

**VIEW COMMENTS FROM EXTERNAL REVIEWER**

Project Number : 16601519

Project Title : Physical Capital Measures for China (1952 - 2017)

PI Name : Prof Holz, Carsten A.

**Section A : Detailed Comments****1. Please comment on the objective(s) of the proposal, and whether the research agenda adequately addresses the objective(s)?**

Excellent	Very Good	Good	Fair	Poor
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Comments:**

This is an excellent research proposal with an ambitious agenda that will deliver a key economic series on China that will be widely used by specialists. The measure of capital is arguably the central statistic needed to understand both economic growth and technological/organizational innovation. The mismeasure of growth has sparked famous debates -- most notably Krugman's claims about Asia's growth miracle being mainly a capital-intensive and labor-intensive phenomenon. The capital services approach is an attempt to arrive at better measures of capital by reference to the flows of income generated by capital rather than the underlying capital itself -- as rental income is a measure of the capital services of an apartment. As an OECD partner country, China is much in need of a capital services measure that follows OECD guidelines. Moreover, given the unreliability of any statistical calculations done in China itself due to professional corruption and political censorship, such measures can ONLY be done outside China and, frankly, ONLY by scholars who are not prone to fall into the same traps as researchers in China itself (whether for cultural or ideological reasons). I am surprised that the OECD has not tackled this for China, which is a partner country, and hope that this project might contribute to that end. As described here, Dr. Holz will be taking his pilot study of capital services at the provincial level and scaling this up to the national level with four significant additions: national-level rather than provincial-level data; greater variety of economic sectors; advanced data transformation; and theoretical innovations. Actually, any ONE of these four would make this a worthy project. In particular the payoffs in terms of contributions to capital services measurement theory give this a methodological as well as practical value.

**2. Please comment on the Research Design and Methodology.**

Excellent	Very Good	Good	Fair	Poor
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Comments:**

A key feature of this research design is the pledge of open access to underlying data and calculations (in contrast to the proprietary method adopted by scholars in China) and the avoidance of calculative shortcuts. This proposal in its broader design is valuable for that reason. The plan to provide a series up to the present is also an important contribution of the overall design. I am not enough of a specialist on the capital services calculation methods to address this proposal's replication of the OECD and BLS methods. But I believe the PI has sufficiently justified these in the previous proposal and responses to those comments in this one.

**3. Please comment on the feasibility of the proposed research.**

Excellent	Very Good	Good	Fair	Poor
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Comments:**

A key concern of the last grant request for this project was a lack of graduate or other research assistance and timelines. This proposal addresses both, the former by requesting more support for research assistance and the latter by the evidence of the forthcoming CER journal article with Sun Yue that appeared in October 2018. The feasibility of the research is as much dependent on the capacity of the researcher to recognize the challenges to the feasibility of the research as anything else and Dr. Holz's keen sensitivity to the challenges to doing this project right bespeaks a preparation and recognition of the scale of the task that will make its successful completion more likely.

**4. What do you consider to be the most original or innovative aspect of the proposed research? What advances would the research result bring about to the related field if the proposed research is successful?****Comments:**

To the extent that capital services has replaced capital stock as the preferred method of thinking about capital in studies of economic growth and innovation (and perhaps in the wider public discussions centered on "Capital" sparked by French neo-Marxist Thomas Piketty), this project brings the world's fastest emerging major economy into that discussion. The project would advance not just understanding of China's economy but also understanding of the measure of capital services. There is a broader agenda here of norming China's economy through the OECD partnership.

**5. Please comment on the reasonableness of the proposed budget and manpower planning and project duration.****Comments:**

The entire budget (except or HK\$60,000) is given over to graduate research assistance. There is no padding or fluff here. It is as lean as lean can be, and can be thought of as an investment in education for these future economists.

**6. Overall Comments**

Overall Comment : Very strong, responds to earlier unfunded proposal comments.

Strength: Both theoretical, practical, and global governance payoffs.

Weaknesses: None.

Suggested improvements: None.

**Section B : Summary of Assessment**

**The project :**

Scientific/scholarly merit	Excellent	Very Good	Good	Fair	Poor
	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Duration Proposed	Too Long	Appropriate	Too Short		
	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>		
Impact of Research	High	Moderate	Low	None	
	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

**The principal investigator :**

Ability to undertake the proposal	Excellent	Very Good	Good	Fair	Poor
	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Track record in field	Excellent	Very Good	Good	Fair	Poor
	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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