

RESEARCH PROJECTS 2015

Project Title

Industrial Upgrading, Structural Change, and Middle-Income Trap

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Abstract

Since the second World War, only thirteen middle-income economies have successfully become high-income economies, whereas more of them have failed to converge to rich countries. This growth phenomenon is called the middle-income trap. How to avoid the middle-income trap is a key challenge facing almost all the emerging markets including BRICS. Unfortunately, there are few, if any, formal models and structural quantitative investigations specifically trying to explain the middle-income trap. The primary objective of this research is to develop formal models that highlight the role of structural change and industrial upgrading in explaining the middle-income trap and then conduct quantitative investigations on policies and welfare, based on which we provide policy recommendations for emerging markets. We believe that exploring the obstacles for structural change and industrial upgrading is a promising new angle because it exploits structural differences.

