

China's Growth Accounting

Topic: Classical IO applications: Industrial economics, Productivity and Efficiency

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China's economic growth was driven largely by investment. More than 10% extraordinary economic growth declined after Lehman shock. The government tax revenue growth rate has been less than the economic growth rate from 2015. The investment growth rate also fell down to less than 10%.

Krugman(1994) mentioned technological advances have led the advanced nations been able to achieve sustained growth over the past 150 years. Young(1992) and Kim and Lau(1994) suggest growth of the Asian tigers, which achieved most rapid growth during 1960-1990, was input-driven with relatively low productivity. Total factor productivity (TFP) is recognized an important factor in the process of economic growth.

Relying on official data on China's capital stock and labor inputs, this paper, based on the Cobb-Douglas production function, measure the productivity for Chinese economy over the past two decades. Here the productivity gap was assumed to be caused by deferent industry levels and by deferent regions.

This paper measures the gap of the industry level productivity mostly based on the national IO table from 1992 to 2012. It also measures the regional inequality in productivity mostly based on Multi-regional input-output table (MRIO) from 2002 to 2012. Fixed and random panel data approach is employed to estimate the productivity in the industry level and in the region level.

Keywords: China's productivity, Multi-regional input-output table (MRIO), panel data analysis