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**How does infrastructure affect TFP in China?
Evidence from firm-level data**

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of Master of Social Sciences at the University of Macau.

Abstract

The year 2008 has witnessed several severe economic storms, with the global financial crisis and European debt crisis being the most influential ones. Under these circumstances, the Chinese government starts to put more focus on the domestic market.

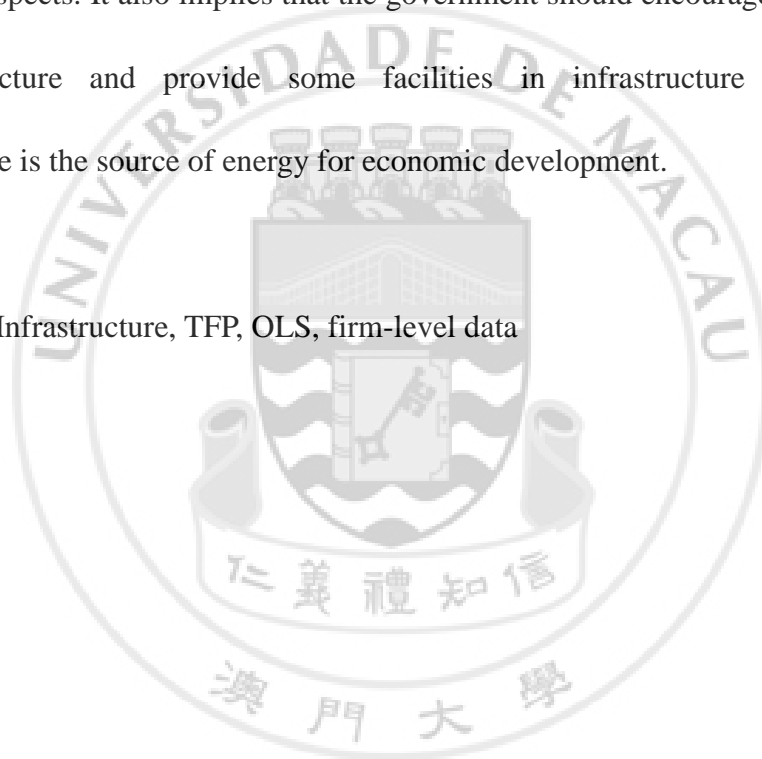
The investment in infrastructure is an important part of the domestic market. The infrastructure development has attracted many researchers' attention. There are many empirical studies investigating the question of how infrastructure affects economic development and what role infrastructure plays in economic growth. Many scholars agree that investment in infrastructure development helps to tackle global economic crisis.

This thesis aims to find out the relationship between infrastructure and economic development. Although many researchers investigate this topic on the macro level, little attention has been paid to studies using firm level data to provide some evidence from the micro perspective. Furthermore, as a developing country, Chinese infrastructure development falls behind the developed countries. It is useful to provide some suggestions to improve Chinese infrastructure development. This can help government to put the limited source into the most important field.

In this thesis, firstly, we estimate firm's total factor productivity (TFP). Then, we choose three factors, electricity service, telecommunication and personal computer service to represent the situation of infrastructure. Finally, we discuss how these three factors affect the TFP.

The result shows a significant and positive relationship between infrastructure and TFP from three aspects. It also implies that the government should encourage development in infrastructure and provide some facilities in infrastructure development. Infrastructure is the source of energy for economic development.

Key words: Infrastructure, TFP, OLS, firm-level data



Declaration

I declare that this thesis represents my own work and knowledge, 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 _____

Dated _____



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