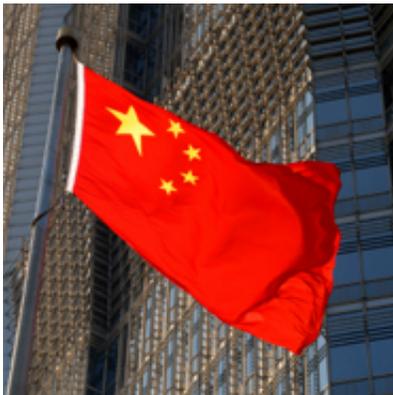


China first out of global financial crisis, says leading expert

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China is the first major economy to start emerging from the global economic crisis, according to Dr Nicholas Lardy, Senior Fellow at the Peterson Institute for International Economics at Washington DC. This recovery is a result of the early, well designed, and large scale policy response to the crisis by the Chinese government.

Dr Lardy, who gave the keynote address at the Inaugural Chinese Economic Association (Europe) Conference at University College Dublin on 23 July 2009, also highlights that China avoided the proliferation of sub-prime loans and other 'so called' innovative financial products that plunged Western economies into the financial crisis.

“The Chinese regulator also discouraged domestic financial institutions from acquiring these products from foreign financial firms. And as a result, when the financial crisis struck, Chinese financial institutions suffered no significant losses,” he says. “In China, there is no need for deleveraging since household, financial sector, and government debt is very modest.”

With strong domestic [financial institutions](#), Chinese banks are now expanding lending while banks in other major economies are scrambling to raise additional capital and are shrinking their balance sheets to try to meet regulatory capital adequacy standards.

According to Dr Lardy, China has accelerated its program to encourage a transition to more consumption led growth. Government social expenditures have expanded dramatically in the past two years and continue to increase in 2009. “Eventually this will reduce the precautionary demand for savings by households and lead to more rapid consumption growth and a rising share of consumption in gross domestic product,” he explains.

As the first large economy to converge back toward its long term potential growth path, Dr Lardy considers that China is in a position to ‘soon’ overtake Japan as the world’s second largest economy.

Ireland is one of many economies currently expanding its links with China. “We are committed to working with the Irish government, businesses and academia to develop stronger educational, cultural and commercial links between China and Ireland,” says Dr Liming Wang, Director of the Irish Institute for Chinese Studies at UCD.

[China](#) and the changing landscape of the world economy, the Inaugural Chinese Economic Association (Europe) Conference was attended by the Minister for Science, Technology & Innovation, Mr Conor Lenihan

TD.

Provided by University College Dublin

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