The Division of Economics and the Economic Growth Centre cordially invite you to a seminar by Dr Li Zhigang

Speaker: Dr Li Zhigang
Adjunct Professor
Baptist University of Hong Kong

Topic: “Road, privatization, and productivity: Firm-level evidence from China”

Chairperson: Assistant Professor Feng Qu
Division of Economics
School of Humanities & Social Sciences

Date: Wednesday, 26 February 2014
Time: 2:30 pm – 4:00 pm
Venue: HSS Meeting Room 5 (HSS-04-89)
Nanyang Technological University
School of Humanities and Social Sciences
14 Nanyang Drive
Singapore 637332

About the Speaker:

Dr Zhigang Li graduated from University of California, San Diego, with Ph.D. degree in Economics. He is now an adjunct professor of Baptist University of Hong Kong. Prior to the current position at Dr Li has taught at the School of Economics and Finance in the University of Hong Kong for a number of years.

Dr Li specializes in applied research in the fields of public economics and regional economics of China. He has involved in a number of research projects covering taxation system, infrastructure investment, real estate markets, and environmental issues. His recent research works are published in Journal of Urban Economics, Journal of Comparative Economics, Contemporary Economic Policy, China Economic Review.

Abstract:

China experienced road investment, privatization, and productivity growth, all at unprecedented pace, during the past two decades. We find that they were intrinsically related, as road investment raised aggregate productivity through two channels: a direct channel via elevating firm-level productivity and an indirect one via accelerating privatization. Our empirical evidence is based on data covering the universe of medium and large manufacturers in China from 1998 to 2007. The causal impact of road investment is identified through estimating the differential impact on firms with heterogeneous road reliance. Key findings are as follows. (1) 1% increase of road investment increased local output by 3%, much larger than estimates available in the literature. (2) The output increase was largely due to increased demand for local products, but productivity gain of local firms was also significant: the elasticity of road investment on productivity was 0.25, only slightly below that of the US. (3) The productivity of road in China could have been higher, but the major source of inefficiency was not the road planner, but the users of road. If SOEs were as productive as non-SOEs, the return to road investment in China would have more than doubled. (4) Road investment has also promoted privatization: this effect has raised the aggregate productivity by around 2% per year by our estimates. In sum, despite the subdued productivity of road in China, the implied aggregate rate of return was over 50%, which, together with the privatization effect, supports the large-scale infrastructure investment of China as a second-best development policy.

Reservation:

Admission is free. Please reply to Christina, e-mail: achristina@ntu.edu.sg or Tel: 6790-5689 to confirm your attendance.