China’s Monetary Policy Regulation and Financial Risk Prevention

The Study of Effectiveness and Appropriateness
Contents

1 Literature Review and Research Framework ........................................ 1
  1.1 Literature Review on the Effectiveness of Monetary Policy Regulation on Economic Growth and Inflation ........................................ 1
  1.2 Literature Review on the Appropriateness of Money Policy Regulation on Asset Price ......................................................... 3
  1.3 Literature Review on Financial System Risk Prevention and Regulation ................................................................. 5
    1.3.1 Literature Review on Systemic Financial Risk Prevention ... 5
    1.3.2 Literature Review on Macro-Prudential Regulation on Financial System ................................................................. 11
  1.4 Research Content and Framework .................................................. 13
  1.5 Content, Research Method, Academic Innovation, Academic Value and Limitations ......................................................... 15
    1.5.1 The Content of This Book Mainly Covers the Following ... 15
    1.5.2 Research Methods ............................................................. 16
    1.5.3 Theoretical Innovation ....................................................... 17
    1.5.4 Limitations ................................................................. 18

2 Effectiveness Study of Chinese Monetary Policy Regulation on Economic Growth and Inflation ......................................................... 19
  2.1 Retrospect of Chinese Monetary Policy ........................................ 20
    2.1.1 Exploration Stage: From Reform and Opening up to 1992 ... 20
    2.1.2 Optimization Stage: From 1993 to 1996 ............................. 21
    2.1.3 Gradual Maturity Stage: Since 1997 ................................. 22
  2.2 Intermediary Target: An Important Guarantee for Monetary Policy Effectiveness ......................................................... 25
    2.2.1 Interest Rate, an Immature Choice ........................................ 26
    2.2.2 Interest Rate, an Immature Choice ........................................ 26
    2.2.3 Money Supply, an Ideal Choice ........................................ 26
2.3 Empirical Effectiveness Research on China's Monetary Policy Regulation on Economic Growth and Price Level 27
2.3.1 Model Establishment .............................................. 27
2.3.2 Data Collection and Processing ................................. 29
2.3.3 Basic Statistical Characteristics ................................. 29
2.3.4 Empirical Analysis Based on MGARCH-BEKK Model ... 30
2.4 Conclusions on the Effectiveness of Money Policy Regulation ... 31

3 Appropriateness Study of Monetary Policy Regulation on Real Estate Price .................................................. 33
3.1 Real Estate Development and Macro-Control from 1998 to 2013 .... 33
3.1.1 The Development of Chinese Real Estate Industry and Market ................................................. 33
3.1.2 Government Macro-Control Measures .................................... 36
3.2 Research Hypothesis and Quantitative Model Selection ........ 40
3.2.1 Hypothesis Research: Based on the Ultimate Goal ...... 40
3.2.2 Hypothesis Research: Based on the Interest Gaming Between Central and Local Government ...... 41
3.3 Empirical Analysis of Monetary Policy Impact on Real Estate Price .. 45
3.3.1 Quantitative Model Establishment .................................. 45
3.3.2 Growth Speed Model ................................................ 46
3.3.3 Data Collection and Processing ..................................... 47
3.3.4 Basic Statistical Characteristics ..................................... 47
3.3.5 Empirical Analysis Based on MGARCH-BEKK Model ... 48
3.3.6 Empirical Analysis Based on GARCH Mean Equation Model .......................................................... 53
3.4 Research Conclusion and Policy Suggestions .................... 54
3.4.1 Basic Conclusion ..................................................... 54
3.4.2 Policy Suggestions .................................................. 54

4 Appropriateness Study of Monetary Policy Regulation on Stock Price .......................................................... 61
4.1 Development Retrospect of China's New Capital Market........ 61
4.1.1 Development of China’s Capital Market in the Recent Decades .................................................. 61
4.1.2 Policy Factors Affecting China’s Stock Market .......... 64
4.2 Monetary Policy Impact on Chinese Stock Market ............... 66
4.2.1 Economic Growth Rate Model .................................... 67
4.2.2 Fluctuation Correlation Model .................................... 68
4.2.3 Data Collection, Processing, and Basic Statistic Characteristics .................................................. 69
4.2.4 Empirical Analysis Based on GARCH Mean Equation Model .................................................. 70
4.2.5 Empirical Analysis Based on MGARCH-BEKK Model ... 71
4.3 Research Conclusion and Policy Suggestions .................... 74
5 Appropriateness Study of Monetary Policy Regulation on Bond Price

5.1 Development Retrospect of Chinese Bond Market

5.1.1 Bond Development—General History

5.1.2 Bond Development History—From Product Perspective

5.1.3 China's Bond Market Versus Overseas Bond Market

5.2 Description of Policies Affecting China's Bond Market After 2006

5.2.1 Affecting Bond Market by Means of Impact on Money Supply

5.2.2 Adjusting Bond Market by Affecting Market Interest Rate

5.2.3 Setting Market Access Requirements to Adjust Bond Market

5.2.4 Adjusting Bond Issuance Approval Progress to Adjust Bond Market

5.3 Empirical Analysis Based on Chinese Bond Market

5.3.1 Data Collection and Processing

5.3.2 Basic Statistic Characteristics

5.3.3 Empirical Analysis Based on GARCH Mean Equation Model

5.3.4 Empirical Analysis Based on MGARCH-BEKK Model

5.4 Policy Suggestions on Improving the Appropriateness of Monetary Policy Regulation on Bond Market

5.4.1 Forward-Looking in Monetary Policy Formulation and Implementation

5.4.2 Changing Fragmented Regulatory Framework

5.4.3 Introducing Government Bond Futures in Due Time to Widen Interest Rate Derivatives

5.4.4 Performing Net Settlement

5.4.5 Vigorously Promoting Innovative Bond Issuance

5.4.6 Improving Market Maker System

6 Appropriateness Study of Monetary Policy Regulation on Futures Market

6.1 Development Retrospect of Chinese Futures Market

6.1.1 Promoting Basic System Construction for Laws and Regulations and Vigorously Improving Market Development Basis and Supervision Environment

6.1.2 Accelerating Innovation of Commodity Futures Categories, Financial Futures Market Taken Initial Shape Smoothly and Soundly

6.1.3 Market Functions Taken Initial Shape and the Capability to Serve the National Economic Development Keeping Improving

6.1.4 Transformation in Regulation Ideas and Approaches
8.3 Empirical Study on China’s Financial Procyclicality and Its Mitigation System ................................. 159
8.3.1 Empirical Study on China’s Financial Procyclicality .......... 159
8.3.2 Mitigation Mechanism Analysis .................................. 170
8.4 Conclusions and Policy Suggestions .................................. 174

References ............................................................................. 181