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Law, finance, and economic growth in China

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Abstract

China is an important counterexample to the findings in the law, institutions, finance, and growth literature: Neither its legal nor financial system is well developed, yet it has one of the fastest growing economies. While the law“finance“growth nexus applies to the State Sector and the Listed Sector, with arguably poorer applicable legal and financial mechanisms, the Private Sector grows much faster than the others and provides most of the economy's growth. The imbalance among the three sectors suggests that alternative financing channels and governance mechanisms, such as those based on reputation and relationships, support the growth of the Private Sector.



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JEL classification

O5; K0; G0

Keywords

Law and finance; Economic growth; Private sector; Corporate governance; Reputation and relationships

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