China's Regional Development Review and prospect

Edited by Ming Lu, Zhao Chen, Xiwei Zhu, and Xianxiang Xu

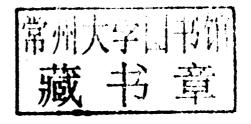




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China's Regional Development

China is a large developing economy and it has been deeply involved in globalization since its economic reform and opening-up. Simultaneously, China has seen a significant change in the spatial distribution of economic resources, especially capital and labor. In the past 10 years, economists have made significant progress in both theoretical and empirical studies on related topics.

The book provides an overview of the existing literature and current policy debates on what we have known and what we have misunderstood. It includes an analytical framework of the New Economic Geography with political economy to help us understand China's regional development issues. The book of 10 chapters is organized into four thematic sections. Part One is a theoretical discussion on the relationship between economic agglomeration and interregional balanced development. Part Two is a political economy analysis on regional and urban-rural development. Part Three provides a summary on empirical literatures concerning market segmentation and institutional barriers that constrain production factors, including capital, labor, and land use rights, from being reallocated across regions. Part Four consists of four empirical chapters on the relationship between agglomeration and balance, which is the core of relevant policy debates.

The book is a valuable reference for readers who are interested in spatial economics and the Chinese economy, especially China's regional and urban development.

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Foreword

Economic activities are not concentrated on the head of a pin, nor are they spread evenly over a featureless plane. On the contrary, economic activities are concentrated in a fairly limited number of cities and regions that account for a sizeable share of the wealth produced in developed and emerging countries. Contrary to widespread belief, we do not live in a world where distance and location no longer matter. Recent empirical and theoretical work in the new economic geography and urban economics shows a very different reality. New forces, hitherto outweighed by natural factors, are shaping an economic landscape that, with its many barriers and large inequalities, is anything but flat. The aim of the new economic geography is to identify the main channels that generate peaks and troughs in the spatial distribution of wealth and people. Unlike earlier contributions in spatial economics, the acting centripetal and centrifugal forces are market-based and endogenous.

The conclusions of Krugman's ground-breaking paper are well known and have given rise to controversy. Unlike new trade theories that do not consider factor mobility, allowing for the migration of workers may lead to the emergence of large economic agglomerations and regional imbalance. In view of the political and social implications of this conclusion, it is important to assess its robustness. Indeed, the core-periphery model disregards several major factors that lead to less pessimistic conclusions. Above all, the high housing and commuting costs households must bear for living in large cities deter the continuing concentration of activities in a few giant cities. Thus, if economic integration can indeed initially foster a more intensive agglomeration of economic activities, its continuation is liable to generate a redeployment of activities that could lead to a kind of geographical evening-out. In short, one may expect the process of spatial development to unfold according to a bell-shaped curve.

The new economic geography appears to be especially well suited to the study of a fast-growing and large economy, such as China. China experiences widening regional disparities—with 67.9 percent of its GDP being produced by 42.8 percent of its population over 13.5 percent of its area in 2007, as well as a rapid urbanization—its rate of urbanization now slightly exceeds 50 percent. Both processes have, and will continue to have, a major impact on the way economic activities unfold across the Chinese space-economy, with immense social and

political consequences. The research agenda involves an impressive list of key questions. Are Chinese cities too small or too big? Are internal trade borders still high within China? Will the development of large transportation infrastructures promote convergence or divergence across Chinese provinces? Will the West of China catch up with the East? These are just a few examples of issues that should be explored by Chinese scientists in cooperation with their foreign colleagues.

This book, written by leading young Chinese economists, is a very important contribution that will help both Chinese and international readers to understand what is going on in China's regional and urban development.

Jacques Thisse CORE Université catholique de Louvain 2013

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