PANTHÉON-ASSAS UNIVERSITÉ PARIS

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LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

A MODEL OF CHINA'S ECONOMIC VERTICAL STRUCTURE

31 March 2025
salle Maurice Desplas, LEMMA 4 rue Blaise Desgoffe, 75006 Paris

Le LEMMA organise un séminaire sur le lundi 31 mars à 11h, en salle Maurice Desplas.

Yong WANG, professeur d'économie et vice-président de *Institute of New Structural Economics* à l'Université de Pékin, présentera ***A Model of China's Economic Vertical Structure*** avec Xi LI, Xuewen LIU, and Zhikun LU.

Résumé :

This paper develops a general equilibrium model of the Chinese economy that highlights its "vertical structure", namely that state-owned enterprises (SOEs) monopolizes key upstream industries while downstream industries are largely open to private competition. The study shows that this vertical structure helps to explain various aspects of Chinese economic development, including SOE performance, structural changes, and resource misallocation. It demonstrates that upstream SOEs extract rents from liberalized downstream industries in the process of industrialization and globalization, that the vertical structure hinders industrialization, and that the vertical structure also helps to better understand why SOEs receive subsidies in the credit market. Counterfactual analyses using Chinese firm-level data from 1998 to 2007 confirm that the upstream SOE monopoly has a significant negative effect on output and welfare; in the presence of this monopoly, a certain level of preferential credit subsidies to SOEs actually improves welfare by alleviating the upstream undersupply problem. We also show how the vertical structure emerges as an equilibrium outcome and how this model framework can be useful for countries beyond China.

En savoir plus