Lingnan University 嶺南大學

Department of Economics Seminar

Is Road Investment in China Productive? Firm-level Evidence

(in English)

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Biography:

Dr. Zhigang Li graduated from University of California, San Diego, in 2005 with Ph.D. degree in Economics. He is now the Senior Economist of Shuion land and adjunct professor of the Hong Kong Baptist University. Prior to the current position Dr. Li has taught at the School of Economics and Finance in the University of Hong Kong for a number of years. With prime research interests in the fields of regional and public economics, Dr. Li has involved in research projects covering infrastructure investment, real estate markets, environmental issues, and fiscal system within the context of China. Applying rigorous econometric analysis on Chinese data, Dr. Li has been exploring research questions that are motivated by the growth experience of China and have general implications for economic development policies in the developing world. Recent research outcomes of Dr. Li have been published in Journal of Urban Economics, Journal of Comparative Economics, Ecological Economics, Contemporary Economic Policy, and China Economic Review.

Date: 5 September 2014 (Friday)
Time: 11:30 am – 1:00 pm
Venue: WYL314, Dorothy Y. L. Wong Building

Abstract:

The "great leap forward" of China's road investment in the past two decades has been widely criticized as being non-productive due to the distortions of government incentives. In this study, we econometrically estimate the productive effect of road investment in China and the consequent rate of return. The identification of causality is achieved through estimating the differential impact of road investment on firms with heterogeneous transport reliance. In addition, our model allows markup to vary by firm, and to respond to road investment. Applying a firm-level fixed-effect panel data model to medium and large manufacturers in China from 1998 to 2007, our key findings are as follows. (1) Road investment in China has significantly raised the productivity of firms, improving GDP growth by 0.6 percentage points per year and implying a rate of return of approximately 80%. (2) Nevertheless, efficiency of road investment in China appears to be low, using estimate for the U.S. as benchmark. (3) Contrary to common criticism, the driver of low investment efficiency in China appears not to be the quality of local government, but rather the difference in local financing ability.

All Are Welcome

For enquiry:26167381(Grazie)