

Accepted Manuscript

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PII: S1059-0560(18)30140-0

DOI: [10.1016/j.iref.2018.02.008](https://doi.org/10.1016/j.iref.2018.02.008)

Reference: REVECO 1585

To appear in: *International Review of Economics and Finance*



Please cite this article as: Lien D., Liu T. & Tang K., Introduction to Chinese economy: Past, Present and Future, *International Review of Economics and Finance* (2018), doi: 10.1016/j.iref.2018.02.008.

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Donald Lien, Taoxiong Liu, and Ke Tang¹

On December 17 of 2016, Institute of Economics, School of Social Sciences at Tsinghua University hosted the third international conference on the “Chinese Economy: Past, Present and Future,” at Beijing, P.R. China. The theme of the conference is on all aspects of Chinese economy. This issue includes several papers selected from the conference presentations.

In the first paper “Is monetary policy forward-looking in China?” Zhang and Dang consider the forward looking behavior of China’s central bank. Traditionally, the future variable in the Taylor rule is subsumed by the ex post data via rational expectations hypothesis. Zhang and Dang applied the survey data to replace the ex post data to explain China’s monetary policy. Based upon the data from 2001Q1 to 2016Q2, it is found both household and professional expectations offer a good explanation to China’s monetary policy regardless of whether the policy is targeted at money supply or at the interest rate. A further analysis detects a structural break at 2008Q2 and, moreover, the Chinese monetary policy reacts to neither inflation expectations nor output growth expectations before 2008Q2. This finding contradicts to previous consensus in the literature. Robustness checks using different expectations formation all confirm the structural break point and the non-responses to inflation or output expectations before 2008Q2.

In the paper “Do short-term international capital movements play a role in exchange rate and stock price transmission mechanism in China?”, Li et al. introduce wavelet analysis to the

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