from the Demographic Dividend to the Reform Dividend

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Interesting Paper!

- This paper attempts to analyze:
 - What is required for China to move on to the next stage of development by exploring into the possible shift to the “reform dividend”.
 - Approach: standard growth model and simulation of the growth effects generated by various reform measures.
- Policy Recommendation:
 - Improve the current family-planning policy.
 - Improve the market mechanism for efficient resource allocation.
 - Need variety of job training programs
 - Choose the best order of the reforms.

Comment 1

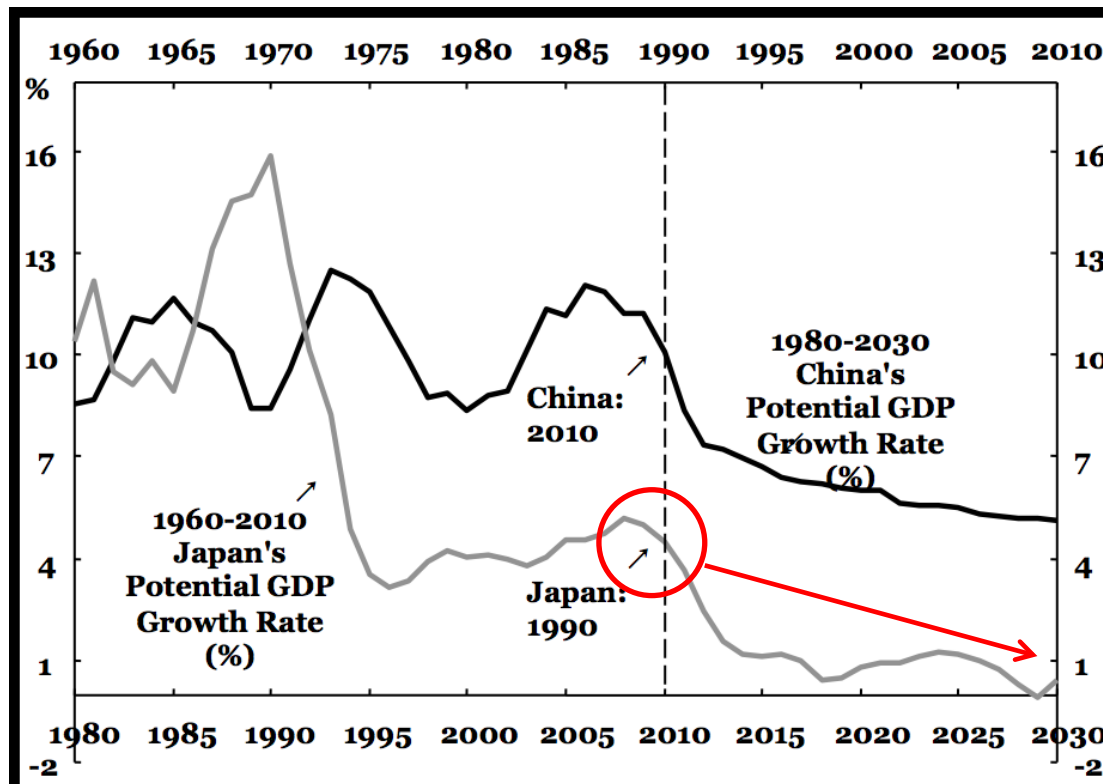
- Other important factors in China's growth?
 - Demographic factor is undoubtedly important.
 - But, other factors (e.g., effect of **inward FDI** and its **spill over**) may also be important to consider the China's rapid economic growth.

Comment 2

- Policy recommendation for further reforms:
 - Improvement of the **market mechanism** (especially, **market-based interest rates**) is also recommended.
 - But, China needs further **financial and capital liberalization**.
 - Once capital control is removed, it may become more difficult to conduct the monetary policy.
 - Various financial and capital reforms need to be considered as well when introducing further market mechanism.
 - The effect of these reforms on China's economic growth is necessary to be evaluated.

Comment 3

- Comparison with Japan
 - This comparison may be interesting, but careful comparison may be necessary.



After 1990 (the burst of the “bubble-economy”), Japan started its long recession period.

Source: Lu and Cai (2014) presentation slide #11.