

What happens to the investment in China?

Or rather: why?

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- Once upon the time...
- ... there was Mr K. Hat ...
- ... who jumped in his Lamborghini ...
- ... and took off for China.



K



Or, is it all about the growth, after all?

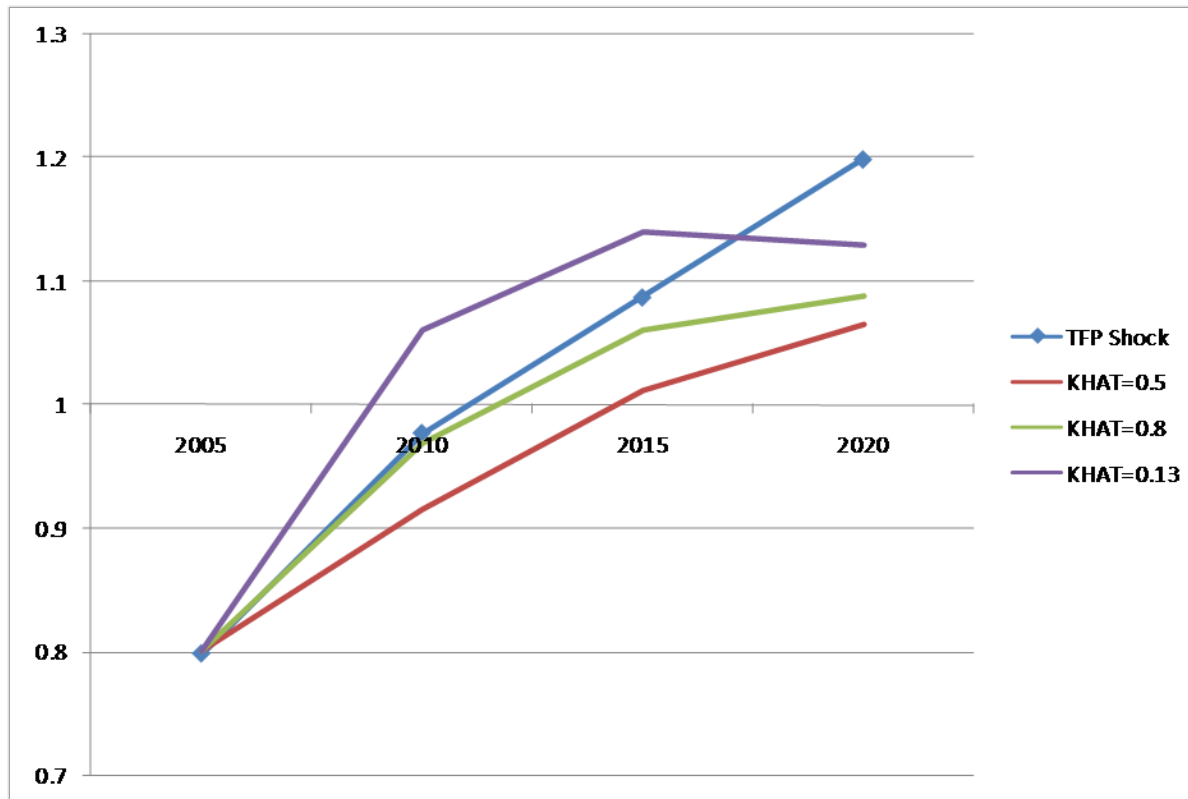
- Low GDP growth, whilst endowments increasing
 - Shock TFP in the baseline instead of GDP
(TFP growth rates from Poncet 2006)
6% - 3% per annum for China
 - Different results...

... but the investment puzzle remains.
- KHAT for China 0.13 cf. 0.05 for the next highest

Dynamics

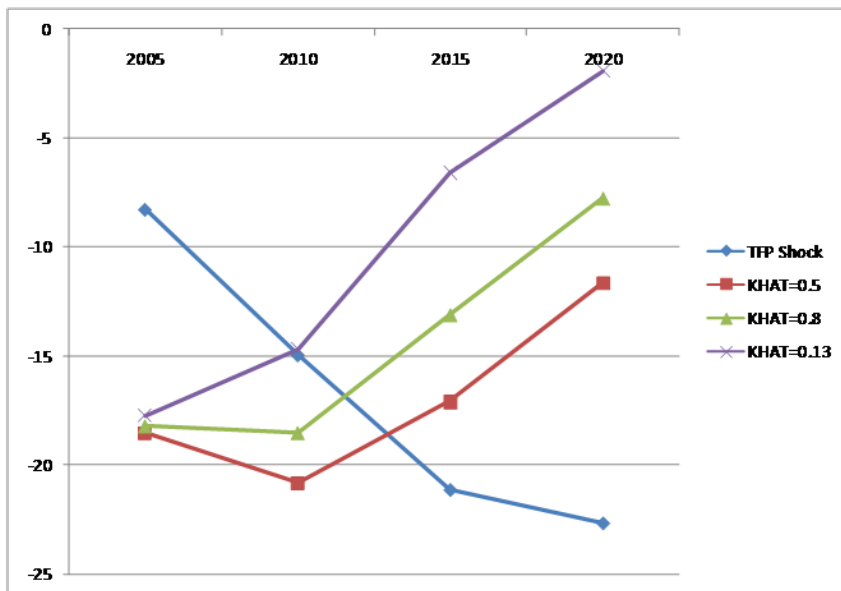
- Story remains pretty much the same, but KHAT and TFP-shock matter.
- Difference in growth rates of investment and capital enhance ERG, but change in normal rate of growth of capital limits it!

ARGLOG

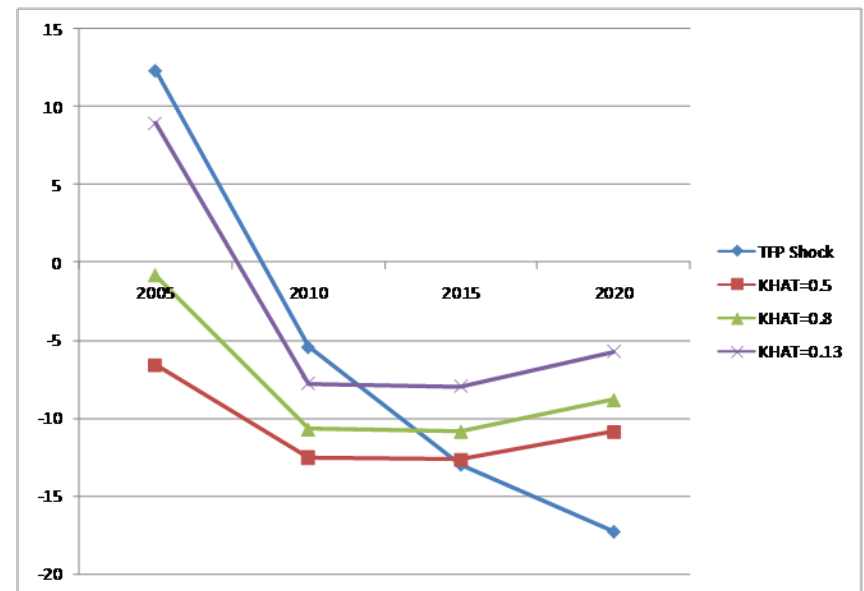


$RORGE < RORGA \rightarrow RORGE$ has to grow, but...

rorga

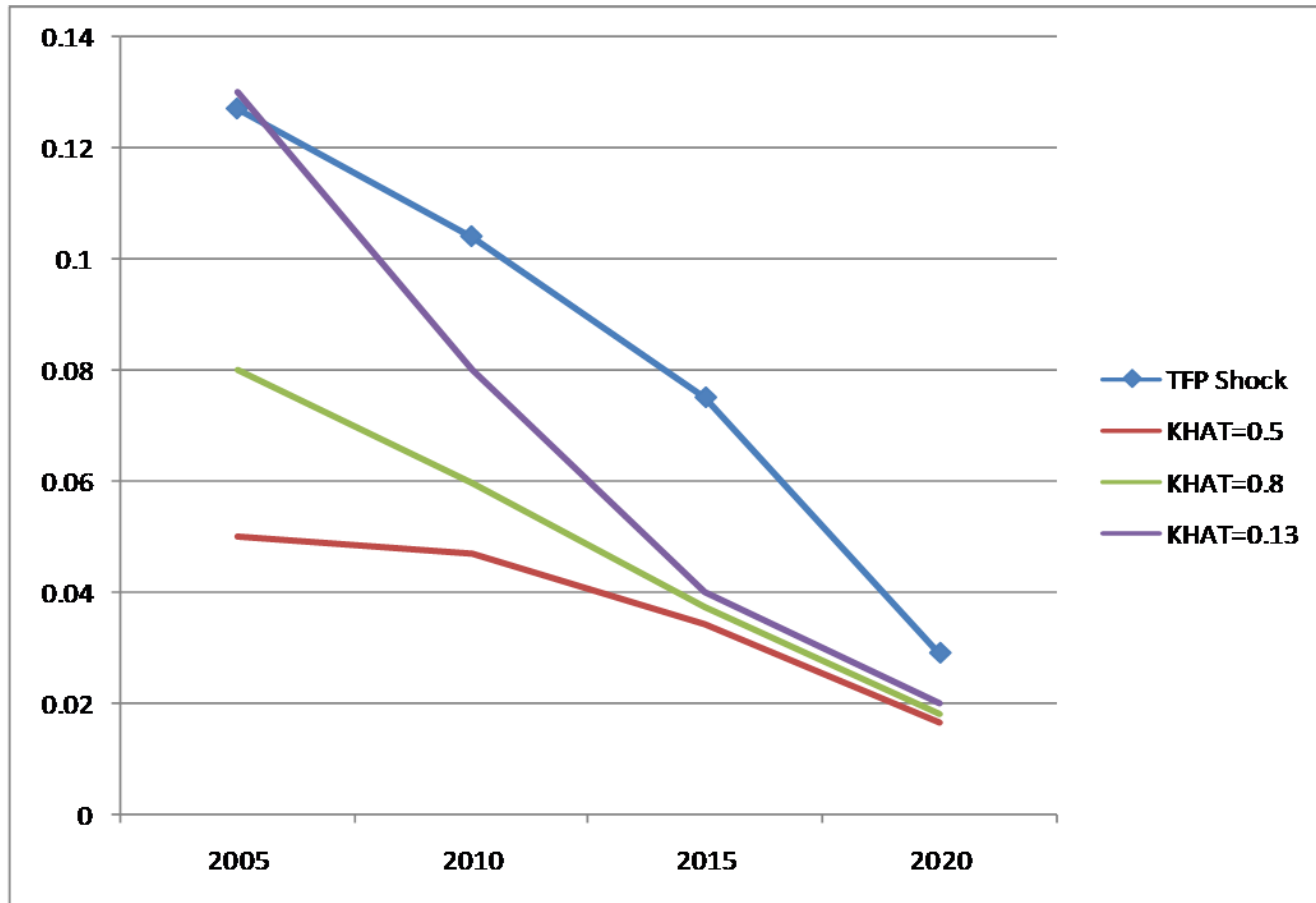


rorge



... difference in the actual and normal growth rates of capital limits the growth.

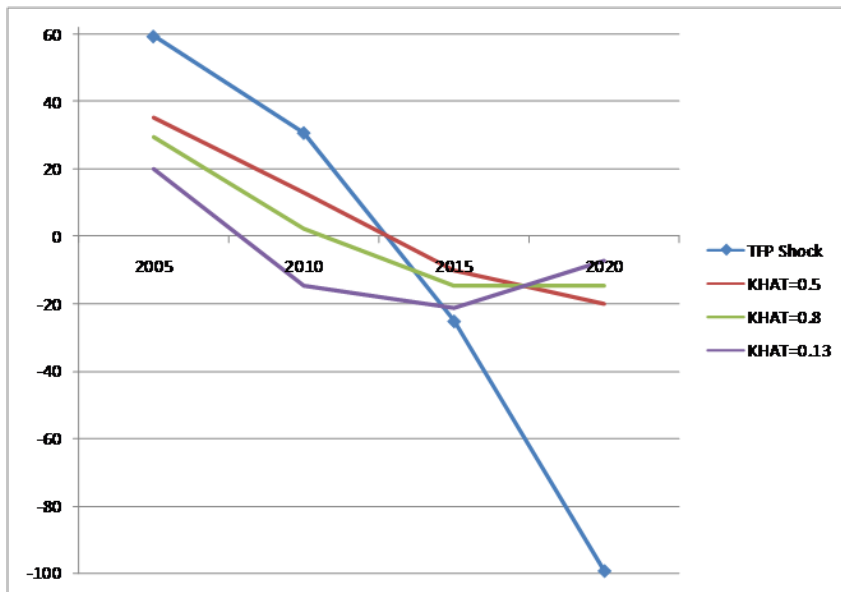
KHAT



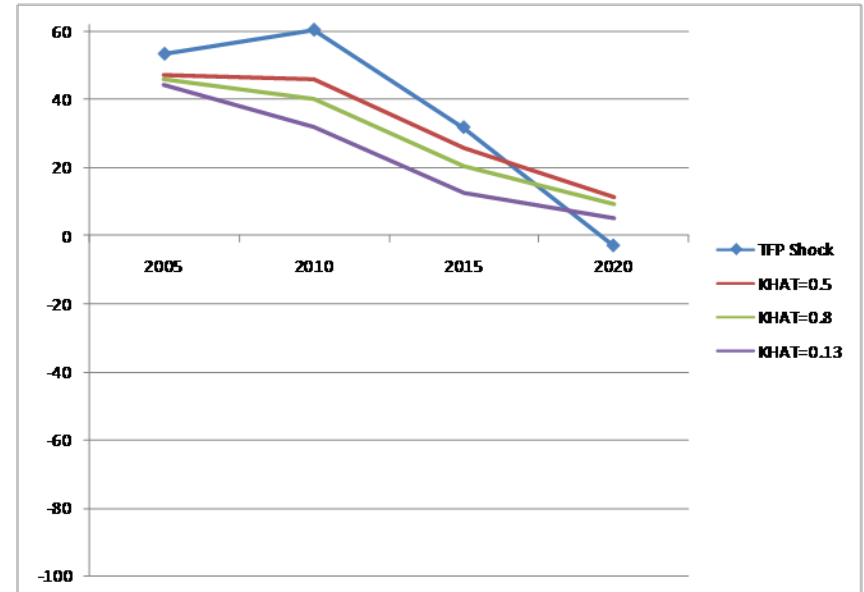
- Lower KHAT to begin with → slower fall in normal growth rate → Investment doesn't collapse
- Higher, capital-hungry growth slows down the KHAT decline

Capital & investment growth

qcgds

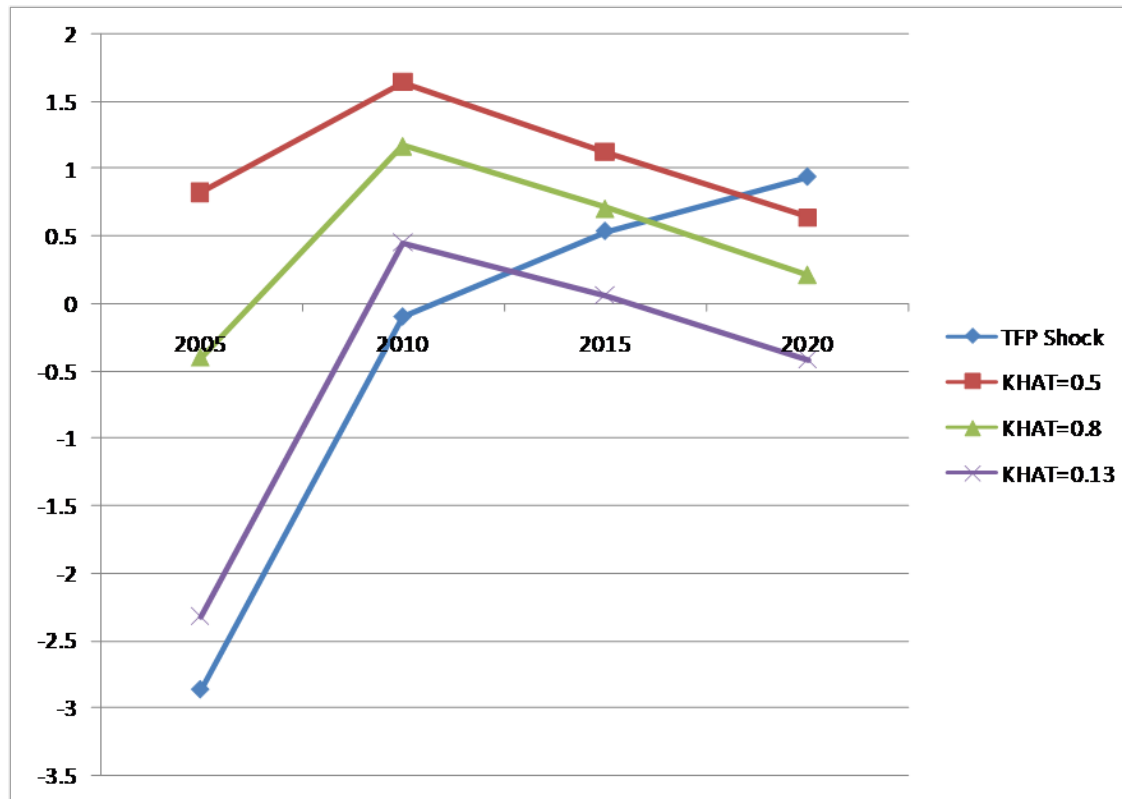


qk



Self explanatory

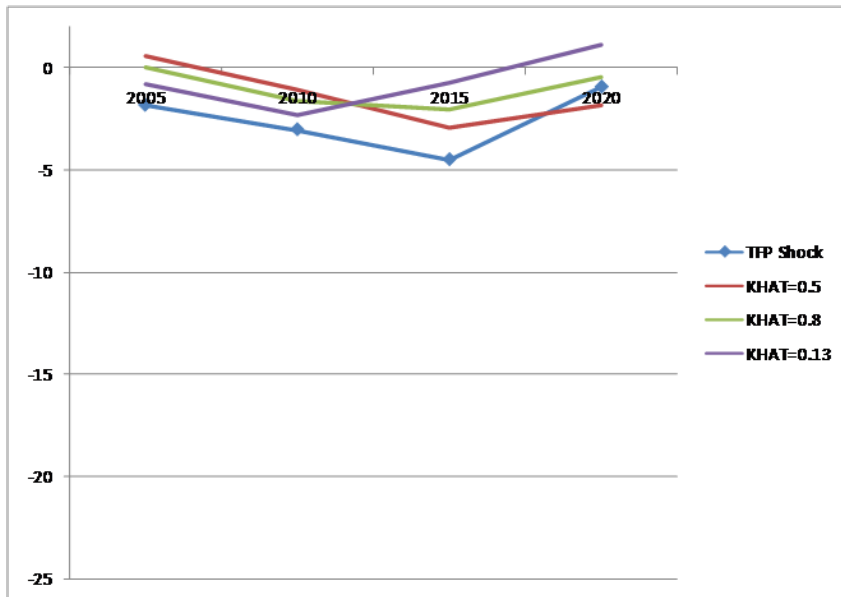
erg_rorg



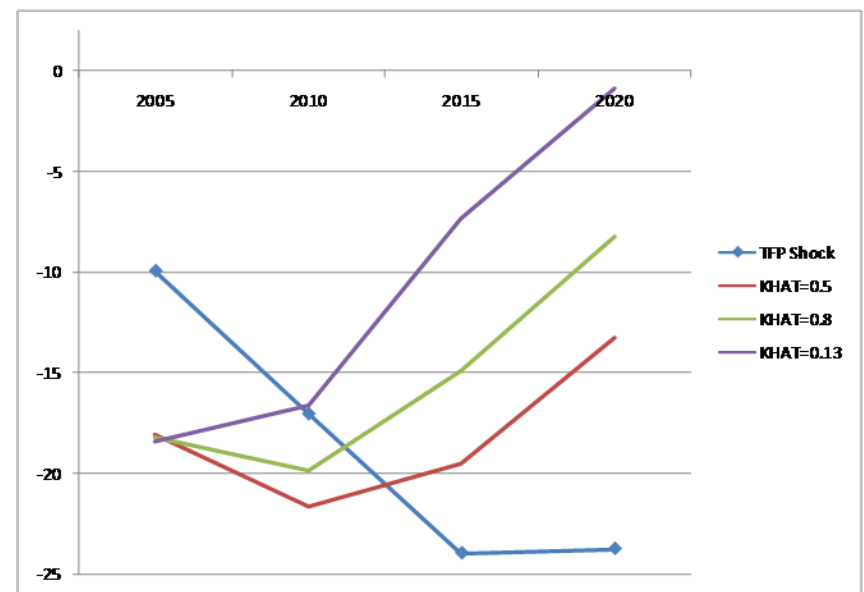
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What happens to prices and rentals?

pcgds

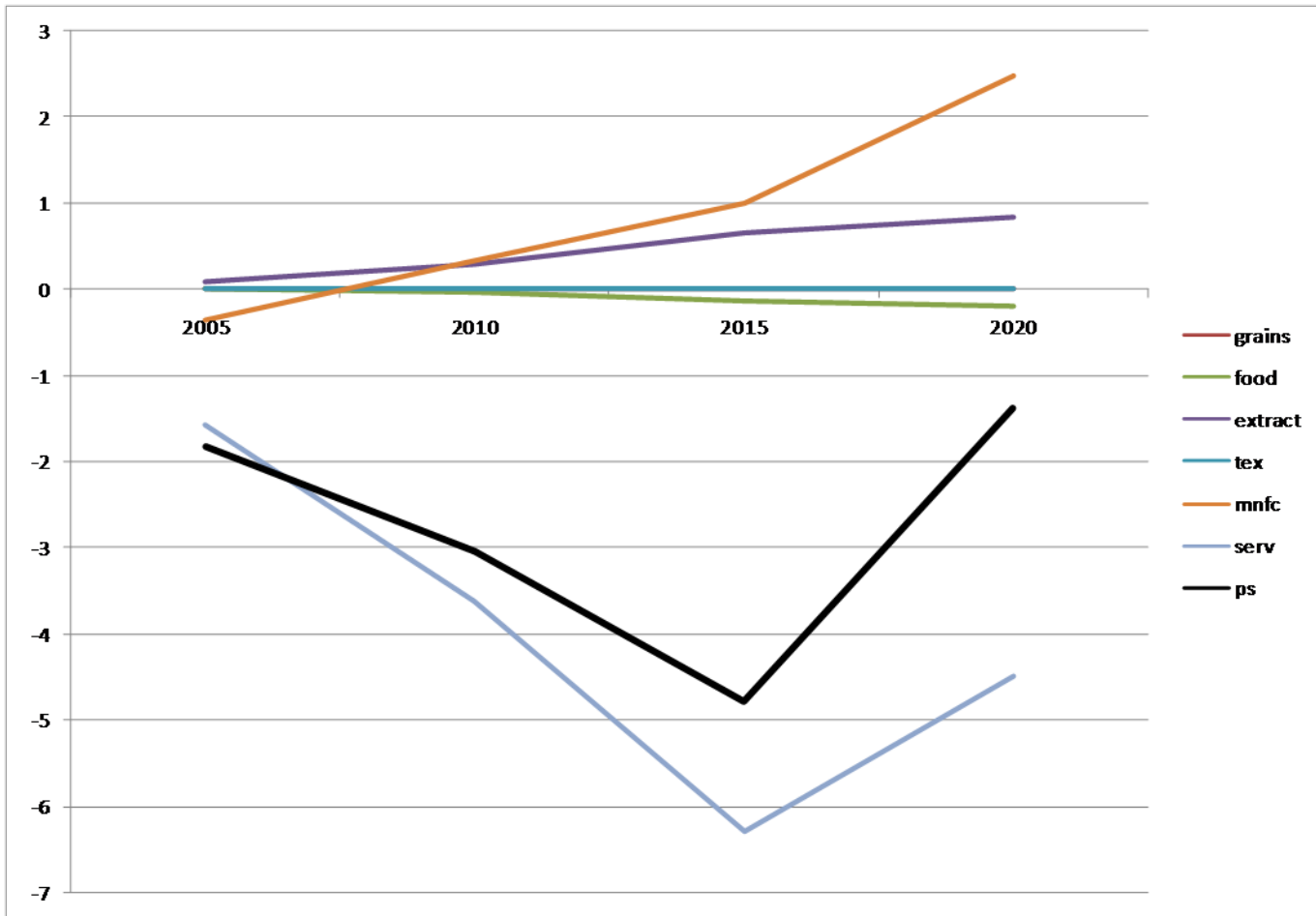


rental

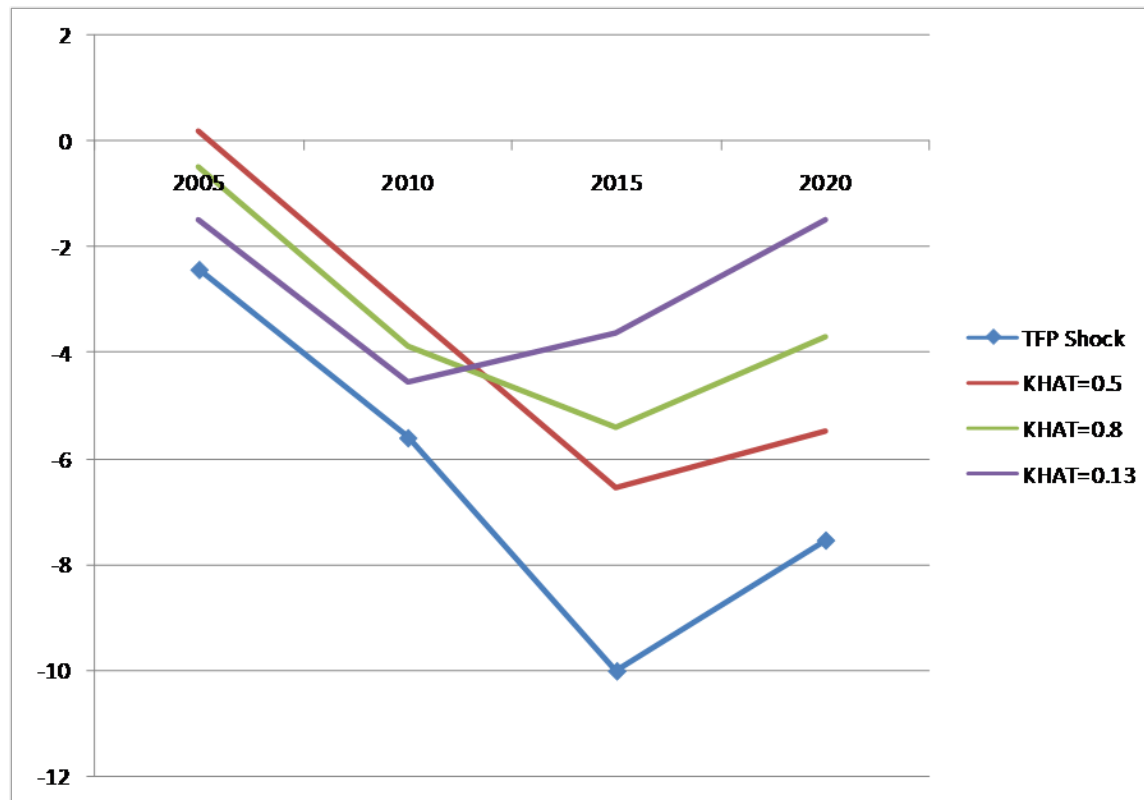


Rental declines → capital goods go cheaper, but not in high-KHAT-no-TFP case in 2020, why?

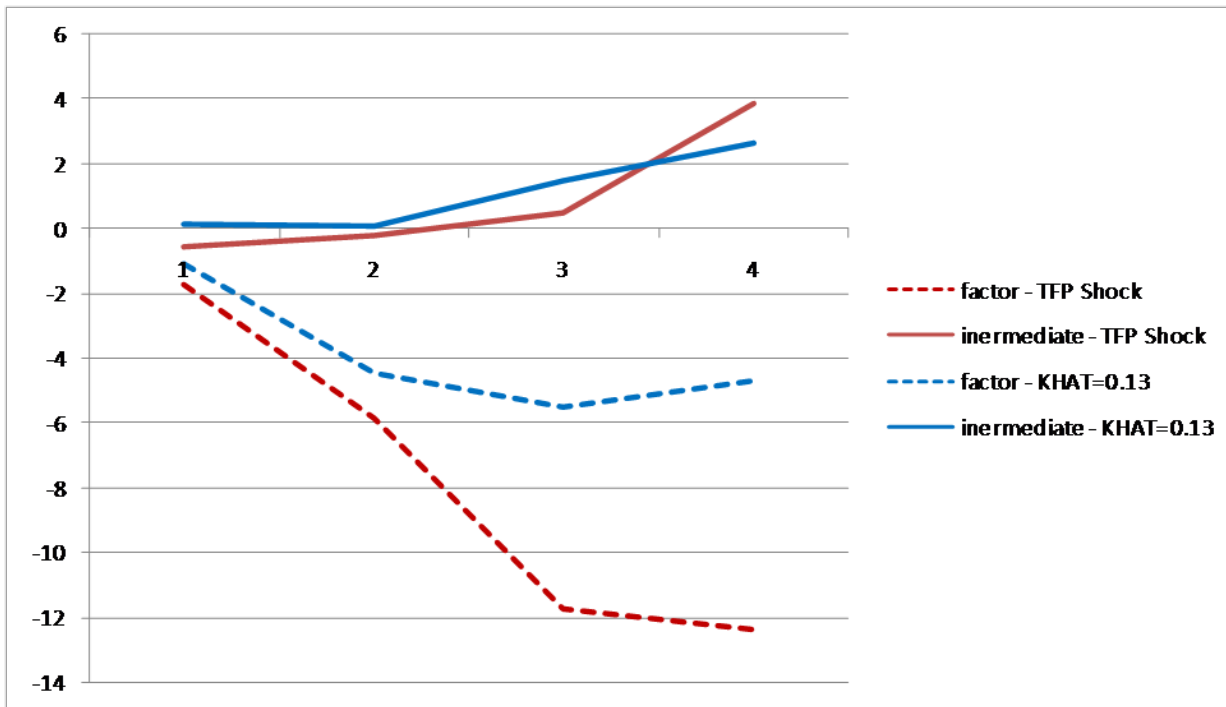
$$ps(CGDS)=STC*pf(*,CGDS,CHN_TWN)$$



pf[serv,CGDS,CHN_TWN]

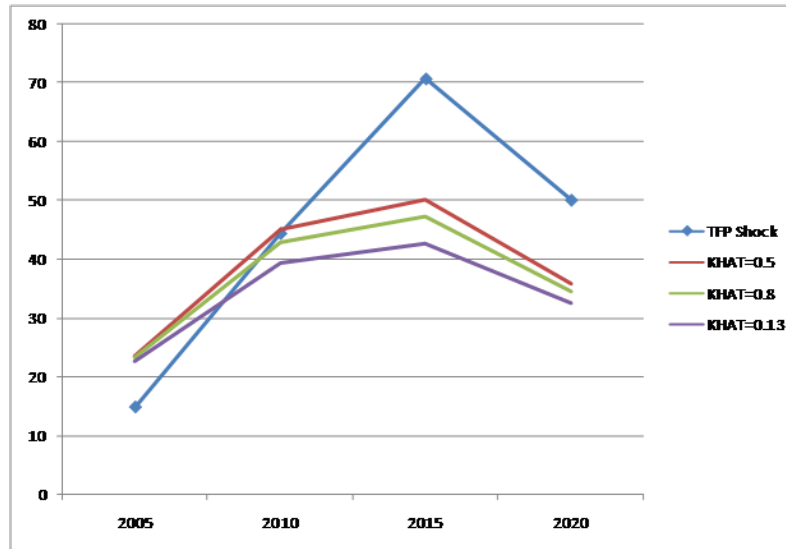


ps(serv)



Or... is it the oil?

pf[extract,CGDS,CHN_TWN]



K

