Abstract for “Measuring the Capital Service of R&D in China”

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R&D expenditure has been recognized as part of capital formation in SNA2008 for the first time. This part of the 'new' capital formation changes the size of GDP, also has a profound impact on capital accounting. Furthermore, with the concept of capital services introduced in SNA2008, there are some changes in capital accounting itself. Both of these will cause a growing interest in the measurement of capital service on R&D. In China, the R&D capitalization accounting is facing a lot of problems both in technique and data.

By using the framework established in the two OECD manuals, our paper contributes to the literature by exploring the parameters in estimation of R&D assets in China, such as the demarcation of R&D investment, the base period capital stock, service lives, price indices etc.. This paper also discusses the rate of return on R&D capital and tax rates that required in R&D capitalization accounting. Then the calculation results of capital services on R&D in China by region level from 1978-2011 is finally obtained.