



## UIBE News

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### World renowned Nobel laureate Professor Prescott is made honorary professor of UIBE, and discusses the benefits of economic integration.

Renowned Nobel laureate (2004) Edward C. Prescott was made honorary professor of the University of International Business and Economics (UIBE), Beijing, China, on May 21, 2009. UIBE's President Chen Zhunmin presided over the opening ceremony; the conference was chaired by Professor Zhongxiu Zhao of UIBE's School of International Trade and Economics. Also present were Mr Xia Haiquan, and Mr. Alex Goldsborough of the international relations, and international marketing departments.

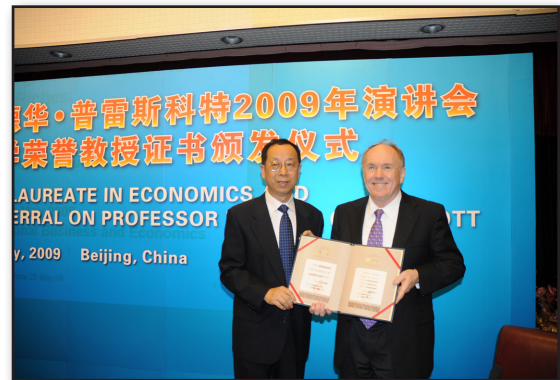
Edward Christian Prescott (born December 26,



1940) is an American economist. He received the Nobel Memorial Prize in Economics in 2004, sharing the award with Finn E. Kydland, "for their contributions to dynamic macroeconomics: the time consistency of economic policy and the driving forces behind business cycles". He currently works as an economist at the Federal Reserve Bank of Minneapolis, USA and as a professor at Arizona State University's W.P. Carey School of Business, he is a major figure in macroeconomics, especially the theories of business cycles and general equilibrium.

The University of International Business and Eco-

nomics, located in Beijing, China, is one of the most sought after academic institutions in China, a place of study for China's most talented students in the fields of business, economics, law, insurance management.



The conference room was packed. Students, faculty, and visiting scholars who attended knew they were in the presence of one of today's great figures in the field of economics. UIBE prides itself on being one of the leading actors in China's academic landscape, many of its schools ranked amongst the best in the country. Professor Prescott's words would not be lost.

"Let's focus on the economy," opened Professor Prescott. He started by covering some of the major events in recent history which marked pivotal moments in the process of "economic integration". One of the most notable transformations in the economic landscape of the United States, he mentioned, was the development of "cheap transportation costs, which contributed immensely to the integration of the United States, going from a collection of 'multiple economies', to a far more homogeneous integrated economic powerhouse." At the same time US States have a high degree of economic sovereignty between States, "competition between regions is healthy."

China is on the same path of development. It's only a question of time before adequate infrastructure is in place to allow for the efficiency gains brought on by more efficient transportation costs; at the same time "regional competition" is thriving, with "some



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regions far more developed than others.” Same as in the United States.



Professor Prescott went on to say that China “had been wise not to adopt a high tax European style of welfare state”. His PPT presentation hit home, with graphs and points that highlighted the benefits and importance of economic integration. He mentioned the case of the several European countries, namely Spain, Czech, Slovakia, Slovenia, the two Germany’s, Estonia, Sweden, Finland. Each country with its own story of economic development and integration, each one serving as case studies for what works and what works less well.

“Integration is key,” he cited more examples in the Americas, Europe, former Soviet block, Asia, “protectionism is not the way forward.” Free-trade is part of the process of integration. Subsidies clearly don’t work, there are examples of economies that sit astride multiple systems of economic integration, for instance Japan, which Professor Prescott labeled as “mercantilistic”, which explains their “lost decade”. “China is catching up but has a long way to go”; China needs 7% growth for the next 17 years in order to qualify for what Professor Prescott considers to be “an industrial leader.” China is on the right path, as economic integration is clearly on the political agenda, “there is nothing that should get in the way of China reaching the status of an ‘industrial leader’” by 2025.

Economic integration leads to “catch-up”, as a nation taps and accesses available technological

know-how, either through self-development, or Foreign Direct Investment (FDI); regulatory barriers for adopting better technologies are progressively done away with; enhanced speed of technology diffusion, or “trickle down”, critical for increased efficiency gains in manufacturing, and productivity.

The process of integration includes plugging into the system of international multinational corporations (MNC’s). For instance, for the US alone, international activities of MNC’s account for 30% of accounting profits alone, with 10% of actual investment. The rents of technology capital are very important when understanding the importance of MNC activity in the process of world economic integration.



Having looked at the past for perspective, and the present for current applications, analyzing both opportunities and pitfalls, Professor Prescott then turned to making a few predictions for China. He advocated further emphasis on the development of technology capital, citing US university research centers as examples to follow. Further economic integration with the more advanced industrial countries is by far the best way to “catch-up”. The danger, he expressed, was that China becomes more centralized, and closed, he mentioned the Ming Dynasty’s isolationist economic policies as an example of what not to do. Continued integration between China’s provinces is crucial. Some provinces are far more advanced than others, “with a few which can already be categorized as advanced economies.”



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Following Professor Prescott's very informative presentation, the discussion was opened to a few questions from the floor.



Regarding China's over-reliance on its export production Professor Prescott didn't see a problem, rather he saw it as a "good thing as it provides funds for financing greater economic integration of the country." At the same time he stressed the importance of FDI, and China's sound traditional of mandatory savings as being beneficial to rapid growth. However China should not continue to run huge trade surpluses, focusing on developing domestic consumption, infrastructure investments, and sound intellectual property (IP) regulation; together these will create a fertile climate for economic integration and business development. He advocated the benefits of "building lots of roads to spur regional integration, you need twice as much at least; helping to increase efficiency gains, reduce income distribution inequalities and transportation costs." He went on to cite the US interstate road network as examples of what to do.

as part of the closing ceremony, UIBE's President Chen Zhunmin presented Professor Prescott with a beautiful gift of a traditional Chinese engraving, a profound gift full of symbolism, expressing UIBE's sincere gratitude and honour.

Article provided by UIBE's Director of International Marketing and Communications: Alex Goldsborough