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HOW HAS CHINA'S MARKET-ORIENTED REFORM AFFECTED REGIONAL
PRODUCTIVITY PERFORMANCE IN INDUSTRY?

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Abstract

For a large and dynamic economy like China, it is important to understand the role of individual regions in the national economy. Along with the reform-induced marketisation and integration with the international economy, there have been on-going changes in factor costs and hence comparative advantages across regions, and interregional resource reallocations. A proper assessment of regional economies and their potentials relies essentially on an accurate measure of regional productivity. However, data problems, especially the lack of properly measured capital input (stock and services), have been a major obstacle to such an assessment.

In this study, we begin with a critical discussion of the problems in the official investment data. Then following the Jorgenson approach, for each major industry across regions, we firstly construct an alternative investment series, secondly, calculate its net capital stocks, and lastly estimate its capital services. The newly constructed capital input data are used in both conventional growth accounting and production function analysis to assess the effect of the reform on regional productivity disparities, as well as the likely biases if the official investment statistics are taken for granted.