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Monetary Policy, Central Banking, and the Supply of Money and Credit:
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Nota di contenuto	Cover; Contents; I. Introduction; Figure; Figure 1. Gross Capital Formation, in percent GDP; II. Investment in China: Literature Review; III. Neoclassical Model Approach; Figure 2. Capital- and Investment-to-Output Ratio; Figure 3a. Growth and Capital-to-Output Ratio; Figure 3b. Growth and Investment-to-Output Ratio; IV. A Theoretical Framework of Optimal Investment; Figure 4a. Capital- and Investment-to-Output Ratio; Figure 4b. Capital- and Investment-to-Output Ratio; Figure 5a. Contribution of Investment to GDP growth; Figure 5b. Contribution to Growth (in percent of total) Figure 6. Production Function V. What Can Aggregate Cross-Country Data Tell Us?; Table; Table 1. Investment Equations 1/ 2/; Figure 7. China: Investment-to-GDP; Table 2. Probit: Probability of crisis; Table 3. Evolution of variables in the lead-up to crisis (5-years); VI. Estimating the Hidden Costs of China's Investment; Figure 9. Profit Margin and Credit allocation between LCs and SMEs; Figure 10. Resource transfers and dead weight loss; Figure 11. Estimated Amount of Resource Transfer from Households to Large Corporate (In percent of GDP); VII. Conclusion; Data Appendix; References
Sommario/riassunto	Now close to 50 percent of GDP, this paper assesses the appropriateness of China's current investment levels. It finds that China's capital-to-output ratio is within the range of other emerging markets, but its economic growth rates stand out, partly due to a surge in investment over the last decade. Moreover, its investment is significantly higher than suggested by cross-country panel estimation. This deviation has been accumulating over the last decade, and at

nearly 10 percent of GDP is now larger and more persistent than experienced by other Asian economies leading up to the Asian crisis. However, because its investment is predominantly financed by domestic savings, a crisis appears unlikely when assessed against dependency on external funding. But this does not mean that the cost is absent. Rather, it is distributed to other sectors of the economy through a hidden transfer of resources, estimated at an average of 4 percent of GDP per year.
