Discussion of
“Taming Cycles: China’s Growth Targets and Macro Regulation
by Jinfan Chang, Yuheng Wang and Wei Xiong

Kenneth Rogoff

Brookings BPEA Spring Meeting, March 27, 2025

Terrific paper, packs in many ideas, clear exposition

- The paper provides an great exposition of how GDP growth targets, land sales and central-provincial-local government dynamics work
- It makes a convincing case that central government pressure has sharply distorted spending on infrastructure and greater local government borrowing through local government funding vehicles
- It includes some cogent criticisms of the GDP tournament system, emphasizing that EVEN if local GDP were not being over-reported, government stimulus programs have become so distortionary that growth in output no longer clearly correlates with growth in welfare.

Documents the sharp decline in quality of growth

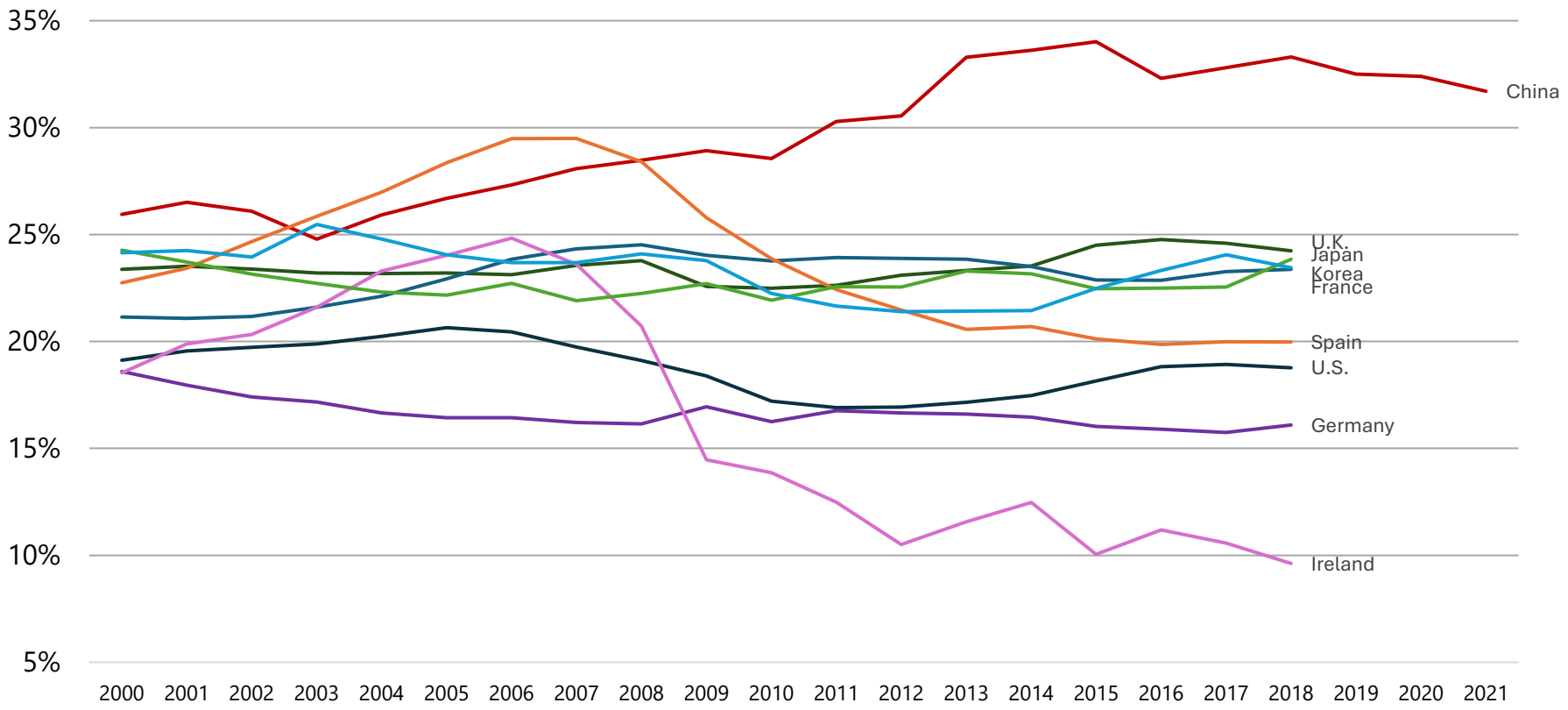
- From 2002-2008, provincial GDP growth positively correlated with firm profits. From 2011-2019, this correlation disappears
- Same results for retail sales growth
- Almost as strong results for correlation between (now city) level growth and city level TFP (maybe more could be said about quality of TFP measurement
- Goes on to implement structural regressions that show the asymmetric impact of growth targets on infrastructure and local government debt. (Uses a lagged variable as instrument; is there is a shift-share instrument analogous to Rogoff-Yang (2024a,b)

How easily is the system fixed?

- The paper make an understandably cautious assessment of where things are going – Justin Lin 6% versus Summers 2%, but reading between the lines, it is not optimistic without significant structural change
- Does not speak directly to the dramatic centralization of power that has taken place the past twelve years, but the inference is quite clear.

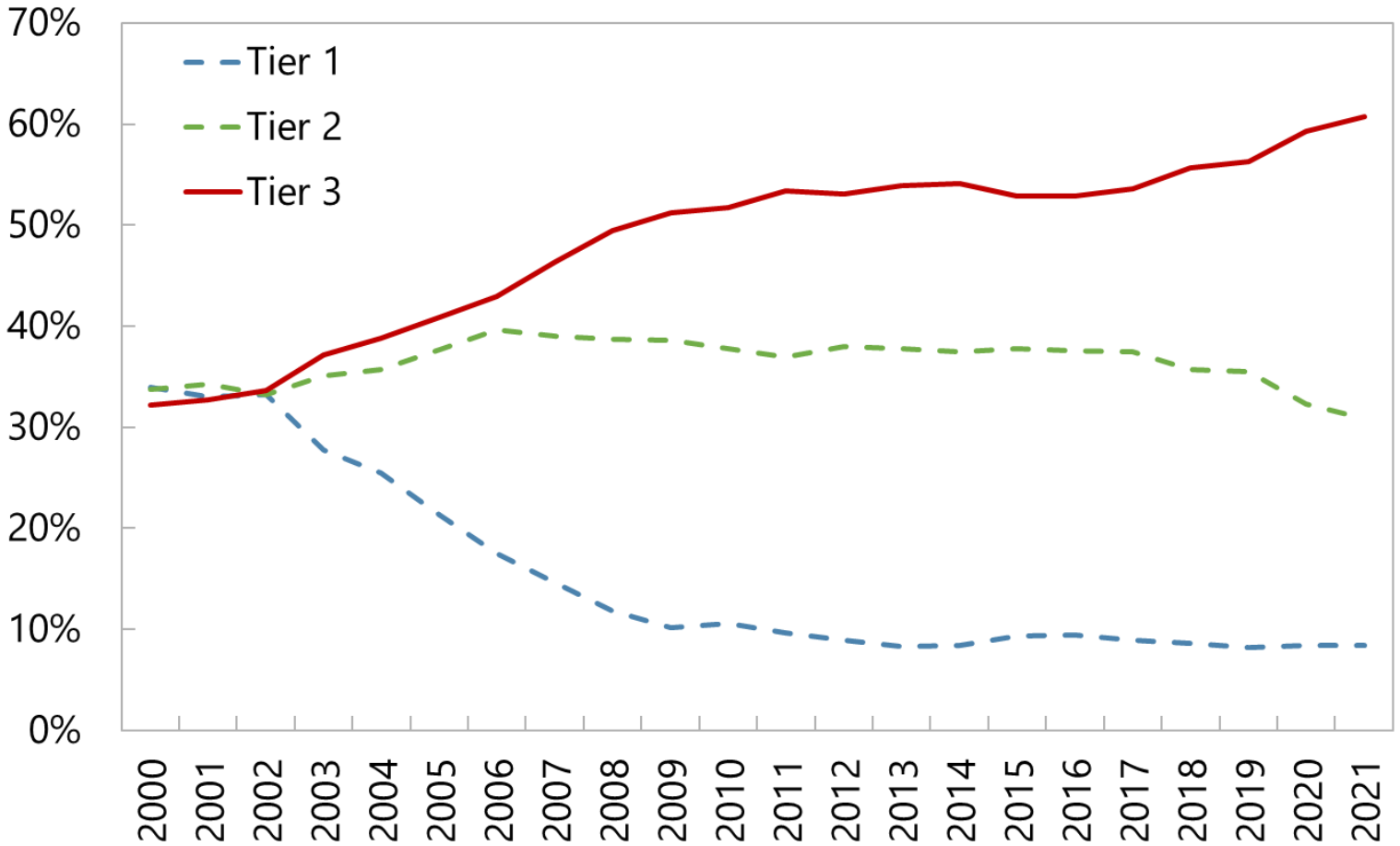
China's real estate and infrastructure construction is outsized by international standards

- **Real Estate and Infrastructure Share of GDP by Country**



Source: Rogoff and Yang, "Rethinking China's Growth," JIE 2024

Share of Real Estate Invesment by City Tier

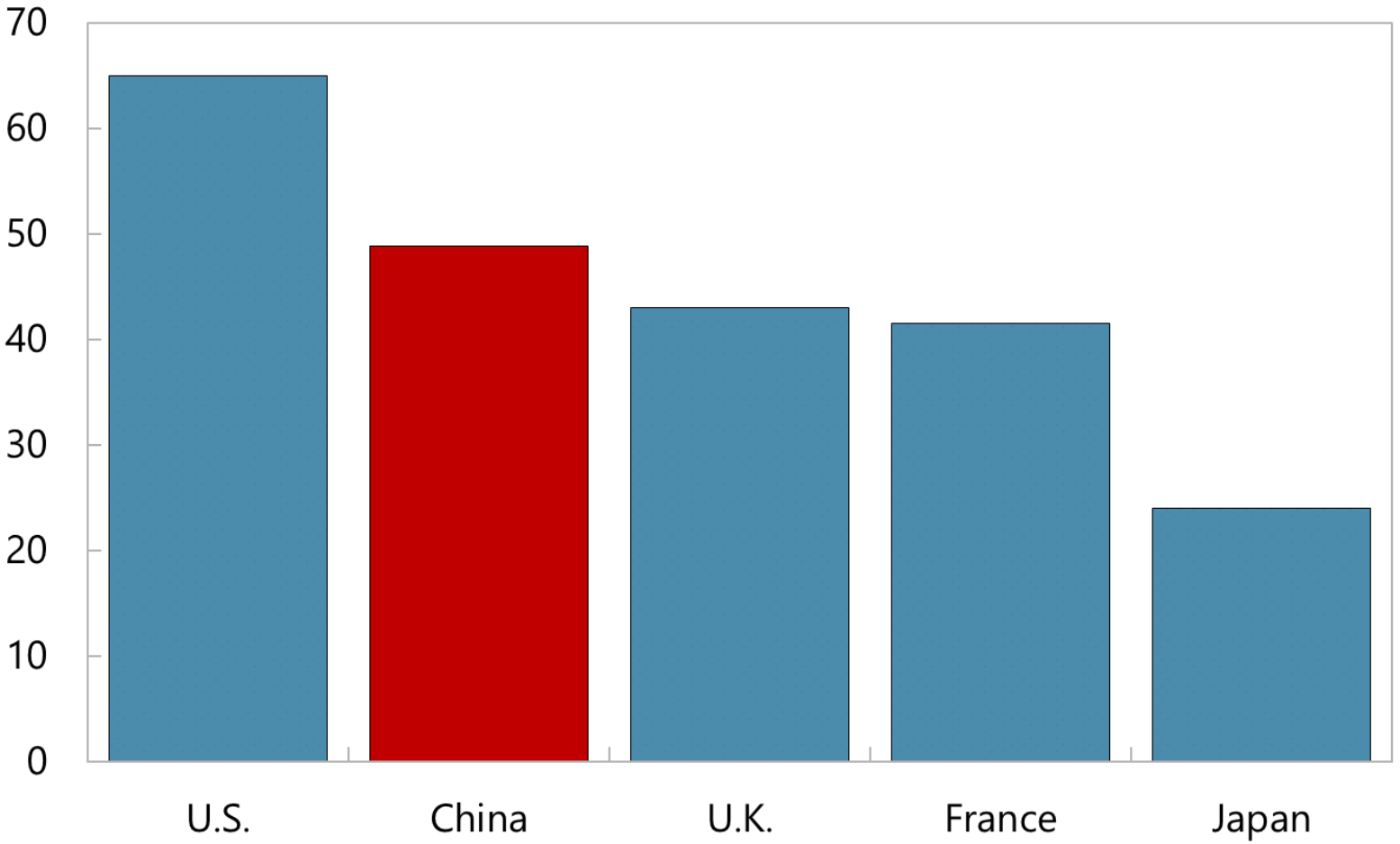


Sources: NBS and author calculations

Kenneth Rogoff, *Our Dollar, Your Problem*, 2025

Per Capita Housing Space by Country

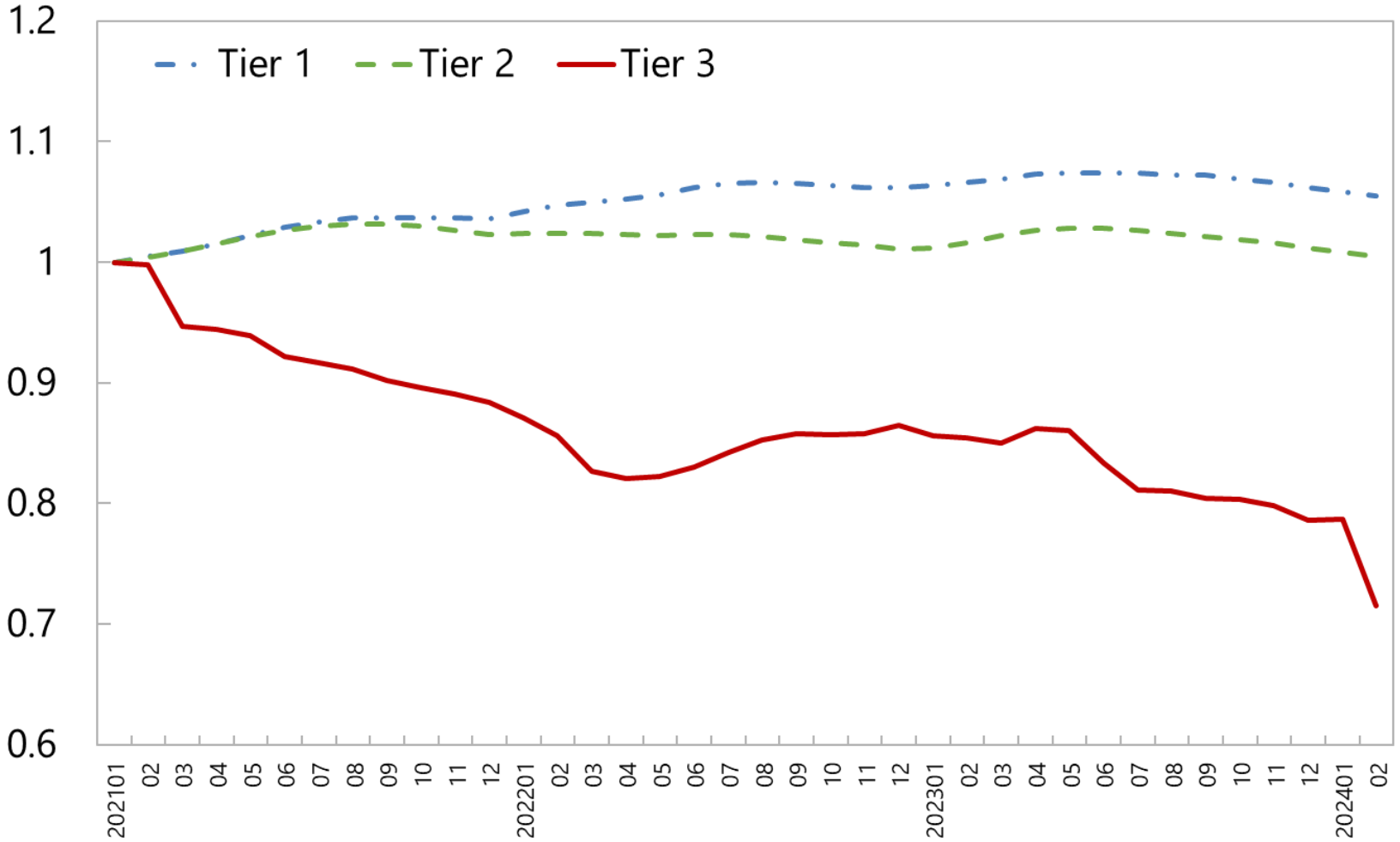
(square meter)



Kenneth Rogoff, *Our Dollar, Your Problem*, 2025, Yale University Press. Data source: in Rogoff and Yang 2024

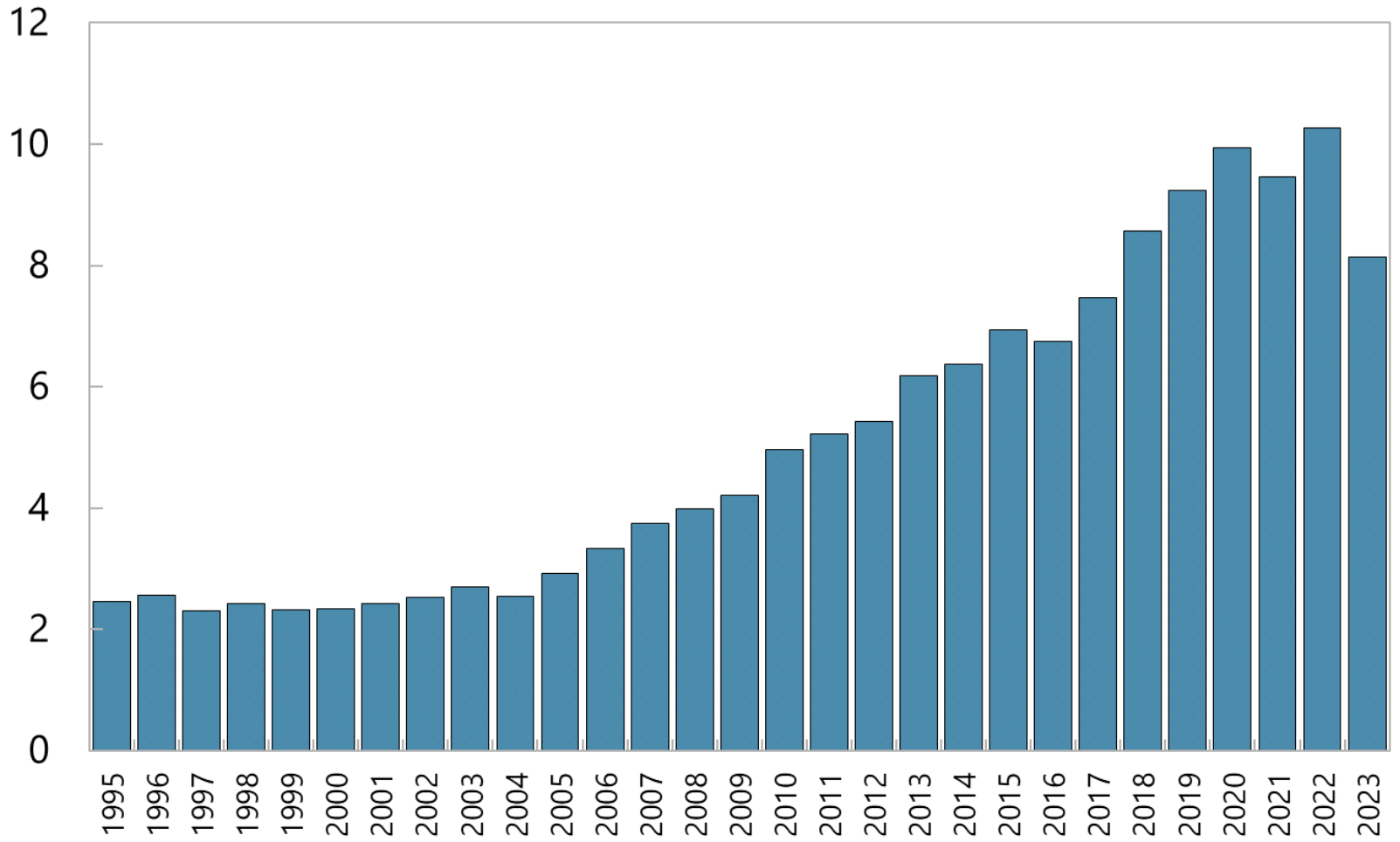
House Price Changes by City Tier (2021:01 to 2024:02)

(202101=1)



Rogoff, and Yang, A Tale of Two Cities, *JIE*, 2024

Housing Under Construction Over Housing Completed

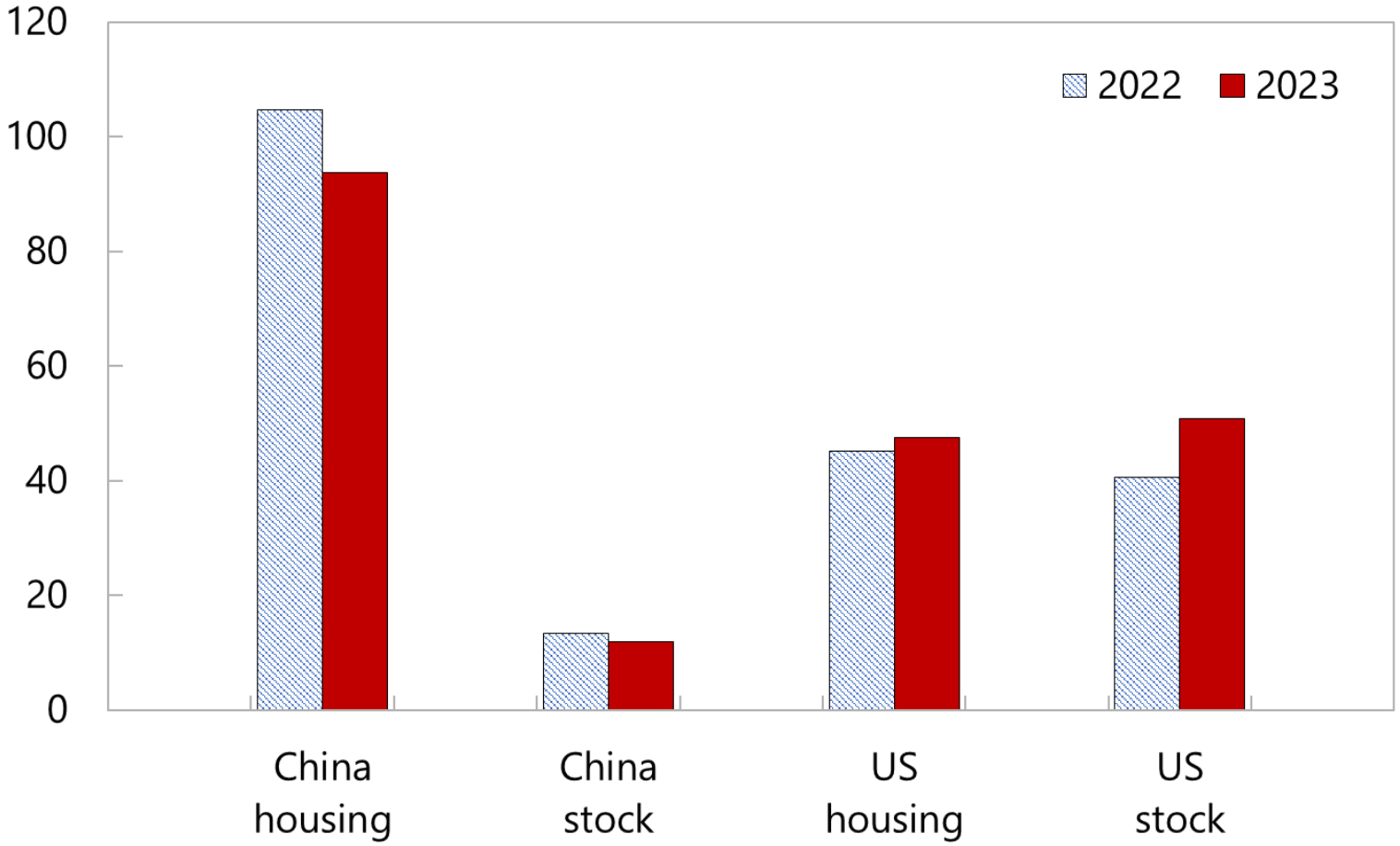


Rogoff, Kenneth, and Yuanchen Yang. 2024b. “Rethinking China's Growth.” *Economic Policy*

Is China going to end up like Japan?

Valuation of Different Asset Classes

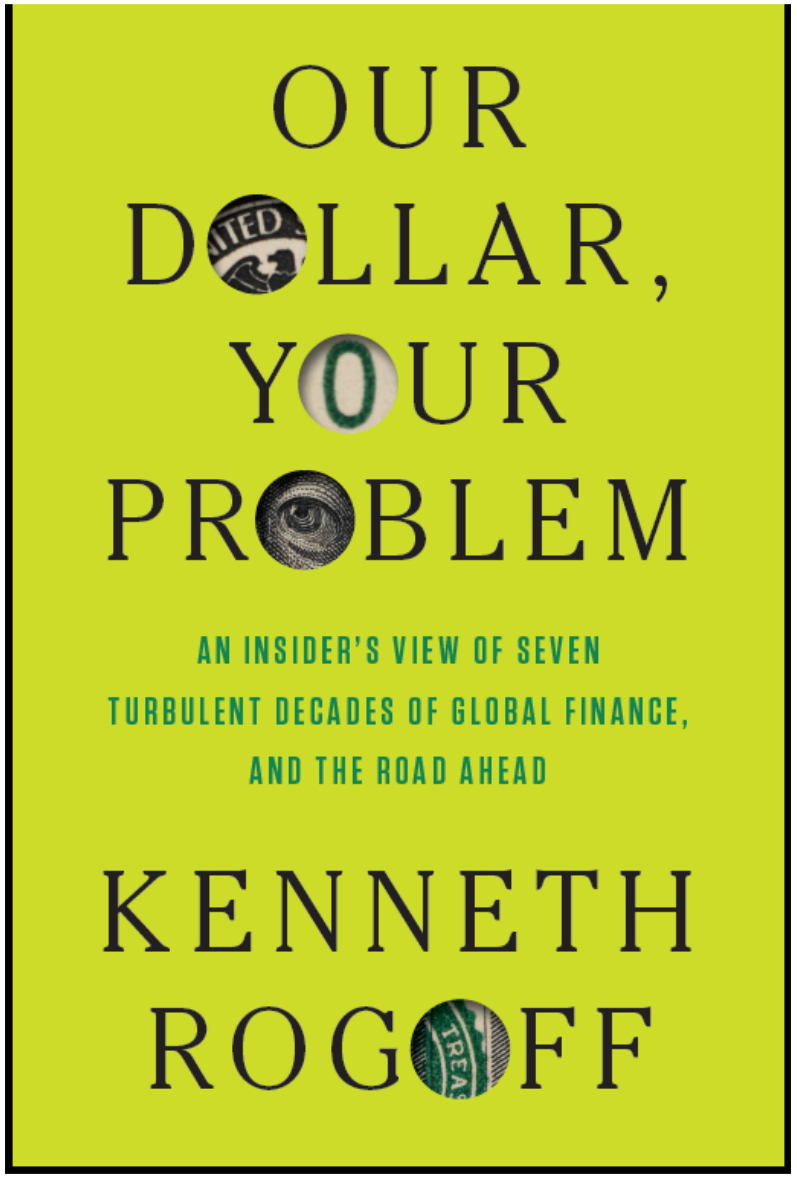
(Trillion US dollars)



Sources: NBS, Redfin and author calculations

Rogoff, and Yang, A Tale of Two Cities, *JIE*, 2024

Forthcoming Yale University Press, May 2025



Will it be allowed in China? Early reports from there express concern about "some problematic material ".