

Quality of GDP data improves

National Bureau of Statistics makes robust efforts to reduce errors in various regional inputs

By YAO YANG

Figures released by the National Bureau of Statistics (NBS) show that China's GDP grew 6.9 percent in real terms to reach 82.7 trillion yuan (\$13.1 trillion) last year. Between 2010 and 2017, the size of China's nominal GDP has increased from 39 percent to 63 percent of the United States' GDP, and it will overtake the US to become the largest economy by 2025 even if its speed of catching up were to slow a bit.

However, several provinces' recent revising of their GDP figures has raised serious doubts about China's GDP data. Following Northeast China's Liaoning province, which trimmed 23.3 percent of its GDP in early 2017, Tianjin and the Inner Mongolia autonomous region, in North China, drastically cut their GDP figures at the end of the year. For example, Tianjin reduced by half the GDP produced in the Binhai New Area, the city's major industrial district.

It has been known to researchers and policymakers that local economic data are subject to the interfer-

ence of local governments. However, the direction of error is uncertain.

In most places, GDP figures are likely to be inflated because better economic performance helps the promotion of local officials. But in some places, notably fast-growing cities, GDP could be underreported because local enterprises may want to avoid paying too much tax.

The figures of the national GDP, however, are not obtained by just aggregating regional reports. The NBS has its own direct reporting systems.

However, because a large share of investment is carried out by local governments, the NBS relies on local governments' reports to come up with its investment figures. Its staff has to do some "guesstimates" to figure out the numbers. And the results may go in either direction.

When the economy is booming, local governments invest heavily in infrastructure and the real estate sector. The central government, though, worries about overheating and often asks local governments to slow down investment. This gives local officials the incentive to underreport their investment

figures, and vice versa when the economy slows down.

The result is that the national GDP tends to be underreported in fast-growing periods and overreported in periods of slower growth. However, this is not the whole story about the real size of China's GDP; most economists believe that it is larger than the official figures.

One source of underestimation is underreported consumption from housing. Housing is a durable good that produces a stream of welfare to its owner. In the national account, this is captured by so-called "inputted rents" — artificial rents paid by the owner as if he or she were a tenant.

The NBS does record inputted rents, but those rents are calculated on the basis of operational costs, not the market prices that advanced economies use in the calculation. China's GDP would be increased substantially if market prices were used for the calculation. As a comparison, inputted rents account for 6.8 percent of the US' GDP, but less than 2 percent in China.

Consumption can also be underreported by China's accounting rule

governing enterprise expenditures. Currently, all the spending carried out by enterprises is counted as material inputs which are subtracted when value-added is calculated and thus are not part of GDP.

However, a large proportion of enterprise spending is consumption expenditure on banquets, gifts and entertainment. Many private entrepreneurs budget their own consumption, including personal spending on cars, travel, and sometimes houses, into their companies.

According to two economists, Zhang Jun and Zhu Tian, the share of consumption in China's GDP would increase by 10 percentage points if inputted rents and enterprise consumption were correctly measured.

Another source of underestimation is unaccounted economic activities, particularly in the service sector where cash transactions are common. The NBS conducts a national economic census every five years and each time it revises up China's GDP figures, mostly because of bringing back underreports in the service sector.

Following the practice of the US,

the NBS, in its 2017 GDP release, has begun to count research and development expenditures as part of GDP. This move has increased the size of China's GDP by about 2 percent. The NBS also plans to adopt market prices as the cost basis for inputted rents. This will further revise up the size of China's GDP.

To sum up, it is safe to say that the growth rate of China's GDP is more or less correct when it is averaged out in a complete business cycle. In between, judgments are needed to come up with the correct yearly growth rates.

With continuous improvements, the NBS will definitely produce more accurate figures in the future. One immediate and major improvement is that starting from this year the NBS will prepare to directly produce regional GDP figures for provinces in 2019. This will greatly reduce the errors in China's GDP statistics.

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Bold moves can rein in corruption

China must thoroughly reform its national power structure and take innovative steps to supervise public servants

By QIAO XINSHENG

China's fight against corruption in the new era has experienced notable changes, with the focus shifting from winning time for resolving the chronic graft problem to making substantial institutional breakthroughs on the issue. This is reflected in the leadership's decision to establish a national supervisory commission to oversee all officials exercising public power in accordance with the law, and the adoption of a series of amendments to the Constitution.

The ongoing anti-corruption campaign is mainly targeted at vested interest groups and the political corruption they are involved in, which Wang Qishan, former chief of the top anti-corruption watchdog, said was the worst form of corruption.

Political corruption is, in general, manifested in two aspects: The formation of interest groups with the intention of usurping Party and State power, and clique-based sectarian activities aimed at damaging the Party's centralized unity.

This is an important conclusion made by the Communist Party of China (CPC) based on its past anti-corruption campaigns. It also shows that to completely eradicate corruption, China must resolutely prevent the formation of intra-Party interest groups, uproot the corrupt forces embedded in the political and economic systems, prevent intra-Party interest groups from seizing political power to change the Party's nature, and build a strict and serious intra-Party political life.

Aside from violating State law and Party disciplines, there is another form of corruption which, according to some legal experts, takes advantage of the problems existing in the country's political system in the process of its socialist construction or the Party's discipline loopholes to form political alliances, so as to exercise absolute say in personnel appointment. Without eradicating such "legalized" forms of corruption and achieving institutional breakthroughs, no anti-corruption campaign can fully succeed.

The 19th National Congress of the Communist Party of China in

October sent an unequivocal signal that the country will change the soil breeding corruption, in order to eliminate corruption in the Party from the root.

In terms of separation of "administrative, legislative and judicial powers", the Chinese mainland's anti-corruption system is different from that of Western countries, as well as Taiwan's supervisory system.

The mainland's national supervisory commission is a political organ, but not an administrative or judicial body. The supervision commissions at different levels are under the leadership of the Party and subject to the supervision of same-level people's congresses and their standing committees.

In designing the anti-corruption system, the Chinese mainland must learn from the mature anti-corruption practices of other countries and regions, including the Independent Commission Against Corruption of the Hong Kong Special Administrative Region. It should also explore the internal motivation and political resources within its political system to form a unique

anti-corruption mechanism with Chinese characteristics.

China's fight against corruption must be under the leadership of the Party and adhere to the principle that the Party enjoys absolute say and decision-making powers on the issue. The CPC's anti-corruption drive is a kind of fight against "self-corruption", which is different from combating corruption among political parties.

Therefore, the Party must have a high level of self-discipline, exclude selective law enforcement, bring itself under people's supervision and prevent the anti-corruption campaign from becoming an intra-Party political struggle, which is a type of formalism.

The anti-corruption campaign is an effort to maintain the Party's political nature, address deep-seated problems through self-correction, and ensure the Party leads the Chinese people to realize modernization.

The CPC has come to realize that the anti-corruption drive is not a self-entertaining campaign, but a process of continuously pursuing

and building consensus.

So China must thoroughly reform its national power structure, and all the staff in the public sector should be put under the supervision of the anti-corruption agencies to make sure the drive is successful.

In the past, the anti-corruption campaign was mainly targeted at the Party rank and file. Now, with the establishment of the national supervisory commission, the campaign will cover both Party members and non-Party members in all public sector organizations.

According to the Standing Committee of the National People's Congress, the country's top legislature, all officials who exercise public power will be brought under the scrutiny of the country's supervision agencies.

And the commission and its local branches are bound to take some bold and innovative actions in supervising public servants to better fulfill their responsibilities.

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