Title: The Productivity Race between India and China in Manufacturing in the Reform Era

Speaker: Assoc Prof Harry X. Wu  
The Hong Kong Polytechnic University

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National University of Singapore  
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Chairperson: Assoc Prof Albert Hu

Abstract

Most recent studies on India and China generally focus on the aggregate economy or sector-wide performance using data available in national currency units. Therefore, their results cannot answer industry-specific questions that are important to assessing industrial policies against the background of policy shifts. Besides, their results are necessarily affected by relative price level differences and dynamics across industries. To address these problems, this study constructs detailed industry-level input and output time series for both countries and estimate production-side purchasing power parities (PPPs) to convert output and capital stock aggregates in the two countries into compatible values. Specifically, it compares the levels of real output, capital-labour ratio and total factor productivity in individual industries between the two countries, investigates the time profiles of these important indicators, and using China as the base country identifies industries in India that have experienced better productivity performance over, fast catch up with, or have been overtaken by their Chinese counterparts.

Our main findings show that for the manufacturing sector as a whole, labour productivity and total factor productivity (TFP) in India had been above the level in China for most of the study period prior to 2000 and it is only since 2000 we find the TFP level in China to be above that of India. A distinguishing feature of these results is that the high levels of labour productivity are indeed driven by high levels of capital intensity. However, in India this was accompanied by increase in marginal product of capital (MPK) prior to China joined WTO. In recent years, MPK in labour intensive industries stopped rising and in producer goods industries declined. By contrast, capital deepening in Chinese was associated with a significant decline in MPK, not only in producer goods but also in consumer good industries that have contributed significantly to China’s export-led growth, implying inefficient investment and accumulated production capacity.

About the Speaker

Assoc Prof Wu received BA and MA in economics in 1982 and 1985, respectively, from the Nankai School of Economics, Nankai University, China. He conducted his MPhil and PhD research as the UN/DTCD Fellow at the University of Waikato, New Zealand, in 1988-93. His major areas of research include China’s long-run economic growth and productivity performance, production-side PPP analysis in international comparison, working closely with Angus Maddison’s group (Groningen University). He is also interested in macroeconomic measurement issues and political economy of the economic reform in China. He has published and edited books on issues related to China’s economic reform. His latest book (co-authored with Leong Liew) is The Making of China’s Exchange Rate Policy by Edward Elgar, 2007. His research papers appeared in journals like Review of Income and Wealth, China Economic Review, and The China Quarterly.
Seating is on a first-come-first-served basis and admission is free.

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