Is China’s Digital Economic Growth Profit-Led or Wage-Led?

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Abstract: Drawing on Marx’s theory of the reproduction of aggregate social capital, this paper develops a six-department Marx–Kalecki model and uses China’s digital-economy input–output tables for 2000–2020 to systematically examine whether the growth mechanism of digital-economy departments is profit-led or wage-led. The results show that most of the departments exhibit profit-led growth. However, the negative elasticity coefficients of the digital-economy departments are significantly smaller than those of the non-digital departments, indicating that digital-economy growth is less sensitive to wage shocks. Wage increases raise capacity utilization in all departments through the consumption-demand channel, so the economy displays a hybrid pattern characterized by “declining profit rates and rising capacity utilization.” Over time, as digital technologies have become more deeply embedded in the production system, the relative profit rates of the digital departments have gradually increased and surpassed those of the non-digital departments after 2010. The effect of wage changes on growth can be decomposed into three channels: the structural effect, the technological effect, and the demand effect. The digital economy weakens the adverse effects of wage shocks through three mechanisms: a lower wage share, a shorter depreciation cycle, and faster technological iteration. This paper provides an analytical framework and empirical evidence, grounded in Marxian reproduction theory, for understanding the distributive mechanism of digital-economy growth.