

Can the Value-Added-Rate Reflect the Quality of Economic Growth?

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It has been listed as one of the key indicators of the quality of the industrial sector and manufacturing sector in "Industrial transformation and upgrading plan (2011-2015)" and "Made in China 2025 Plan" respectively, for the industrial and manufacturing value added rate (Hereinafter referred to as the VAR). However, some facts are otherwise. For example, in the province of China, the increase in the industrial VAR level is almost the opposite of the economic development. The main conclusions have been drawn as follows: Firstly, there exists a threshold level of VAR. When the real VAR is below it, the larger the real VAR, the higher the quality of economic growth is. However, once the real VAR is above the threshold level, the trend shows the opposite trend. Therefore, we should be caution in practice, otherwise may backfire. Secondly, there exists a long-term co-integration relationship between the real VAR and the threshold level value, and there also exists an inverted U relationship between the real VAR and Total Factor Productivity. Finally, the threshold level of VAR varies considerably in different countries, and it is associated with the capital depreciation rate, population growth rate, saving rate and other macroeconomic indicators. Therefore, we need to fully implement "The Recommendations of the Thirteenth-Five-Year Plan of the Communist Party of China Central Committee on National Economic and Social Development" spirit, to enhance China's VAR threshold level as to achieve consistency between the real VAR and quality of economic growth.