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“The Return to Capital in China”

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China’s investment rate is one of the highest in the world, a fact that leads one to suspect that the return to capital in China must be quite low. Using data from China’s national accounts, this paper estimates the return to capital in China. We find that the aggregate annual return to capital averaged 25 percent during 1978-93, fell during 1993-98, and has remained roughly stable at around 20 percent since 1998. Thus the aggregate return to capital does not appear to be significantly lower in China than in the rest of the world. We also find that the dispersion in the return to capital across Chinese provinces has fallen since 1978.