International Comparison of China’s Sustained High Level of Economic Growth

In early 2007, Michael Spence, a 2001 Nobel laureate in economics and a senior fellow at the Hoover Institution, Stanford University, published two consecutive articles in the Wall Street Journal, studying the sustained high growth of the Chinese economy. The first was titled Wealth of Nations: Why is China Growing So Fast? and the other was called Wealth of Nations: What Drives High Growth Rates?

At the beginning of the first article, Spence proposed, “sustained high growth in developing economies is a recent, post-World War II phenomenon.” He took “high” to mean in excess of 7%, and “sustained” to mean 25 years or more. Using this definition, he pointed out 11 such cases of sustained high growth (listed here according to the chronological sequence in which they began their sustained period of high growth): Singapore, Hong Kong, Taiwan, Korea, Thailand, Malta, Oman, Indonesia, Botswana, Malaysia, and China. He underlined the fact that China was the latest case of this phenomenon, the largest in terms of population, and the fastest in terms of growth.

Spence analysed the main features shared by these eleven economies such as a functioning market economy, high levels of savings and investment, resource mobility, enterprises’ adaptability to rapid changes and rising capability against risk, and economic globalisation. He did not however analyse the characteristics of China’s sustained high economic growth. Using data from the International Monetary Fund and other organisations, we have worked out the fluctuation curves of the GDP growth rates of these eleven economies during their sustained high growth stages (see Figure 3.1—Oman’s GDP growth rate reached 66.2% and 82% in 1967 and 1968, respectively, but the data for these two years are not reflected completely in the figure because the upper limit of the Y axis is 35%), and listed the mean value (mean arithmetical value) of the GDP growth rate and the variation coefficient for each year in
Table 3.1. A comparison demonstrates one outstanding characteristic of the sustained high growth rate of the Chinese economy: compared with those of the other ten economies, China’s economic growth rate has higher potential and the lowest amplitude, demonstrating “high-level, stable” growth.

The bold black line in Figure 3.1 is China’s GDP growth rate fluctuation curve from 1977 to 2006. According to Michael Spence’s definition of “sustained high growth” (GDP growth rate continuously exceeds 7%), the Chinese economy entered a stage of sustained high growth as early as 1977, i.e. the date that “the Gang of Four” was crushed and shortly after the end of the “Cultural Revolution” in 1976. The first to enter sustained high growth were the East Asian Tigers: Singapore, Hong Kong, Taiwan, and South Korea, which entered this stage in the early 1960s. They were followed by Thailand, Malta, Oman, Indonesia, and Botswana in the mid- and late-1960s, and Malaysia joined the group in the early 1970s. However, the other ten economies wound down their period of sustained high growth successively between 1989 and

![Figure 3.1: GDP Growth Rate Curves of Eleven Economies](image)


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