

Institutional Foundations of China's Growth and Growth Slowdown

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The Puzzle of China

Weak formal institutions

Strong economic growth

China does poorly in World Bank Doing Business Indicators

Ease of Starting a Business: 151

Same as Congo (yes this is Mobutu's Congo)

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企业盖栋楼，要交95种税费盖192个章

南京民企老总抱怨懒政之下办事难；江苏确定简政放权路线图，行政审批大幅“瘦身” 封5~7

守着银行 专偷“大户”

徐州破获特大盗抢案
4人团伙流窜9省1市
8年盗抢1200万元

封8

犯罪嫌疑人被押回徐州
图片由警方提供



南京一名医生
一天看了192个病人

封12

27岁南通小伙
任职福建龙海副市长

封17

充气时轮胎爆炸
汽修老板不幸身亡

封10

亚运会上再遭羞辱
国奥0:2不敌泰国

A10

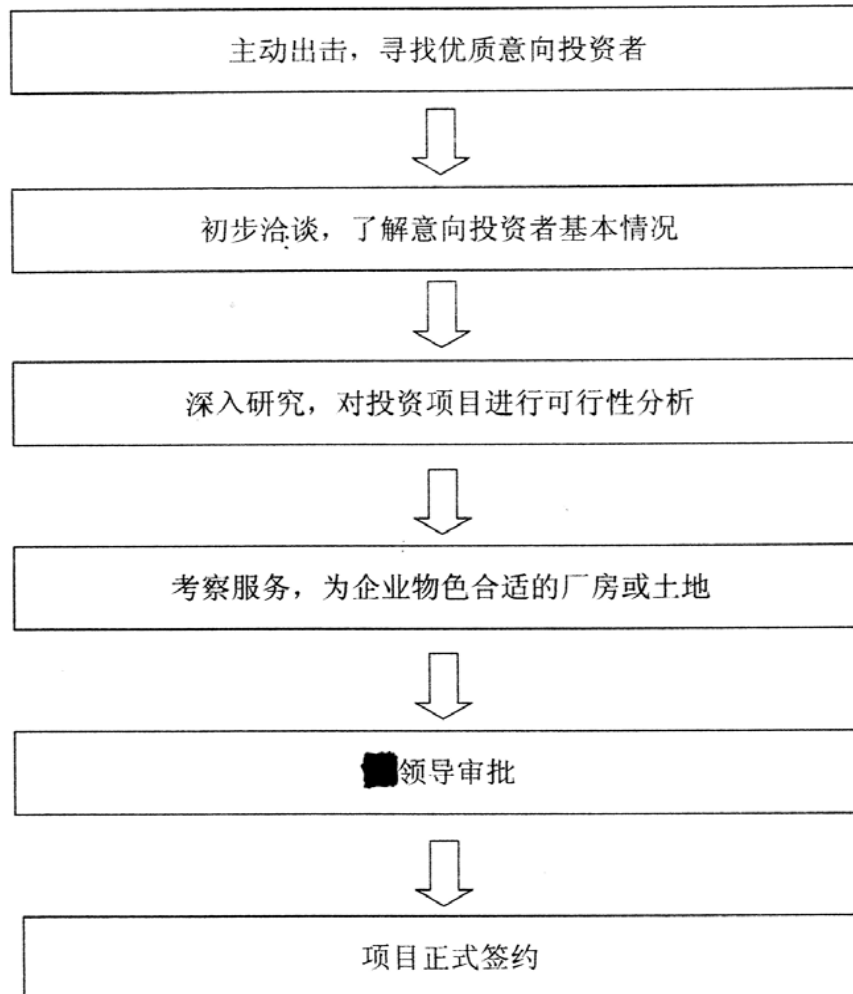
40位抗战老兵聚会
南京体彩组织专车接送

封19

"Long March" for Licenses



City in Southern China



Actively look for quality prospects

Initial discussion to learn about investor

Feasibility Analysis

Identify land and other needed services

Approval by Vice-Mayor

Sign agreement

Organization of Local Government

Party Secretary

Mayor

9 Vice-Mayors

Each Vice-Mayor assigned 20 "important" projects

"Zhengzhou Speed"

iPhone 6 produced in Foxconn Zhengzhou (300,000 workers)

2007: Foxconn opens plant in Wuhan (Hebei Province)

2008: Guo Gengmao (Governor of Hebei) moved to Henan.

June 20, 2010: Governor of Henan Province welcomed Gou Taiming (Chairman of Foxconn) at airport

June 29, 2010: Agreement was signed

August 2010: Foxconn Zhengzhou opened



Chinese System is *Crony* Capitalism

Weak formal institutions

Successful Firms use informal institutions

Successful Firms are "Cronies"

But with Chinese Characteristics

Free Entry into "Cronyism"

Strong local state capacity

Easy to make deals

Encouraged by Organization Department?

Remarkable tolerance of corruption (until 2013?)

Limited access to financial resources (until 2009)

Help for cronies did not worsen capital allocation

Competition between local governments

Block entry into in your jurisdiction but not in others

Aggregate Growth Slowed After 2009

Long Shadow of 2009 "Fiscal" Stimulus

Local Governments (informally) allowed to:

Borrow through “local financing vehicles”

Create “shadow banks”

8-9% of GDP intermediated through shadow banks/local financing vehicles by 2013

Crackdown on Corruption (2013 - ?)