An interpretation of planning economy era in China

Maho SHIRAISHI
Faculty of Foreign Studies, The University of Kitakyushu, Kitakyushu, Japan mshira@kitakyu-u.ac.jp

Analyzing allocative efficiency of factors, this work discusses how we should evaluate the planning economy era in Chinese economic history from the angle of economic reform starting after that. We obtain the results as follows. Chinese economy partly began to raise allocative efficiency of productive factors during the planning economy era. And, the turnover rate of funds was closely related with economic growth rate. Thus, it can be said that, in the allocative efficiency of factors and the turnover rate of funds, Chinese economy in the planning economy era gradually formed the conditions necessary to succeed in economic reform and transition to market economy after that. Therefore, in discussing transition from planning economy to market economy, we argue that it is inappropriate to only introduce institutions of market economy to improve the inefficiency of planning economy and that it is key point for successful economic reform whether the economy has prepared to conduct the reform before it starts.

Keywords: Chinese economy; planning economy; economic reform; allocative efficiency.