

## **Re-examining China's Growth Performance by Taking into Account Changes in Capital Deepening and Industrial Capacity Utilization**

Carol Corrado  
The Conference Board, New York

Harry Wu  
Hitotsubashi University, Japan

The extensive public discourse on “over-investment” and “overcapacity” in China has occurred within a very sparse infrastructure of data and quantitative research. Wu (2008) provides preliminary historical estimates of industry capital stocks and industry capital input in China from 1949 to 2005, and a recent update by Wu (2011) brings the estimates through 2009. China’s National Bureau of Statistics (NBS) is planning to publish a quarterly survey of industrial capacity utilization in the near future, and Corrado and Deng (2010, revision forthcoming) develop new data on capacity utilization for selected products in China from 1990 to 2009 to help address the data gaps needed to interpret the new NBS numbers historically and going forward. These works and official data development mark huge steps in filling the data gaps needed to analyze changes in investment behavior, capacity utilization, state policy, and economic growth in China. Many yardsticks can be used to characterize China’s economic growth, but chief among them are its state-run nature and extraordinary pace—both of which raise questions about how well conventional growth accounting techniques model China’s economic growth. The paper updates capital’s contribution to economic growth in China using conventional growth accounting techniques. It then develops direct measures of industry capacity utilization and uses them (via the Bernt-Fuss 1989 theorem) to evaluate the conventional productivity results and attribute the changes to capital deepening vs. changes in utilization.