Understanding the Chinese Stimulus Package

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Shocked by the speed and depth of the economic downturn in 2008, the Chinese government responded vigorously with a very large stimulus package. The Chinese leadership has continued to modify the program, adding initiatives and layers of complexity, while sticking to the original headline numbers. The overall stimulus program can be broken down into three interrelated components: an investment plan, a set of funding mechanisms, and a series of industrial policies. Together, these initiatives make up a large, activist intervention in the Chinese economy that will shape the trajectory of Chinese development for a decade or more.

The current economic situation in China is one of unprecedented complexity. China was experiencing a domestic slowdown when it got hammered by the global financial crisis in the fourth quarter of 2008. The Chinese policy response since that time has been extraordinarily vigorous. The initial response has been followed by successive innovations and adjustments to policy, while retaining an activist stance. The economy has been tugged in opposite directions by competing forces of economic recession and government stimulus. For example, although the slowdown in the economy had been evident since at least July 2008, actual export shipments did not drop dramatically until January 2009. Thus, through February, policymakers were dealing with what seemed to be a continuously deteriorating environment.

In December 2008 the Chinese government decreed that news media should stay upbeat, to avoid panic and contribute to consumer confidence. After December, published criticism and discussion of Chinese policy ceased, and the quality of available information inevitably dropped. Expectations had been high that the Chinese government would clarify the relationship between various elements of the stimulus package at the March 2009 meeting of the National People's Congress, but the awaited clarification never really came. In this piece, I disassemble the various Chinese policy measures and put them in context. When we reassemble the pieces, we see that China has indeed embarked on a stimulus program of substantial magnitude. The overall Chinese stimulus effort can be usefully classified into three components. First is an investment plan, similar to that routinely deployed in the days of the planned economy. This part of the stimulus program is a large, unexpected *increment* to the existing investment plan. Second is a funding mechanism. While the central government itself has only funded a moderate portion of the investment plan, it has unleashed a flood of funding for increased investment, primarily through the banking system. The third component is industrial policy, a set of investment and restructuring initiatives that the government has launched partly in response to the economic crisis, and partly in pursuit of long-held objectives. Putting these three components together can give us an idea of the overall government response to crisis.

The Investment Plan

The full-fledged Chinese stimulus effort began on 5 November 2008. This was the day of a State Council meeting that decided on the 4 trillion RMB investment effort, an amount equal to 12.5 percent of 2008 GDP, but to be spent from the fourth quarter of 2008 through the end of 2010. The basic facts of this 4 trillion RMB plan are well known, since the government made a big splash with its announcement. International press reports translated the round number of 4 trillion RMB into a precise-sounding 586 billion U.S. dollars. However, the central government committed to directly fund only 1.18 trillion RMB of the investment, about 30 percent of the overall program. Moreover, the program seemed to include some projects and money that in fact had already been committed, particularly the 1 trillion RMB that was earmarked for earthquake reconstruction. Ultimately, the Chinese government had simply announced a very big, vague number, which had not been fleshed out with concrete programs and projects.

The reservations about the announced Chinese plan were correct, but ultimately irrelevant, because the real action was occurring behind the scenes. Along with the State Council meeting, there was a Party meeting, and a document was sent out from the Party Center. This document, Central Document No. 18 of 2008 (Zhongfa [2008] 18), has never been openly published, although the contents have been widely abstracted. Like most central Party documents, it was distributed through Party channels and is considered secret. This document laid out 10 policies to "further expand domestic demand and assure stable rapid growth." The document outlined a 100 billion RMB increase in investment for the fourth quarter 2008 in six designated areas (described later). In addition, the center authorized accelerated spending of earthquake reconstruction funds, including 20 billion moved forward into 2008. It was hoped that this 120 billion increment in central government funding would attract additional local funding to push the figure up to 400 billion added investment in the fourth quarter of 2008. The last of the 10 measures was an instruction to loosen monetary policy, and provide bank credit to support investment and small business.[1] The 4 trillion RMB figure was included as a rough estimate of the total scope of investment—including earthquake reconstruction—that would be required.

The 100 billion RMB the central government allocated during the fourth quarter was tiny compared to annual GDP, but was equal to about 1.5 percent of fourth quarter GDP, and was pushed into the pipeline at maximum speed. Everything about Central Document No. 18 and the way it was issued conveyed a sense of urgency. The National Development and Reform Commission (NDRC) held an emergency (*jinji*) meeting to allocate the 100 billion fourth quarter increased investment. After, on the day of the meeting, 10 November, the quarter was already almost half over. The NDRC said that for all government agencies currently "the absolutely most important economic work is to urgently implement the center's increased investment and other measures to increase domestic demand." Agencies must "make every second count" [*zhengfen duomiao*].[2] The decision to send the document down through Party channels added to the sense of urgency, communicating the sense that it was OK to overturn ordinary obstacles to spending the money. Exhortations were directed both to ministries in Beijing and to local governments, but the special Party channels were especially effective in communicating the sense of urgency to distant localities.[3]

Local governments were as eager to receive their new orders as the center was to issue them. Local governments convened meetings within days to discuss, implement, and strategize over Central Document No. 18. For example, a Shandong provincial meeting on the evening of 11 November was urged by Governor Qiang Daming to "seize the favorable opportunity created by expansionary fiscal policy and the 'appropriately loose' monetary policy."[4] The same evening, in Wugong County in Shaanxi Province, a new "County Leadership Small Group for Implementing Central Document No. 18" held its first meeting. The county head—already having attended a provincial meeting—urged his colleagues to take advantage of "an extremely rare and precious opportunity . . . we must concentrate our forces and act quickly, strengthen our links with the provincial and municipal authorities, and make sure that more keypoint investment projects come to our county. . . . Getting more project funding is our top current task."[5] Without doubt, meetings like this were being held in thousands of counties, and hundreds of cities, across China in mid-November.

The opportunity that local-level governments sought to exploit was the ability to get their favorite local projects approved by the central government, and included directly or indirectly in the national investment plan. Central Document No. 18 had initiated a structured bargaining process between the center and the localities.[6] This bargaining is very familiar to all the participants, since it approximates the process through which plans were implemented in China under the "planned" economy. The center triggered a new round of bargaining by signaling the type of projects it wanted locals to propose, laying out six areas in the initiating document. The center also gave the provinces a rough idea of the amounts they might expect, based on the province's population and its historic degree of reliance on central government investment.[7] The provinces then respond with a list of projects they propose. These lists are long and expensive, and the provinces implicitly promise to pay part of the costs. The NDRC checks the proposed projects to make sure they fit with the priorities and restrictions imposed by policy; and to see whether preparatory work has been completed and the projects are "shovel-ready." Localities have little or nothing to lose in this process, so they propose many more projects than can possibly be constructed. In fact, within a month of the initiating document, 18 provinces had proposed projects with a total budget of 25 trillion, over 80 percent of annual GDP.[8] The center whittles down the list, but doesn't try to allocate money to individual projects. Instead, based on their review of the projects, the NDRC adjust the overall amounts and approve "block grants" (*qiekuai*) to the localities. The first round of the expedited bargaining process was completed by mid-December (the first 100 billion), and the second round by late February (a second tranche of 130 billion for the first quarter of 2009).[9]

Funding the Projects

During the investment allocation process, the center actually gives the localities two different things. First is the investment quota, or the permission to include a project in the "plan," or list of approved investments; the second is money. The center distributes significant amounts of money to the localities for these investments: in fact, the bulk of the money goes to the locals. In the second tranche (first quarter of 2009), the center gave 73 percent of the total outlays to local governments (95 billion), and 27 percent to central government ministries (35 billion). In the first tranche, the absolute amounts given to localities were similar to the second tranche, so the local share of the smaller first tranche have been even higher. Most of the central government funding goes to large-scale infrastructure, made up of complex projects with longer lead times. Localities get all the money for health, education, and environment, and almost all of the money for affordable housing and rural infrastructure.[10]

Despite the significant outlays, the money the center gives is nowhere near enough to fund all the local projects that it approves. Of course, the localities know this, and they have implicitly agreed to come up with "matching funds" to complete their projects. Indeed, their bargaining position in getting projects approved is even increased if they commit to a larger share of "matching funds." But at the same time, the localities are anxious about the huge gaps in their financing. For 2008–2009, the central government expects to lay out 588 billion RMB in incremental funding for the investment plan. At the same time, it expects the local governments to put in slightly more, 600 billion. Yet local governments estimate they have on hand about 300 billion.[11]

In order to help the localities come up with the funding, the central government has approved three measures.[12]

1. Since local governments are not permitted to borrow money on their own, the central government has agreed to issue 200 billion worth of treasury bonds specifically earmarked for local government use during 2009. Back in 1988, during the Asian financial crisis, the central government issued bonds for local projects, but that was an ad hoc, off-the-books transaction. This time, the central government sponsors and issues the bonds, but the revenue and the repayment obligation are incorporated into local government budgets.[13] Interest on the bonds is tax-exempt, and localities are required to spend the money on projects in the investment plan, or projects that are direct complements to those in the plan.
2. A special program of extra-long-term, concessionary interest rate bank loans has been authorized to provide paid-in capital for investment projects. China requires that a minimum of 20 to 35 percent of the funding for investment projects be provided by equity-like paid-in capital (to restrain excess leverage), but it will now allow the special long-term loans to qualify as paid-in capital. Moreover, it may reduce the required capital ratio in certain circumstances.[14] No specific figures have yet become available on the scale of such lending.
3. Issuance of corporate debt, under the sponsorship of local governments, will be allowed to grow. Corporate bond markets are the most underdeveloped part of the Chinese financial system, as past experiments with bond issuance have repeatedly failed or been curtailed by regulators. Now regulators are once again expanding the experiments. In the last quarter of 2008 and first two months of 2009, 130 billion yuan of corporate bonds were issued; and 25 billion of medium-term notes were

issued in March 2009 in authorized experiments in Beijing, Shanghai, and Guangdong. Many of these issuing corporations are in fact platforms for local government fund-raising (*rongzi pingtai*), and some of these funds will also be qualified as paid-in capital.[15]

The measures have in common the need to provide financial resources directly to local governments so that they can carry through on their ambitious investment plans. The investments are primarily in infrastructure and public goods; the income-earning potential of the projects is limited. Understandably, China's increasingly commercially oriented banks would not be enthusiastic about taking on these projects on their own. These measures allow the projects to go forward, with the local governments taking responsibility for long-run repayment. At the same time, by funding local governments, these measures make them more solvent, and give them the opportunity to increase their leverage, turning to the commercial banking system for credit.

Exploding Bank Credit

Bank credit has grown at an explosive pace since the announcement of central government stimulus efforts. This is because of the confluence of explicit policies that are designed to ease provision of credit, mixed with the urgency and politicization of the stimulus itself. These two things together send a very powerful signal to banks that they are expected to rapidly ramp up lending. It also suggests that bank loan officials will not be held accountable for loans they make, so long as they are in support of the investment plan. Here's a sample of the rhetoric from the Guangxi governor: "Government and budgetary authorities of every city and county should strengthen their links with their local banks, build stronger government credit platforms, realize the budget's ability to provide seed capital, and fully bring into play the base level banks' enthusiasm for disbursing loan funds."[16] Technically, Governor Ma Biao is only talking about loan funds designated for government-approved investment programs, but it is easy to see the high degree of politicization and the strong encouragement being given to banks to lend.

It is not surprising, then, to find that bank lending has grown explosively. In the first quarter of 2009, total RMB bank loans outstanding increased by a whopping 4.6 trillion RMB.[17] In other words, the increase in bank credit during three months in 2009 was more than the total stimulus package over more than two years (that is, 4 trillion over the 27 months from October 2008 through December 2010). To be sure, some of the credit growth is attributable to the normal needs of a growing economy for more credit. But over the last decade, credit has grown at about the same pace as nominal GDP, and first quarter credit growth has been fairly stable, averaging 5.3 percent of year-end GDP between 2002 and 2008. This year, the credit growth was 15.3 percent of GDP, about three times as fast. By coincidence, that means that the excess of credit growth above "average" first quarter growth is exactly 10 percent of GDP. In fact, this is a very conservative estimate of the degree of stimulus being provided by credit policy. The demand for the "normal" credit growth observed in an average year is influenced by the rate of economic growth and the rate of inflation. In the normal years, the economy grew much faster (10.5 percent compared to 6.2 percent in the first quarter of 2009), and inflation was higher (2.5 percent compared to -0.6 percent in 2009). The slowing of growth and elimination of inflation in 2009 both mean that “normal” demand for credit would be less than in an average year, and the amount of credit creation deemed above normal, or “excess,” would therefore be even more than 10 percent of GDP. This is a huge amount of credit to be injected into an economy in a short time.

For comparison, in the United States, the Federal Reserve Board has also dramatically increased its lending, holding US $1.2 trillion more in assets on its balance sheet in mid-April 2009 than a year ago, an amount equal to over 8 percent of 2008 GDP of $14.5 trillion. But this is an attempt to offset a collapse in credit extended in other parts of the economy, and the Fed “credit” consists largely in buying assets that might be sold off relatively easily if the economy recovers.[18] By contrast, the Chinese banking system is not “broken,” and there is no contraction in credit to be offset. All of the lending represents potential new purchasing power.

Where does the new Chinese bank lending go? Not to household consumption: increased loans to households (including farms) were only 9 percent of the incremental lending, with nonfinancial businesses getting over 90 percent of the total. Of total lending, 37 percent was long-term lending to businesses, and 32 percent was bill discounting, a relatively new practice for Chinese bankers, and one that has increased rapidly. Both of these last two channels provide funds to support new investment. Overall, then, bank lending for investment in the first quarter was much larger than central government funding of investment, which was 130 billion RMB, or 0.4 percent of annual GDP, in the first quarter.

Composition of Investment

Total Chinese stimulus is thus much more than the 4 trillion RMB stimulus package introduced in November 2008. Nevertheless, the 4 trillion RMB package has remained a staple of Chinese economic propaganda since it was announced, with the continuing references apparently designed to portray policy as consistent and sure-footed. In fact, after the December 2008 Economic Work Conference, open discussion of the actual stimulus package was severely curtailed because there had been lively criticism. The criticism was curtailed in the name of public sentiment. China’s leaders were very concerned in the late fall of 2008 that economic slow-down would turn into a broader recession, fueled by a panicky reaction. As a result, China’s media have been required to put a brave and confident face front and center, and avoid frontal criticism of government policy. That has sometimes made the economic picture unnecessarily murky, as the absence of open debate and discussion has prevented publication of some details of policy. Nevertheless, wide-ranging debates have continued, behind closed doors, over the nature and composition of the stimulus package. The most fundamental criticism is that the stimulus package relies on pumping up government investment when the long-run need in the economy is precisely the opposite: to expand household income and consumption and shift the growth path of the economy to a more consumption-friendly trajectory.

The government has responded to criticism of the stimulus package, with a strong emphasis on the oversight being exercised over the spending. NDRC head Zhang Ping stressed that none of the investment was going to ordinary industrial sectors.[19] Most significantly, the composition of the investment has been adjusted in an attempt to direct it more toward things that will bolster consumption. The changing composition of the investment program can be seen most clearly if we set to one side the 1 trillion in earthquake reconstruction spending. In truth, the earthquake spending is not managed through the same channels as the other investment, and information about it is scarce. It seems that the earthquake spending was simply lumped in with the other spending when it was first announced—in order to create an even more impressive headline number—and policymakers have been stuck with it ever since. In fact, all the discussions of actual planning and budgeting discussions refer to six areas, not seven, and earthquake spending is never included.

Once earthquake reconstruction spending is stripped out, we can create a simple table that shows the allocation of the (adjusted) 3 trillion RMB stimulus program from the initial announcement, through its revisions at the National People's Congress in early March, and the first two tranches of fund disbursement.[20]

Table 1
Stimulus Package Investment Plan: Composition

	Initial plan (3 trillion) Nov. 2008	*Revised plan (3 trillion) March 2009*	*First tranche (100 billion) Dec. 2008*	*Second tranche (130 billion) Feb. 2009*
Transport & power infrastructure (railroad, road, airport, electricity grid)	60%	50%	25%	21%
Rural village infrastructure	12%	12%	34%	24%
Environmental investment; natural areas	12%	7%	12%	8%
Affordable housing	9%	13%	10%	22%
Technological innovation & structural adjustment	5%	12%	6%	12%
Health & education	1%	5%	13%	13%

Notice that the disbursement is now right on schedule. If the 1.18 trillion were divided into 9 quarterly payments, each tranche would be 130 billion, which is exactly what was disbursed in the first quarter of 2009. (Again, this does not include earthquake reconstruction.) The composition of the stimulus investment has been shifted away from infrastructure investment and toward other investments that have a more immediate impact on people's livelihoods. If we look at the investment in the second tranche, the biggest beneficiaries of this shift have been rural infrastructure, affordable housing, and, especially, health and education. Put together, those three uses accounted for 59 percent of spending in the second tranche, which is far higher than the share of spending envisaged for them in the initial plan (25 percent). It is true that some portion of this shift is due to technical reasons: Large, complex infrastructure projects require long lead times for design and coordination, while simpler investments in housing, clinics, and rural roads can be disbursed more quickly. But on the other side, this is central government money that is being disbursed, predominantly to local governments who will more than match it with their own funds. In these three sectors, 88 percent of the central government funding goes to local government projects. By contrast, 72 percent of transport and power infrastructure projects are central government projects, which will be mostly funded by central government outlays.[21] In the final accounting, then, the total outlays (including central and local) for housing, health, education, and rural infrastructure might be an even larger share of the total.

The other component of the investment plan that has increased rapidly is so-called "technological innovation and structural adjustment." The increasing share of this component reflects the increasing awareness among Chinese leaders that massive stimulus spending was also an opportunity to push specific industrial and social policy goals. As a result, the pace of policymaking has *accelerated*, as the funds available for new initiatives have grown with the stimulus package. One obvious area where this is true is health policy. Policymakers began to solicit input for a major overhaul of the health insurance, health delivery, and preventive health care systems in 2005. Competing proposals were solicited and vetted in a protracted discussion process. Suddenly, in late 2008, a decision was made to move forward with a new system that was more dominated by direct government provision of health services than many had anticipated. After some significant discussion and revision, this program was finally promulgated on 7 April 2009. Among many other measures, this plan calls for the central government to support the construction of 2,000 county hospitals, and construction or expansion of 5,000 township-level clinical centers.[22] This decision is inextricably interwoven with the stimulus package response to the crisis. The government is willing to rapidly expand construction of hospitals and clinics because it is looking for ways to allocate stimulus investment funds in ways that improve living standards. At the same time, the government is willing to expand its outlays for health insurance and ongoing care because concerns about short-run deficits have evaporated as the need for fiscal stimulus has become more pressing. The economic crisis has opened a window in which a more aggressive fiscal approach to social policy has become possible.

Industrial Policy

While the investment plan goes primarily to infrastructure, there is also a large component of the stimulus program through which resources flow into industry. The component labeled technological innovation and structural adjustment was substantially increased during the revision process, jumping from 5 percent to 12 percent of total investment. In essence, these expenditures are designed to foster investment in applied industrial research and in industrial restructuring. As the crisis impact on China's industry deepened, China's policymakers realized two inescapable facts. First, they were being compelled, willy-nilly, to inject money into struggling firms clobbered by the economic crisis. This was done on an ad hoc basis by the beginning of 2009. Second, the achievement of some technological upgrading goals was being threatened by the crisis, as slowdown in global growth of certain key sectors (such as flat-panel displays) meant that the opportunities for China to grab a piece of a growing industry were declining.

The response has been for the State Council to order the NDRC to develop a series of 10 sectoral industrial policies, each of them identically labeled a "long-range plan for adjustment and rejuvenation" [*tiaozheng he zhenxing guihua*]. Each is designed to cover a three-year period, from 2009 through 2011. Between 15 January 2009 and 25 February 2009, initial drafts of all 10 of these sectoral industrial policies were announced and submitted to the NDRC.[23] The first policies to be submitted—autos and steel—were quickly converted into final versions and adopted by the State Council. Other sectors followed more slowly, either because intractable problems were not conducive to easy strategic proclamations—shipbuilding and industrial machinery—or because measures were modest given the dispersed character of the industry (textiles and light industry). The electronics and information technology industry draft was sent back for editing, and the revised version finally emerged on 15 April 2009.[24]

A full discussion of these industrial policy documents is beyond the scope of this short piece, but they clearly envisage an increased injection of government resources into many of these sectors. The electronics plan envisages an investment of 600 billion RMB in the build-out and integration of the "three networks": next-generation Internet, third-generation wireless, and digital television. While most of this investment will come from government-run corporations and not from the government itself, there is clearly expected to be an increased flow of public resources into these sectors. The automobile policy also outlined an increase in public funds to subsidize automobile purchases in the countryside (5 billion RMB) and encourage scrapping of old underpowered vehicles (1 billion RMB).[25] This program to subsidize automobile sales in the countryside was rolled out in March 2009, following on the heels of an earlier tax reduction for light vehicles. Through the end of 2009, the Chinese government will rebate 10 percent of the price of light trucks and vans sold to rural residents, up to a maximum subsidy of 5,000 RMB. At the same time, households that junk their slow-moving vehicle receive payments up to 3,000 RMB (2,000 for a 3-wheeler).[26]

The auto sales subsidy program was developed in tandem with a much larger program to subsidize household electric and electronic devices (*jiadian xiaxiang*), which was pioneered by a few provinces and adopted nationwide on 1 February 2009. The policy provides a 13 percent rebate for up to two items per household, taken from a list that includes maximum prices, and ranges from 600 RMB for induction heating plates, through 1,000 RMB for cell phones and microwave ovens, up to 4,000 RMB for a floor air conditioner or solar-powered water heater. However, the most desirable items are likely to be the color televisions and computers, each of which are capped at 3,500 RMB. The 13 percent rebate is supposed to be wired directly to the household's bank account within 12 days. The policy is to be in effect for four years—until the end of January 2013, but ending earlier for provinces that started earlier. The central government pays 80 percent of the cost, and the province the remaining 20 percent.[27] China has about 220 million rural households, each of which is eligible for two items. Only the most fortunate would be able to quickly buy a computer and a color TV for 7,000 RMB, since the average rural household earned just under 16,000 RMB in 2008. But over a three- or four-year time horizon, it is reasonable to expect the average rural household to spend

5,000 RMB on two items that qualify. The Chinese government is committing itself to pay 13 percent of these purchases, which would add up to about 140 billion in subsidies, with the central government on the hook for about 115 billion of this. The government is willing to take on this relatively large expenditure because it delivers a double benefit: increased rural consumption and assistance for struggling factories.

Conclusion

These aggressive programs of stimulus, structural adjustment, and social policy have launched China on a new phase of economic growth. Clearly, the direct state role in the economy will increase, and the government will play an active role in shaping the economic and social trajectory that emerges. The extraordinary urgency with which China has promulgated stimulus measures and allocated resources has already begun to have some effect on the economy. While it is far too early to declare a recovery, there are signs that the economy began to stabilize in February, and may even have resumed moderate growth.

It is unclear how these policies will ultimately affect China's fiscal balances, the traditional measure of macroeconomic stimulus. According to the budget report given at the National People's Congress, China expects its budget deficit to increase from an insignificant 0.1 percent of GDP in 2008 to a deficit of 2.9 percent of GDP in 2009. By this standard, it would be appropriate to expect an overall fiscal stimulus of 3 percent of GDP, to go along with the 10 percent of GDP credit stimulus. This total, 13 percent of GDP, is quite large, and will almost certainly make China's stimulus package the second largest in the world in absolute terms, after the United States, and one of the largest in relative terms as well. But it would be premature to expect that this will be the final outcome. The 2009 budget report seems to be based on unrealistic assumptions, projecting that revenues will increase by 8 percent (the hoped-for rate of GDP growth), while expenditures will increase by 23.5 percent. Revenues are unlikely to increase by that amount, unless funds from bank loans find their way into state firm profits and tax payments. At the same time, new policies clearly envision increases in government outlays, especially for social and industrial policies, that were not fully incorporated into the budget. So we should expect the real fiscal deficit to be significantly higher than 3 percent of GDP.

At the same time, credit cannot possibly grow as rapidly in the rest of the year as it did in the first quarter. There would not be enough outlets for the money, and it would feed directly into asset prices and consumer price inflation. Indeed, the central bank has already resumed selling some kinds of notes in order to sop up some of the excess liquidity. But there is no evidence that any significant backtracking from the aggressive stimulus policy is being seriously considered. On 12 April 2009, the People's Bank of China Monetary Policy Committee—nominally in charge of running China's money and credit policy—met and declared that policy going forward should thoroughly implement the Party Center and State Council's policy directives and "carry out the appropriately loose monetary policy, and maintain policy consistency and stability."[28] Three days later, a meeting of the full State Council reaffirmed policy. "Things are somewhat better than anticipated," the State Council press release declared, "showing the complete correctness of the Center's policies and directives regarding economic work." Still, the statement continues, it would be wrong to be "blindly optimistic," and better to "over-estimate the magnitude and duration of the difficulties."[29] It seems that, if anything, additional stimulus measures were being contemplated, including further increments to budgetary investment, and improvements in the social security system. Every indication is that China will continue to aggressively spend and try to grow its way out of the current economic crisis.

Notes

[1] Liu Zebang, "*Guanyu zhonggong zhongyang 18 hao wenjian*" [On the Party Center's document no. 18], 26 November 2008, at http://liuzebang.2000.blog.163.com/blog/static/42248892008102644556842/.

[2] National Development and Reform Commission, "*Mingque renwu zhua luoshi, kuoda neixu cucengzheng*" [Clarify responsibility and grasp implementation; expand domestic demand and foster growth], 10 November 2008, at http://www.ndrc.gov.cn/xwfb/t20081110_245192.htm.

[3] For a sense of the quick response of central government ministries, see Xinlang Finance, "*4 Wanyi ladong neixu; geguwei chutai xiangguan peitao cuoshi*" [4 trillion expands local demand; each ministry and commission is rolling out complementary measures] 13 November 2009, accessed at http://finance.sina.com.cn/china/hgjj/20081113/09225501953.shtml.

[4] "*Qiang Daming: Jiakuai tuijin shiguan Shandong changyuan fazhan de xiangmu jianshe*" [Qiang Daming: Speed up the construction of projects that affect Shandong's long-term development], Dazhong Daily, 12 November 12, accessed at http://www.gov.cn/gzdt/2008-11/12/content_1146573.htm.

[5] Yi Ming, "*Woxian zhaokai guanqie luoshi zhongyang 18 hao wenjian jingshen gongzuo huiyi*" [Our county convenes a work conference on implementing the spirit of Central Document No. 18], posted 13 November 2008 at http://www.snwugong.gov.cn/Html/xwzx/zwyw/20081113112400.html.

[6] Based primarily on Xiao Liang, "*1300 yi zhongyang touzi jihua kaishi bushu 950 yi jiang peigei difang*" [130 billion central investment plan has begun to be allocated; 95 billion will be allocated to localities], *21 Shiji Jingi Baodao*, 3 February 2009, accessed at http://finance.sina.com.cn/roll/20090203/013058 07294.shtml

[7] Per capita GDP and fiscal revenue are also indicators. Provinces get preference for being northern, being province-level municipalities, and having minority populations.

[8] Huo Kan, Wang Changyong and Wang Jing, "Can Stimulus Light China's Consumer Fire?" *Caijing*, 6 March 2009, at http://english.caijing.com.cn/2009-03-06/110114349.html.

[9] NDRC, "*Jinnian xinceng 1000 yiyuan zhongyang touzijihua yi quanbu xiada*" [This year's 100 billion increase in the central investment plan has been fully allocated], 18 December 2008, accessed at http://www.ndrc.gov.cn/xwzx/xwtt/t20081218_252365.htm; Xiao Liang, *op. cit.*

[10] Xiao Liang, *op. cit.*

[11] "How large is the stimulus really?" *Caijing*, 10 March 2009; Xiong Jianjiang, "*Wang Zhihao baoliao 8 Wanyi; Weilai liangnian ceji jingji 'buchaqian'?*" [Wang Zhihao shockingly estimates 8 trillion; Will there really not be a financial shortfall in economic stimulation in the next 2 years?], *Diyi Caijing Ribao*, 2 March 2009, accessed at http://www.china-cbn.com/s/n/000002/20090302/000000108425.shtml.

[12] Zhang Ping, Head of NDRC, Press Conference at the Second Session of the 11th National People's Congress, 6 March 2009, accessed at http://www.ndrc.gov.cn/xwfb/t20090306_264932.htm.

[13] Han Jie, Zhang Xudong, and Ji Ming, "*Difang zhengfu qiujie rongzinan; 2000 yiyuan 'difangzhai' fuchu shuimian*" [Local government looks for a way to resolve fund-raising difficulties; 200 billion 'local debt' appears], 9 April 2009, accessed at http://www.huanghenews.com.cn/content/2009-04/09/content_ 66097.htm.

[14] Zhang Guangming, "*Siwanyiyuan touzi mianlin nanti; Cuokaihang ruandaikuan youwang chongchu jianghu*" [4 Trillion Investment faces difficulties; Soft loans from China Development Bank may reappear], *Zhengquan Shibao,* 19 March 2009, accessed at http://finance.ce.cn/bank/scroll/200903/19/t20090319_ 14352894.shtml.

[15] Ibid.; Zhang Ping, *op. cit.*
[16]"*Ma Biao: Qianfang baiji jiakuai 2000 yiyuan xinceng daikuan toufang jindu*" [Ma Biao: Speed up the degree of disbursement of the 200 billion in new loans through every means possible], *Guangxi Ribao*, 1 March 2009, accessed at http://www.gov.cn/gzdt/2009-03/01/content_1246940.htm.
[17] Credit data are at http://www.pbc.gov.cn. The data for March 2009 are given at http://www.pbc.gov.cn/detail.asp?col=100&ID=3174.
[18] Federal Reserve Board data at http://www.federalreserve.gov/releases/h41/Current/.
[19] Wang Changyong, "Facelift for China's Economic Stimulus Plan," *Caijing*, 6 March 2009, accessed at http://english.caijing.com.cn/2009-03-06/110114405.html.
[20] Wang Changyong, *op. cit.*; Xiao Liang, *op. cit.*; NDRC, "*Jinnian xinceng 1000 yiyuan zhongyang touzijihua yi quanbu xiada*" [This year's 100 billion increase in the central investment plan has been fully allocated], 18 December 2008, accessed at http://www.ndrc.gov.cn/xwzx/xwtt/t20081218_252365.htm.
[21]Environmental investment, whose share has eroded through the revisions, is also dominated by local projects, which received 100 percent of the funds allocated in the second tranche. At this stage, the funding is going primarily to water treatment facilities.
[22] "Press Conference on the Health Care Reform by Responsible Officials of the NDRC, Ministry of Health, Ministry of Finance and Ministry of Labor and Social Security," 8 April 2009, accessed at http://www.ndrc.gov.cn/xwfb/t20090408_271261.htm; Wang Shiling, "*Yigaizhong de zhihuimen*" [Think tanks in the process of health care reform], *21 Shiji Jingji Baodo*, 11 April 2009, accessed at http://www.21cbh.com/HTML/2009-4-10/HTML_T1A9VDXJER2H.html.
[23]Zhang Jie, "*Shida chanye zhenxing jihua chuqi; erjidu dailai de chongjing*" [Ten sectoral rejuventation plans all appear; looking forward to the second quarter], *21 Shiji Jingji Baodao*, 28 February 2009, accessed at http://finance.qq.com/a/20090228/000017.htm; Xinhua Agency, "*Fagaiwei: Fangdichan shi zhizhu chanye; bufen cuoshi yixian xiaoguo*" [NDRC: Real estate is a pillar industry; but some of the measures taken are already having an effect], 27 February 2009, accessed at http://finance.qq.com/a/2009 0227/002659.htm.
[24]State Council Office, "*Dianzi xinxi chanye tiaozheng he zhenxing guihua*" [Long-range plan for electronics and information sector adjustment and rejuvenation], 15 April 2009. Accessed at http://www.gov.cn/zwgk/2009-04/15/content_1282430.htm . The other sectors were petrochemicals, non-ferrous metals, and (last but not least) logistics.
[25]Xinhua News Agency, "*Qiche chanye tiaozeng he zhenxingguihua xize gongbu*" [Detailed implementation for the automobile sector adjustment and rejuvenation long-range plan has been published], 20 March 2009, accessed at http://finance.qq.com/a/20090320/003881.htm.
[26]Xinhua News Agency, "*Shishi fang'an xize*" [Detailed rules of policy implementation], 16 March 2009, accessed at http://news.xinhuanet.com/auto/2009-03/16/content_11017698.htm; Niu Hongjun, "*Qiche xiaxiang youwang qiaodong baiwanliang cengliang xiaofei*" [Auto rustication may pry open another million new vehicle purchases]," *Zhongguo Zhengzhuanbao*, 16 March 2009, accessed at http://news.xinhuanet.com/auto/2009-03/16/content_11017229.htm. Motorcycles get a 13 percent rebate and the program continues for four years.
[27] Except for the five Autonomous Regions and the earthquake impacted area, for which the center pays 100 percent. Ministry of Finance, "*Jiadian Xiaxian Caozuo Xize*" [Detailed Operational Procedures for Rustication of Household Electric/Electronics], 23 April 2009. Accessed at http://jdxx.zhs.mofcom.gov.cn/admin/news.do?method=view&id=64141096.
[28] People's Bank of China, "*Zhongguo Renmin yinhang huobi zhengce weiyuanhui zhaokai 2009 nian diyijidu liehui*" [China PBC Monetary Policy Commission holds its First Quarter 2009 Meeting], 12 April 2009, accessed at http://www.pbc.gov.cn/detail.asp?col=100&ID=3175.
[29]Xinhua News Agency, "*Wen Jiabao zhuchi zhaokao Guowuyuan Changwuhuiyi yanjiu bushu xiayijieduan jingji gongzuo*" [Wen Jiabao convenes a plenary meeting of the State Council to study and arrange the new stage of economic work], 16 April 2009, accessed at http://news.xinhuanet.com/newscenter/2009-04/16/content_11195775_1.htm. Many of the same themes and language were sounded by Wen Jiabao during his visit to Thailand during the ASEAN-Regional talks (which subsequently collapsed). See Xinhua Agency, "*Wen Jiabao xiang Gang'Ao jizhe jieshao guonei jingji xingshi bing huida tiwen*" [Wen Jiabao introduces China's economic situation to Hong Kong-Macao reporters and responds to their questions], 12 April 2009, accessed at http://www.gov.cn/ldhd/2009-04/12/content_1283301.htm.