

**Profile:**

Kruger is the author of "My View from Shanghai: A Canadian Economist Examines China's Economy," newly released at the Shanghai Book Fair, which ended on August 22.

Now based in Shanghai, he is the opinion editor at Yicai Global, the English-language news service of Yicai Media Group, the financial news arm of Shanghai Media Group. He also holds senior fellow appointments at the Yicai Research Institute, the Centre for International Governance Innovation and University of Alberta's China Institute.

Previously, Kruger was a senior policy director in the Bank of Canada's International Department, a senior advisor to the Canadian executive director at the IMF and the head of the Economic and Financial Section at the Canadian Embassy in Beijing. You can find more on Kruger at <https://www.yicai.com/opinion/mark.kruger>



Mark Kruger signs his book "My View from Shanghai: A Canadian Economist Examines China's Economy" at the Shanghai Book Fair. — Wan Lixin



## CHINA BY NUMBERS:

# Where is the nation's economy heading?

Wan Lixin

When Canadian economist Mark Kruger gave a short talk on the Chinese economy this month at the Shanghai Book Fair, he spoke in fluent Chinese.

It was the first time I heard a Westerner giving a highly technical talk in Chinese, maintaining his linguistic ability even during a Q&A session that followed.

His book, titled "My View from Shanghai: A Canadian Economist Examines China's Economy," is a collection of essays written for the English-language news service Yicai Global in 2020-21.

The intent was to explain developments in the Chinese economy to a foreign audience at a time when many foreign media outlets were failing to provide sufficient context for Chinese mainland economic data.

I met Kruger for a private interview, where he explained that he first learned Mandarin during 1985-87 when he was a foreign student at Nankai University in Tianjin.

The nation has come a long way since

his early days in China, Kruger told me.

"When I was a student, China was still plagued by pervasive shortages," he said during his book fair talk. "As a result, we needed ration tickets to buy household necessities, like food coupons (*liangpiao*) and cloth coupons (*bupiao*)."

There were no privately owned cars back then, and people got around on bicycles and incredibly crowded buses.

Kruger also recalled there were very few private restaurants, and the state-owned ones suffered from poor service and soiled tablecloths.

"Shopping was a hit or miss experience," he said. "We were often told the goods we wanted were 'not in stock,' or they were 'sold out' and we should come back tomorrow."

At that time, China used two currencies. The renminbi was used for most domestic transactions, and foreign-exchange certificates were needed for imported goods and export-quality Chinese goods, he recalled.

In my interview with Kruger, he shared some more contemporary thoughts

about the Chinese economy.

### Q: What are some of the changes you find most striking in China?

**A:** When I look back almost 40 years, I find that the country has completely changed. Instead of scarcity, it is now a country of plenty. China's economic development is real, not just numbers. The average person has become much wealthier, and the quality of life has improved significantly.

In say the last 10 years, great strides have been made in pollution reduction. I lived in Beijing between 2006 and 2013, and the pollution was terrible. But now the air quality is much better. I also think China has done a great job on poverty alleviation.

Another overriding change is that Chinese manufacturing firms have moved up the value chain. Early on, Chinese manufacturing was simply the assembling of imported, high valued-added components from other countries. But now more of those components are produced in China. That has been a huge development, and it is still ongoing.

### Q: How do you explain China's phenomenal growth in recent decades?

**A:** I think it is basically because China's investment rate has been much higher than in other countries. And China is lucky that its people are savers, so funds for investment are available domestically. In many emerging market countries, the savings rate is very low, and firms have to borrow abroad.

In addition, China's investments have been pretty efficient. A lot of people think China has over-invested or has invested in a lot of wasteful projects, but that view does not stand up to scrutiny. Comparing China's experience with other G20 countries, you can see the high rate of investment and the return on that investment are still pretty good.

Over the five years from 2017 to 2022, China stood out among the G20 countries by having both the highest GDP growth rate and the highest investment rate. Economists have a way of assessing the efficiency of capital allocation at the macroeconomic level. It is called the "incremental capital output ratio,"