

The Chinese Government Debt – What do we know and What should be Done?

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Abstract

The Chinese economy has by now climbed to the second position in global GDP ranking. Thus, China's government debt matters increasingly to the rest of the world as well, both in a corporate and a macroeconomic perspective. Not enough is known about the real size of the total Chinese government debt. Insufficient statistical transparency is an important reason for this shortcoming. In this paper, an attempt is made to explain and discuss the real situation when it comes to the Chinese government debt. The current Greek/Southern European debt misery clearly shows that opaque statistics cannot be hidden away forever without sooner or later puzzling and/or frightening the financial markets. On the other hand, China cannot be analyzed completely with Western eyes. The sooner Chinese decision-makers decide on greater transparency in the government debt situation, and decisive steps towards more efficient fiscal policy are taken, the better the consequences for China itself and the global economy.

I. Introduction

1.1 *Where is the Literature*

I CAN HARDLY remember a situation while preparing a paper where the available literature on my chosen topic was so limited. This makes conducting deeper research on the Chinese government debt fascinating—but also very difficult.

The real problem is that there is no way to get applicable statistics on the general government debt. Too many different numbers are circulating. In many publications - international organizations included—the debt of the Chinese central government is even equated with total government debt. This is, of course, completely wrong since local government debt must be included in total government indebtedness.

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