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**Allocative and Dynamic Efficiency of China's Investment:
Evidence from Provincial Data**

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Abstract

Abstract of thesis titled “Allocative and Dynamic Efficiency of China’s Investment: Evidence from Provincial Data”, submitted by Zhu Yan (M-B15635-3) for the degree of Master of Social Sciences at the University of Macau in August 2013.

This study attempts to investigate the allocative efficiency and dynamic efficiency of different kinds of investment in China at the national and regional levels. Allocative efficiency is measured by the relationship between investment and the marginal product of capital computed based on the Cobb-Douglas production function. Dynamic efficiency is measured by the deviation of the rate of investment from the share of capital income.

The results show that the aggregate investment had been allocated efficiently during 2001-2008 but not thereafter. During 2001-2010, infrastructure investment had been allocated efficiently in the coastal region but it was too much in the inland region. Foreign investment was little but investment funded by state budget was too much. Overall, investment had been better allocated in the coastal region and investment in the inland region was excessive.

Keywords: Investment, Allocative Efficiency, Dynamic Efficiency

Declaration

I declare that this thesis represents my own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

Signed: _____



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Abbreviations

Abbreviation	Description
CEIC	CEIC database
NBS	National Bureau of Statistics
RK	Capital stock
FAI	Fixed assets investment
FAII	Infrastructure fixed assets investment
MPK	Marginal product of capital
MPIK	Marginal product of infrastructure capital
MPNIK	Marginal product of non-infrastructure capital
MPSK	Marginal product of state budget capital
MPLK	Marginal product of domestic loans capital
MPFK	Marginal product of foreign investment capital
MPOK	Marginal product of self-raised and other funds capital

