

The Economic Society has asked me to write few words about myself, my research interest and my experience at UCLA, where I got my Ph.D. degree in Economics recently. I am glad to have this opportunity to share some of my past with our students here.

WORDS
FROM
DR. G. XIAO



I am among the luckiest generation of the People's Republic of China. Born in Nanchang city, Jiangxi province in 1963, I barely missed the years of starvation (1960-2). During the Cultural Revolution (1966-76), my father was sent to a remote rural village for re-education since he had a landlord father, a "Rightist" brother, a sister in Taiwan and a degree in higher education. My mother and my younger brother stayed with me in city only for a few years before they joined my

father. I lived with my grandmother during most of the years in primary and middle schools. Most of my time in school was spent in student activities guided by political tutors. In retrospect, I understood little about what we were doing, but as a child, enjoyed the fun of mass movement.

In 1977, China introduced the Nation-Wide College Entry Examination. Students all over China were excited about the prospect of college study, which previously

was a privilege for a few people with favourable political background. Schools at all levels started to recruit quality students through entry examinations. In 1978, I entered the No.2 Middle School in Nanchang, ranking the first in the first city-wide high school entry examination. In 1980, all of my 54 high school classmates passed the Nation-wide College Entry Examination and were all admitted by key universities in China. I ranked 5th among all candidate in Jiangxi province and entered the University of Science and Technology of China (USTC) at Hefei, Anhui to study Control Theory and System Sciences.

In 1983, economic reform in industry has prompted our university to set up a program in manage-

ment sciences. I enrolled in this new program because of my interest in economic and social problems. In 1985, I graduated from the program and was awarded an one-year scholarship to study abroad by the University.

Speculating that economics would be very useful to China in five or ten years, I decided to pursue a Ph.D. degree in economics, although I knew little about it at that time. My test score in GRE economics was barely above 50% while most of my classmates at UCLA had a score close to 98% as well as a master degree in economics. Professor Jack Hirshleifer chaired that year's admission committee at UCLA and accepted my application.

So by September 1985, I became the first graduate student from mainland China in the Economics Department of UCLA. The first thing I found out at UCLA was how little I knew about economics. Fortunately I had a very good background in mathematics which helped me a lot in course work. The main problem for me during the first year was English. I understood absolutely nothing about Professor Robert Clower's lecture on macroeconomics. I once came to his office asking for advice. He answered: "Just keep watching TV and read whatever paper you find interesting."

The most interesting book I found in the first year was an undergraduate textbook by Armen Alchian and William R. Allen "Ex-

change and Production : Competition , Coordination, & Control.” When I got an Honor pass in Ph.D. comprehensive exams at the end of the first year, some classmates in my study group were surprised and asked me for the secret ? I told them that I spent time on Alchian’s undergraduate textbook while they were solving complicated differential equations.As a result of my good performance in exams, Professor Jack Hirshleifer offered me a reader for his graduate course on “Economics of Information and Uncertainty.” To take my comparative advantage in mathematics, I also took many courses in game theory, mathematical economics and econometrics.

However, I was constantly attracted to property rights approach

and China’s economic reform. I enthusiastically wrote a term paper and there were many favourable responses to it which encouraged me to shift my interest from doing theoretical research by applying economics to China’s reform. The paper was later developed into my doctoral dissertation “The Impact of Property Rights on Productivity and Equity in Post-Mao Chinese Industrial Enterprises” supervised by H. Demsetz, A.Leijonhufvud, and K.Sokoloff.

In spring 1989, I went back to China to do a field study of Chinese rural industrialization with a few young Chinese economists from the Rural Development Institute of the PRC State Council. We visited dozens of vil-

lages and hundreds of rural Township and Village Enterprises (TVEs) in Wenzhou, Zhejiang. What we saw there in Spring 1989 was very similar to what I have seen in Hong Kong: a prosperous market economy based on private enterprises. However, when I went to Beijing afterwards, I saw a totally different picture. Beijing people and students were so concerned about politics. Although deeply moved by their political spirits, I was wondering that if these people were in Wenzhou, their talents and energy would definitely create lots of wealth for themselves and for their country. Their different behaviour apparently associated with the different institutional environments they were in, I concluded that I learned at UCLA was going to be very

useful for China.

After graduating from UCLA, I worked in the Socialist Economies Reform Unit of the World Bank for a year. At that time, reforms toward market economies in former East European socialist countries apparently failed to stop dramatic decline of their outputs. However, Chinese economy started to grow again after a brief stop during 1989-91. Opinions have arisen both in the World Bank and among scholars that East European countries should learn from China. It was argued that China had neither massive privatization nor drastic price and exchange rate liberalization but achieved respectful economic growth. Hence, they might be a third way to economic growth other than market

and plan. To clarify confusion, I wrote an article "What is Special about China's Economic Reforms?" which shows convincingly the importance of private property rights to China's economic success in recently years.

My current research interest is to apply property rights approach to studying China's economic reform. I am now teaching a course on "Economic Development of China." Hong Kong is one of the best places to observe and study China. Economic growth in China will also provide students in Hong Kong lots of unique opportunities. Once students know some basic features of China's economic development, they will be in a better position to reap huge potential gains in the near future. Finally, I

wish you all can put economics at work whether you will be an economist in the future or not.

