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**Building Up A Market-oriented
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of the China Center for Economic
Research at Peking University¹**

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¹ Paper prepared for the Conference on Scaling Up the Success of Capacity Building in Economic Education and Research, organized by World Bank and Central European University at Budapest, Hungary on June 14-15, 2005. I am grateful for the help of Ms. Xiaoping Ma for preparing the lecture.

**Building Up A Market-oriented
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Abstract

At the beginning of transition from the socialist planning economy to a market economy, China did not have a modern economics profession and the contribution of modern economics to China's transition was little. However, there has been increasing needs for modern economics education and research, as Chinese economy becomes more market oriented. To meet the needs, the China Center for Economic Research (CCER) at Peking University was built in 1994 with the initial supports and endorsement from the Ford Foundation and the World Bank. In the past 11 years, the CCER has expanded from six faculty members to 27 members, all with PhD training in economics from universities abroad, and become an important education and policy as well as academic research institution in China. Currently, the CCER provides undergraduate double-degree, MA and PhD in economics, MA in finance, and international MBA program to over 2,500 students each year. The CCER is also active in policy consultations with the Chinese government and international organizations, in addition to its excellent academic publication records domestically and internationally. The CCER's success is attributable to its members' devotion, personal qualifications, democratic arrangements, commitment to education and independent research, outreaching, networking, continuous innovation, and service culture. In the coming years, the CCER plans to strengthen its PhD program by student exchanges with other universities abroad, initiate a NBER/CERP type network, and a consortium of similar institutions in other transition and developing countries.

I. Introduction

China was the first country in the socialist group to transit from the old, planning economy to a market economy. So far, China is the most successful transitional economy. In the past 26 years since the transition started at the end of 1978, the annual GDP growth rate averaged 9.4%. China's economic size has increased 10.3 times. The annual growth rate of international trade in the same period was 16.7%. China's trade volume has increased 56 times from US\$ 20.6 billion in 1978 to US\$ 1154.8 billion in 2004. When China started the transition, the nation's ranking in the international trading system was No. 34. Now, China is No.3.

In spite of China's success in the transition to a market economy, China did not have a modern economics profession and modern economic analysis did not play a major role at the beginning. The Chinese government only wanted to improve the performance of the old planning system and did not have an intention to replace the old system with a complete new market system when the reform started. Therefore, the government adopted a gradual, piece-meal approach in the transition process. In the old system there were many bottlenecks in almost every sector of the economy. With the gradual, piecemeal approach, the qualification for a good policymaker was to have a good grasp of the economic realities and a liberal mind. The policymaker needed to know where those bottlenecks existed, and to be pragmatic in introducing policy changes that could release the bottlenecks. As long as the policymaker could do so, the direct effects of policy changes would outweigh the indirect effects, and the economy could grow dynamically.

However, the successful approach in the past does not guarantee the same approach to be successful in the future. As China becomes more and more a market-oriented economy, the economic system becomes more complicated. Now the Chinese government introduces certain reforms in the financial sector, the state-owned enterprises and other sectors, the negative indirect effects often outweigh the positive direct effects. Under such a new situation, it is necessary to have a general-equilibrium type of analysis about

the potential direct effects and indirect effects before making a policy reform, which requires Chinese policy makers and researchers to have good understanding of modern economics. Therefore, for China to complete the transition to a market economy, it is imperative to have institutions that can engage in modern economic research and provide modern economics education. In response to the need for modern economic research and education, the China Center for Economic Research (CCER) at Peking University was set up in 1994.

In the rest of the paper, I will have an overview of the CCER's achievements, discuss the lessons that may be relevant to other similar institutions in the transition and developing countries, and provide brief outlines for the CCER's future development.

II. The Missions and Achievements of the China Center for Economic Research

The CCER was founded with the seed money from the Ford Foundation and an endorsement from the World Bank. The CCER aims to mobilize domestic and international resources for bringing together a group of well-trained economists to make contributions to economic education and research at Peking University. It also aims to contribute to China's market-oriented reform and development, as well as the development of modern economic theory.

The CCER has expanded rapidly from six faculty members in 1994 to 26 members today. All faculty members have PhD training in economics from leading universities abroad: 24 from the U.S., one from U.K., and one from Japan. The CCER has the largest concentration of foreign trained economists in one institution in China.

At the beginning, the CCER had only two very small offices in an old Stalinish-style building. Today, CCER is located at a beautiful, spacious, old royal garden. From the old offices at the early days of the CCER to the beautiful and spacious compound now, the improvement in CCER's working space mirrors a continuous development of the CCER in the past decade.

II.1 Education Programs

The primary mission of the CCER is to provide modern economics and management education in China. To achieve this goal, the CCER set up an MA program and a Ph.D. in economics program in 1996.

A student who has completed the required economics courses and a thesis can obtain a master's degree or a PhD degree in economics. Normally it takes two to three years to complete the MA degree and three years to complete the PhD degree.

The annual enrolments are 15 students for the PhD program and 45 students for the MA program. The CCER's MA program has been considered the best in China. About half of the MA students end up going abroad to pursue their PhD trainings at distinguished universities, including Harvard, Chicago, Stanford, Yale, Northwestern University, and many other universities worldwide. About one-third of them go to financial sectors, and one-sixth of them go to government institutions. For the PhD students, about one-third of them go to teach at other universities, one-third go to financial sectors and the other one-third go to government institutions.

In the fall of 1996, the CCER has also started to offer a double major in economics program and a minor in economics program to undergraduate students at Peking University, whose major is not economics. These two programs have become very popular at Peking University. Since September 2003, the programs have been extended to undergraduates outside of Peking University. The CCER now admits 800 undergraduate students in these two programs each year. They are considered the largest undergraduate programs at Peking University.

For improving the business education, the CCER sets up the International MBA program (BiMBA) at Peking University in 1998, jointly with a consortium of 26 U.S. universities with Fordham University at New York City the degree granting university. BiMBA offers a full-time MBA program, a part-time MBA program, and an Executive MBA

(EMBA) program to meet the varying professional and scheduling needs of students. BiMBA's curriculum combines the best of both China and the U.S.. The interactive, participative American pedagogy is followed, but cases are often taken from Chinese situations.

The International MBA programs admit about 200 students each year. Fortune magazine ranked BiMBA the No. 1 MBA program in China on March 2005. In the April issue of Forbes, BiMBA was again ranked No. 1 among all MBA programs in China.

In response to the need of financial sector reform and development, the CCER, in cooperation with the School of Economics and Finance at the University of Hong Kong, started offering a MA program in finance in 2001. Students who complete the required courses and thesis in two years will obtain a Master Degree in Finance. The MA in Finance program is also considered the top financial training program in China.

Table 1: Total Students at CCER

Year	Economics Program					MA in Finance	MBA/ EMBA	Total
	Ph.D	MA	Undergraduate					
			Major	Minor	Outside University			
1996	2	10	287	53	--	--	352	
1997	11	26	435	128	--	--	600	
1998	15	49	584	105	--	77	831	
1999	22	68	895	155	--	156	1292	
2000	13	85	971	197	--	303	1573	
2001	16	107	1418	38	--	41	403	2047
2002	19	115	1083	58	--	43	433	1751
2003	31	116	1601	52	50	42	504	2396
2004	33	116	1689	36	141	40	533	2588

Table 1 reports the numbers of students in each program as well as the total number of students at CCER. As the table shows, the total number of students increased from 352 in 1996 to 2588 in 2004, a more than seven folds increase. It shows the popularities of the CCER's programs.

In addition to the degree programs, the CCER established a committee in 1995 to organize and publish a series of economics and management textbooks. Professor Gang Yi and Professor Wen Hai served as Chief Editors. To date, fourteen economics and management textbooks have been published. Most authors of these textbooks received their Ph.D. degrees in economics or management abroad, and have extensive research and teaching experience both at home and abroad. These textbooks contain many real problems in China as examples in discussing the theories.

II.2 Research

Research, both academic and policy-oriented, is another mission of setting up the CCER. CCER faculty is committed to increase the quality of research on economics and management, to analyze problems in economic transition using modern economic theories and methods, and to bring economic research in China up to the international level.

In past years, the CCER faculty and students have been very productive in theoretical and policy research. Many research papers have been published in first-class economics journals in China and abroad. Numerous research findings and their policy implications have also had a significant impact on Chinese economic reforms and the government's policymaking.

In 1994-2004, the CCER faculty members published 49 papers in top international economic journals, such as the American Economic Review, and more than 400 papers in domestic economic journals. The CCER faculty members have also published more than 70 books. Among those books and papers, twenty publications have received domestic and international awards. Fifty-five papers written by the CCER faculty members were included in the U.S. Social Sciences Citation Index from 1994 to 2004.

In addition to academic research, the CCER has participated, since its founding, in almost

every single policy dialogue in China and maintained an independent voice in the financial sector reform, the SOE reform, the WTO accession, the rural reform, and many other policy issues, in some instance supporting the government and at other times diverging from the government's stands.

The CCER's policy recommendations are supported by careful research and analyses. In the past 11 years, CCER has conducted many researches by commissions, including 27 national as well as ministry-level projects, 32 international projects, and 12 projects funded by private firms. These projects covered macroeconomics, international trade, monetary policy, financial reform, SOE reform, private sector development, industrial organization, securities market, rural development, labor market, land tenure system, health care system, social security system, population policy, and etc.

To facilitate the research in the emerging equity market, the CCER launched the CCER Chinese Securities Market Database in 2000. The database covers current and all historical data from the date when Chinese securities market was reopened in 1990. The variables in the dataset include the share prices, reports and news of listed companies, as well as the securities market regulations. The database has been used frequently by researchers on China's financial market. The CCER has also developed a partnership with the National Bureau of Statistics and has access to the Bureau's household survey, enterprises survey, census and other data.

The CCER receives many visitors from abroad each year. At the end of the visits, many of them remarked that they feel at home at the CCER. Unlike their visits to many other institutions in China, they could carry out the same kind of intellectual, critical dialogues at the CCER.

II.3 Training and short-term Programs

To maximize the impacts in education and China's reform, the CCER provides training programs in economics and management for faculty in other universities, journalists, government officials and managers in both domestic and international firms and

organizations.

- Short term programs for economics and management faculty at other universities

Only a small number of faculty members with PhD training in economics and management have returned to China. In order to improve the teaching quality of economics and management in other universities, the CCER started a short-term summer training program for junior faculty in other university in 1999. The courses covered International Finance, International Trade, International Business, Dynamic Econometrics, Microeconomics, Macroeconomics, and other related fields.

Similarly for the purpose of supporting the development in the hinterland provinces, the CCER offers a training program specifically for faculty members in management schools in western China. The CCER with grants from business community supported ten teachers in MBA program to receive training at BiMBA each year.

- Research Training and Mentoring Program for Young Women Economists

As in many other places in the world, there is a gender gap in the economics profession in China. To foster the women economics profession, the CCER together with a group of overseas economists launched a training program for young women economists in the spring of 2002, with financial support from the Ford Foundation. The overall goal of the program is to improve the presence of women in economic research and education by providing rigorous training and mentorship to the young women faculty. Meanwhile, it also aims to promote economic research and education on women/gender issues in China. The instructors and research mentors, who have extensive experience in teaching and training, have established themselves respectable research records on the important issues in China. In just two years, this program has achieved tremendous success. The number of female economists participating in domestic and international conferences has increased noticeably.

- Fellowship program for journalists in the financial and economic media

With the coming of information age, public opinions have played an increasing important role in shaping the directions of China's reform and future development. The journalists are the key players in the formation of public opinions. Since 1999, the CCER together with Caijing Magazine, a leading bi-weekly journal, has jointly sponsored 10 fellowships for outstanding economics and finance journalists and editors in the Chinese media to study at CCER. The fellowship provides 3 months of tailor-made program in economics, management, and in-depth analyses of financial news to the fellows. The responses from the fellows after finishing the program have been overwhelming.

- Hospital Executive Management Program and other training programs for senior officials in the government and business sectors

In response to the needs for improving policymaking and management in a market economy, the CCER offers training programs for officials in government and business communities.

Since 2002, in association with the Ministry of Health and the China Academy of Health Policy at Peking University, the CCER has hosted the China Hospital Management Program for Executives of Chinese hospitals. The program cooperates with the North Shore-Long Island Jewish Health System to help upgrading the management of hospital executives in China, and to satisfy their demand for advanced management and international management techniques for health institutions in fields such as finance, human resource, quality control and information system, and etc.

The CCER also provided trainings for senior officials in China Telecom, Ping'an Insurance, Taikang Insurance, Novartis, and other companies.

II.4 Exchanges

To promote academic exchange is also the CCER's basic mission. Since the founding, the CCER has developed various exchange programs to promote exchange with other

economists and research institutions in China and abroad.

- Weekly Seminars

The Weekly Economic Theory and Policy Seminar is established by the CCER to promote academic exchanges. The Seminar, inaugurated by Professor Robert Mundell of Columbia University in March 1995, invites distinguished scholars to present their research papers on theoretical and/or policy issues. The list of distinguished scholars include Nobel laureates, the President of the American Economic Association, professors and researchers from China and overseas, domestic and international entrepreneurs, several presidents of famous international universities, as well as important members of Chinese and foreign governments.

Visitors and Post-doctoral programs

The Visiting Fellow Program, started in 1996 under the sponsorship of the World Bank, invited over 10 visiting scholars from China and abroad to conduct 3 to 8 months of research at the CCER. The CCER post-doctoral program started in 1998, allowing young economist received PhD in economics from other universities in China or abroad, to spend two years at the CCER. More than 100 overseas Chinese economists and domestic scholars have visited the CCER under these programs. During their visits, the CCER organized workshops, study groups and short courses for them. In addition, the CCER faculty members visited the U.S., Japan, Britain, France, Australia, Korea, Hong Kong, Taiwan and other countries and regions to attend academic conferences.

- Annual Lecture Series

- Yan Fu Memorial Lectures

To further promote the modern economic research and education in China, the CCER established the Yan Fu Memorial Lecture on Economics in 2001. Mr. Yan (1854-1921) was one of the first Chinese scholars to study abroad. He was also a formal president of

Peking University. His translation and publication of Adam Smith's *The Wealth of Nations* in 1901 marked the introduction of modern economics to China. The Lecture Series invites a world-class master in economics to deliver a lecture each year. Professor Robert Mundell from Columbia University, the 1999 Nobel Prize winner, inaugurated the Yan Fu Memorial Lecture Series in October 2001. Professors Amartya Sen and Partha Dasgupta gave the subsequent lectures.

– HSBC Nobel Laureates Lectures

With the aim of enhancing international exchange in economics as well as the economic development in China, the CCER with the supports from the Hong Kong and Shanghai Banking Corporation Limited (HSBC) sponsors the HSBC-PKU Economic Forum and invites a Nobel laureate in economics to deliver a lecture at Peking University every year since 2004. Professor A. Michael Spence, the 2001 Nobel Laureate in economics and Philip H. Knight Professor of Stanford University inaugurated the lecture series on Nov 5th, 2004. Professor Gary Becker gave the 2005 lecture.

- Annual China Economics Conference

The CCER initiated the China Economics Annual Conference in 2001 with the aim of strengthening the academic exchange and economics research and education among economists in universities in China. The first Conference was held on October 16-17, 2001 at Peking University. The Conference site rotates at a campus in different university each year. However, the Secretariat is housed at the CCER. The Conference has become the largest gathering of economists in China. The number of participants of the Conference has increased from about two hundreds in 2001 to about six hundreds in 2004.

- Annual NBER-CCER conference

Since 1998, the National Bureau of Economic Research (NBER) and CCER have jointly sponsored an annual conference on issues related to China, the US, and the global

economy. The NBER sends a delegation of about 10 economists to the conference each year. The Chinese delegation includes CCER faculty and members of other universities and research institutes.

- Conferences on selective topics

Based on the interests of economists in China and abroad, the CCER has organized several national and international conferences each year on selected topics on China's development and reform, such as the rural development, land tenure reform, poverty reduction, income inequality, and etc.

- Summer camp for honor undergraduate students

In order to promote exchanges among undergraduate students majoring in economics, interactions between students and economists, and interests of research on Chinese economy in the future, the CCER has organized an annual "Summer Camp for Honor Economics Students" since 2000. The Summer Camp also provides the opportunity to select some of the most outstanding students to join the MA program at the CCER. Each year 30-40 college juniors attend the Summer Camp and half of them end up becoming the CCER's graduate students.

- LSE-Peking University Summer School

With the success of China's transition, there is an increasing demand from the students in universities abroad to understand the Chinese economy. The London School of Economics and Political Science (LSE), jointed with the CCER, launched the LSE-Peking University Summer School in 2004 to meet the demands. The courses, offered in the Summer School, include China's reform and development, management, economics, finance, management, and etc..

II.5 Dissemination and Networking

- Publications:

– CCER Newsletter

In order to publicize the CCER's research findings and policy recommendations, the CCER publishes 50 to 60 issues of Newsletters annually. The circulation includes more than 900 domestic policy research institutes, academic institutes, and medias. The Newsletters have attracted widespread attentions among policy circles in China and produced visible impacts on policy and the public opinions. The articles in the Newsletters have often been carried in other newspapers and outlets.

– Occasional Working Papers, both in English and Chinese.

To disseminate the CCER faculty members' research results promptly, the CCER also publishes the Occasional Working Papers, both in English and Chinese. The Working Papers are downloadable from the web. In addition, the CCER has exchanged the Working Papers with other economics departments and research institutes in China and abroad.

– China Economic Quarterly

To promote rigorous academic researches in China, the CCER started the *China Economic Quarterly* in 2001. *China Economic Quarterly* is a peer-reviewed journal. It publishes original economic theses in Chinese concerning theories, empirical studies, and extensive literature reviews on new development in specific fields. In four years, *China Economic Quarterly* has been ranked the number one economic journal in China.

– CCER Economic Papers

The CCER Economic Papers is a quarterly journal of the CCER Graduate Students Association. It is an academic publication for promoting researches in graduate and undergraduate students. In addition to paper publication, the articles can also be download from the website (www.cep.ccer.edu.cn).

Table 2: the CCER's Publications

Year	Newsletters	Working Papers	CCER Economic Papers	China Economic Quarterly
1995- 2004	513 issues	in Chinese : No. 167 in English : No. 99	22 issues	Start publication from October, 2001

- Website

- CCER website (www.ccer.pku.edu.cn), featuring the latest news, publications, and major activities of the CCER. Each day receives about 22000 visits.

- China Economic Network (www.cenet.org.cn),

The CCER established the first electronic network, the China Economic Network (www.cenet.org.cn), for Chinese economists in January 1999. Since 2001, the CENET has served as the official website for the secretariat of China Economics Conference. This website aims to promote economics research, education and exchange in China, provide domestic economists and policy makers with a wide range of information and data, and become an important information and communication channel for economists in China and abroad. Now the CENET website has about 80000 visits each day.

III. Lessons from the China Center for Economic Research

In ten years, the CCER has become an influential research and education institution in China and the world. As an indicator of the success, CCER organized a Nobel Laureates Lecture Series for the 10th Anniversary. Ten Nobel Laureates gave lectures at the Series, including Robert Mundell, James Heckman, Vernon Smith, Robert Fogel, Douglass North, James Mirrlees, Michael Spence, Joseph Stiglitz, Gary Becker and Clive Granger.

Nine lessons can be drawn from the successful experiences of CCER:

1. Devotion, passion and common goal

In the past 11 years, the crucial factor for the CCER's success has been the group of devoted and passionate faculty members who are willing to sacrifice their personal benefits and grasp every opportunity arising from China transition process for making contributions to the betterment of Chinese society.

2. The elite team

The CCER's success depends not only on the devoted faculty members but also talented ones. The CCER is proud to say that, if one asks people in China to provide the names of China's ten best and most influential economists, at least 5 in the list are from the CCER.

3. Democratic institutional arrangements

The CCER has an extremely talented group of faculty. Each of them has unique personalities, characteristics, opinions and ideas. It is the principle of democracy that could possibly bring them to work together successfully. It is essential to allow every one with a voice. All major decisions are not made by the administrator alone, rather are reached at the CCER's faculty retreat each year. The role of an administrator is to build up consensus on major initiatives and to implement the decisions agreed by all faculty members.

4. Seeking resources instead of waiting for resources

Making the successes in the past possible, the CCER needed a lot of resources. The CCER did not wait for the government or any specific institution to give the funds. Instead the CCER mobilized funds actively from all possible sources to achieve what CCER wanted to do.

5. Research and education

Research and education are the CCER's core missions. All members understand that without excellent research and education programs, the CCER cannot sustain for long as an influential institution. Therefore, in spite of many activities, all members of the CCER commit to active research and teaching.

6. Independent research focusing on problems relevant to the Chinese economy

In terms of research, the CCER needs to be independent and the project needs to be relevant to China. The independence refers to both the conventional ideology and the conventional wisdom of the Washington consensus. China is in a transitional process. Many old institutions need to be tear down. However, the required institutions to make policy recommendation of Washington Consensus work may not be there yet. Therefore, it is necessary to be independent from both influences to make the CCER's research and policy recommendations relevant and helpful to China's transition.

7. Continuous innovations

Continuous innovations are necessary both in the programs and in the ways of running the CCER as an institution in China. The need for innovation is not only because of the rapid expansion of CCER's size but also because of the natures of the CCER and the Chinese society. At its founding the CCER was the only institution in China that every member received PhD training from abroad. Today, the CCER is still the only institution in China with such a nature. At the beginning, the society in China tended to be very suspicious of the CCER's intentions. Under such an environment, many experiences from other institutions abroad were not applicable. The CCER had to find its own ways for performing its functions. In a transitional and rapid growing economy, one needs to be pragmatic about what could be done and be innovative in handling challenges in building up a totally new institution.

8. Outreaching and networking

Outreaching and networking are important. If the CCER only talked to its own faculty members and students, the CCER's influences on the society would be limited. For greater impacts domestically and internationally, the CCER adopted an outward strategy and used its unique position in China to outreach and build up networks with other individuals and institutions in China and abroad.

9. Service, tolerance, and humanistic working environment

The success of CCER depends on not only good faculty members but also capable supporting staffs. It is important to cultivate a culture of service, tolerance, and a humanistic attitude among the supporting staffs. To achieve this goal the staffs should share the CCER's missions and devotions for making contributions to China's transition so that they would be proud of their jobs at the CCER.

IV. Directions for future development

The CCER has expanded from six faculty members at its founding in 1994 to 26 faculty members now. But compared to what the CCER wants to do in China with what the CCER can do in China, more faculty members and more innovations are necessary. In addition to increasing the faculty size and securing reliable funding sources, the CCER attempts to strengthen its work in the following three areas:

1. Developing exchange programs with other universities for Ph.D. students. The CCER hopes to send Ph.D. students to spend a semester or a year at other top universities in the United States, Europe and other countries for conducting their dissertation researches as well as for increasing their exposures internationally. After receiving the PhD from CCER, the students are most likely to stay in China. Therefore, this exchange program will not only enhance CCER's PhD program but also the overall quality of China's economics education and research.

2. Building up a NBER/CEPR type of research organization for economists working in other universities or research institutions in China. This new organization will encourage economists in China to work on the development and reform issues in China, provide them the facility to publish their working papers promptly on the websites, and allow them to meet other economists working on similar topics in small groups regularly.

3. Networking with other similar institutions in transition and developing countries. There are many new institutions similar to the CCER in the Eastern Europe, the former Soviet Union and other developing countries. They face similar challenges. The experiences and research findings from each of them may be particular relevant to others. Therefore, the CCER hopes to initiate a network among these new institutions.