## SOEs Reform's Impact on China Economic Growth

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This paper will investigate how the Stated Owned Enterprises (SOEs) reform influences economic growth. We will construct a Computable General Equilibrium model which reflecting Chinese economic characteristics, separating the production from SOEs or not SOEs, to estimate SOEs reform's impact on economic growth. The preliminary results find that SOEs reform can enhance economic growth through raising marginal output of capital, improving allocation efficiency of capital, increasing TFP growth rate and exerting the spillover effect on other firms. Results of numerical simulation show that economic growth rate benefits significantly from SOEs reform: If every 5% of the SOEs are reformed year by year in the next 10 years, the economic growth rate can averagely raise 0.33 percentage point every year; and the yearly average raise of the economic growth the background of searching and exploring endogenous driving force for economic growth, promoting SOEs' reform steadily and actively is very important for China to enhancing the economic efficiency and promoting economy growth.

Oultline

1. Introduction

1.1 Research on the performance of Chinese SOES via other firms.

1.2 some other related research about the SOE reform and economic growth, such as Hsieh & Klenow(2009),Brandt & Zhu(2010)

2.Data and Mechanism analysis of SOEs reform on economic growth

2.1 SOEs reform could enhance the capital productivity

2.2 the relation between SOEs share and capital allocation efficiency in the economy

2.3 estimates and comparison of the growth rate of TFP (total factor productivity) for SOEs and Non SOEs based on the Chinese firm-level survey date,2000-2008

2.4 the spillover effect of firm level TFP from the growth of SOEs and other firms.

3.Construct of the Chinese CGE model to simulate the effect of SOEs reform on Economic growth

This model will based the data on Chinese 200 IO table (we will soon get the 2012 IO table and may be revise it)

3.1 Model feature 1: separate the SOEs sector and Non SOE sector, and differentiate the capital and labor productivity of different firms

3.2 Model feature 2: separate the sectoral TFP difference between SOEs and Non SOEs, to reflect the different spillover effect

3. 3 Model feature 3:Special function of investment allocation in every sector, so the model will reflect the mechanism of dynamic capital allocation effect

4. Simulation Results of SOEs reform on Chinese economic growth in the next ten years (2015-2024)

4.1 set the scenarios of SOEs reform

Base scenario

scenario 1:slow reform, 5% SOEs will be privatized in the next 10 year.

scenario 2:medium rate of reform, 10% SOEs will be privatized in the next 10 year.

scenario 3:medium rate of reform, 20% SOEs will be privatized in the next 5 year.

## 4.2 Simulation results

4.2.1 Economic growth rate of different scenarios

4.2.2 difference of per capita GDP

4.3 decomposition of the SOEs reform effect to different mechanism

5. Conclusion and policy suggestion

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