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Jinquan Liu Editor-in-Chief

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Frontiers in Economic and Management Research attempts to provide a platform for the Chinese scholars to communicate with their peers overseas in economic and management research. The journal aims to publish articles that have conducted quality as well as innovative research, and that investigate major issues in economic and management research, and that address major economic and management issues in the Chinese market. The journal encourages cross fertilization of ideas among the fields of thinking and application of advanced analytical techniques in the research.It is also the journal's intention to suggest directions for future research, through the articles, to the Chinese scholars and to provide insights and readings for classroom use. The journal will make efforts to contribute to the development of economic and management research in China.

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Remarks from the Editor-in-Chief

Frontiers in Economic and Management Research is published by the Business School of Jilin University and is associated with the Research Center for Quantitative Economics of Jilin University. The journal attempts to provide a platform for Chinese scholars to communicate with their peers overseas for economic and management research. The editors give priority to quantitative analysis and methodologies. Independent and innovative thinking is highly encouraged, and the journal will make efforts to contribute to the development of economic and management research in China.

The journal aims to publish articles that have conducted high-quality and innovative research that investigate significant issues in economic and management research and address major issues within the Chinese market. The journal encourages cross-fertilization of ideas across fields of thinking and implementation of advanced analytical techniques in research. It is also the journal's intention to suggest directions for future research. Through the articles, the Chinese scholars will be provided with insights and readings for classroom use. The journal will ensure that the articles published here meet the international professional standards for quality of content and exposition.

Authors from home and abroad are all welcome to submit manuscripts to the journal.

Prof. Jinquan LIU
Editor-in-Chief

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The Distortion Effect of China's Urbanization Development on Urban and Rural Residents' Consumption*

Hongqian Qi　Yan Liu　Xuwen Xi**

Abstract: Narrowing the income gap between urban and rural areas and expanding rural consumption are important goals of urbanization. During the past 30 years, China has achieved rapid urbanization development with the widening urban-rural consumption gap. This article uses China's provincial panel data from 2002 to 2014, employs PVAR model empirically, studies the "distortion effect" of urbanization development to the synchronous growth of urban and rural consumption, finds that China's urbanization development with "city priority" distorted the synchronous growth of urban and rural consumption, through rising urban residents' income level, strengthening rural resident's precautionary savings motive and leading the welfare loss of agricultural transfer population. Here are the findings of this article: the key of avoiding "distortion effect" is to realize the optimal city size and reasonable pace of urbanization, radiating from city to rural areas with the help of the information network, strengthening the balanced urbanization development and civilization as the basic strategy of urbanization in the future.

Keywords: Urbanization; Urban-rural Gap; Consumption; PVAR Model

1　Introduction

In the new normal state of economic development, the growth of investment and export continued to slow down, however, consumption became the main driving force of China's economic growth. In 2015, the contribution rate of final consumption to economic growth

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had reached 66.4%, the year-on-year growth was 15.4%. However, is there an engine that will continue to promote the consumption in the future? Understanding the problem correctly and scientifically is the key to judge power and trend of China's future economic growth. Besides, urban development is considered to be the new engine of consumption and economic growth in the next stage.

From the primary consumer of residents, the urban residents' consumption is relatively at a stationary level, the majority of farmers and agricultural transfers will be the major groups to promote consumption growth in the future. Therefore, in the future, China's largest consumer potential will gradually shift from urban to rural areas through urbanization, and simultaneous growth of urban and rural consumption is the key to ensuring the continuing growth of China's consumption. However, after 30 years rapid development urbanization, the consumption difference between urban and rural is becoming large, the growing power of rural consumption is obviously insufficient, and the situation does not match with the classic urban-rural dual economic theory (Lewis, 1954; Ranis and Fei, 1961), this is deviating from the important goal of bridging the gap between urban and rural. So, has the development of China's urbanization "twisted" the simultaneous growth of urban and rural residents' consumption? If so, what is the impact path and trends? This study will answer these questions, to a complete and try to understand the characteristics of China's urbanization process and its impact mechanism on residential consumption.

Past research Show that urbanization development can promote the consumption through promoting the formation of regional markets, and promote population and production factors' accumulation and the formation of external economic mode (MacMillan, et al., 1972; Daniels et al., 1991; Fujita et al., 2000; Henderson, 2013). Herrmann (1967) pointed out that through the US household survey data analysis that urbanization impact on household food consumption effect was more evident. In addition, some scholars have studied the impact of urbanization on consumption from the theoretical aspect, such as Ioannides (1994), who established specialized urban systems model to analyze the impact of urbanization on consumption mechanism. Black and Henderson (1999)studied the steady-state level of consumption in the urbanization process on the balanced growth path through theoretical derivation. Different from the developed countries, the China's urbanization started late. Maturity is relatively low, and because of historical and policy reasons, China's urbanization process has its particularities, such as strict management of urban and rural household registration system, urban-rural welfare disparity and inequality of essential basic public services. These factors led to the particularity of urbanization in China.

Thus, to understand the impact mechanism, further research is still necessary. The essay uses China Provincial Panel Data to set up Panel Vector Auto-Regression model (PVAR),

empirically analyzes the urbanization development influence on the level of consumption and consumption structure and assesses "distortion" effect of urbanization on consumption simultaneous growth of urban and rural areas.

2 Variable Selection, Data Processing and Description

2.1 Variables selection and data processing

In this paper, using the urban resident population urbanization rate represents the urbanization development level (UR); urban and rural residents per capita consumption expenditure respectively represents urban residents' consumption (UC) and rural residents' consumption (RC); urban residents' consumption structure (UE) and rural residents' consumption structure (RE) are expressed respectively by the corresponding Engel coefficient, this common approach is consistent with the existing literature.

For the data, the paper chooses panel data of 31 provinces (autonomous regions and municipalities) from 2002-2014 to analyze empirically, and all data is from the National Bureau of Statistic website, the regional statistical yearbooks and CEI statistical database. For data processing, the following three points should be noted. First, we use the panel data, given the situation before 2002, most provinces data missing is serious, so our sample range is set to 2002-2014. Second, to ensure comparability of data, consumption expenditure price index data was inflation adjusted, specifically, we use region consumer price index (CPI) to adjust and take 2002 as base period. Third, in the calculation process, to ensure the smoothness and ease of interpretation of the data, we will use the natural logarithm of the data processing.

2.2 Urbanization rate and urban and rural residents' consumption

Since the 1980s, with the continuous deepening of reform and opening up and industrialization, rapid urbanization increased demand for labour, while the government has gradually eased restriction on rural-urban migration, along with a huge scale migration process. Overall, China's urbanization has a low starting point, and fast development momentum, especially in the mid-1990s, urbanization has entered a stage of rapid development. Table 1 shows that from 1978 to 2015, the number of urban resident population increased from 170 million to 770 million, and the proportion of urban population increased from 17.9% to 56.1%, with average growth of nearly 1.03% per year; since 2011, the proportion of urban resident population has already exceeded 50%.

Table 1 The History Change of Urban and Rural Population

Year	Total Population (Ten thousand)	Urban Population (Ten thousand)	Urban Rate (%)	Rural Population (Ten thousand)	Rural Rate (%)
1978	96259	17245	17.92	79014	82.08
1980	98705	19140	19.39	79565	80.61
1990	114333	30195	26.41	84138	73.59
2000	126743	45906	36.22	80837	63.78
2010	134091	66978	49.95	67113	50.05
2015	137462	77116	56.10	60346	43.90

From the change trend of consumption level of urban and rural residents (Figure 1), the consumption level of urban and rural residents sustained rises along with the rapid growth of China's economy. However, consumption of urban residents increased faster than rural residents, the gap between the two is still very evident. In Figure 2, the propensity to consume of urban

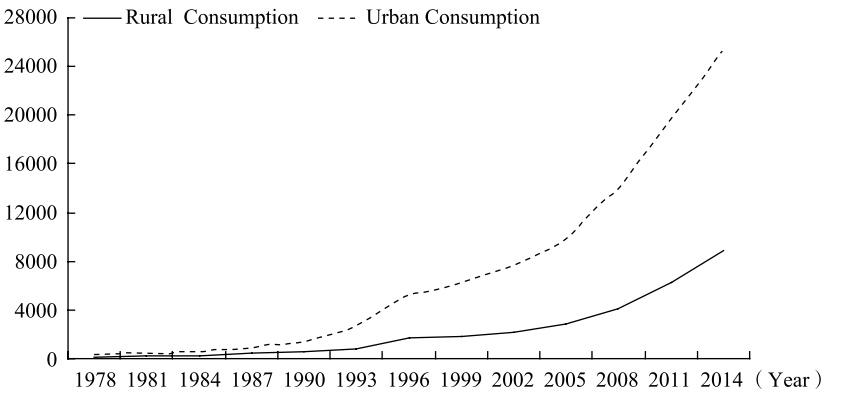

Figure 1 Urban and Rural Residents' Consumption Level Trend

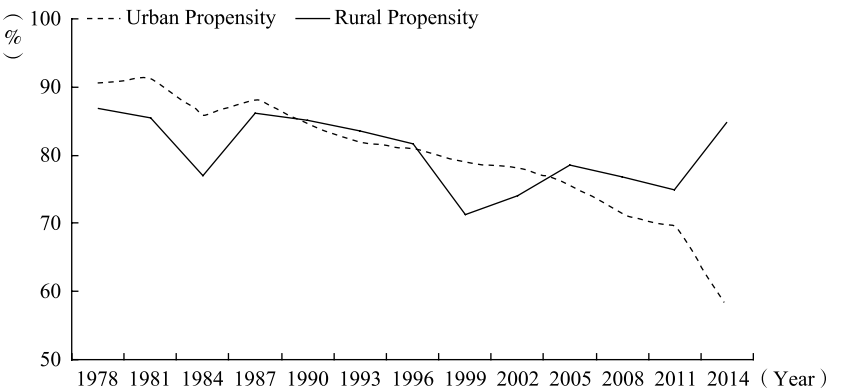

Figure 2 Urban and Rural Residents' Consumption Propensity Trend

residents shows a declining trend, indicating that faster growth of income level, and with the upgrading of the life standard of urban residents, in general, more money will be spent on financial management and investment; on the contrary, rural residents' propensity to consume is relatively stationary and has an increase in recent years, indicating that slow income growth is not enough to support their consumer demand, cannot even meet their essential living expenditures.

3 Empirical Analysis

3.1 Model and empirical results

Holtz-Eakin et al. (1988) extended the classic vector autoregressive model (VAR) to panel vector autoregressive model (PVAR), making it more effectively to analyze the internal relation between panel data more effectively. A classic PVAR model can be expressed as follows:

$$y_{i,t} = \alpha_i + \gamma_t + \sum_{j=1}^{p} \Gamma_j y_{i,t-j} + \mu_{i,t}, i = 1, \cdots, N, t = 1, \cdots, T \quad (1)$$

Where $y_{i,t}$ is $M\times1$ variable vector; Γ_j is $M\times M$ the coefficient matrix of the different lag variable; α_i is $M\times1$ vector represents the fixed effect; γ_t is $M\times1$ vector represents time effect; $\mu_{i,t}$ is random error term, obey the standard Gaussian process. We estimate the urban and rural models respectively, to compare with the results of their analysis, the model is as follows:

$$y_{i,t} = \alpha_i + \gamma_t + \beta_1 y_{i,t-1} + \beta_2 y_{i,t-2} + \mu_{i,t}, i = 1, \cdots, 31, t = 1, \cdots, 13 \quad (2)$$

In the urban model, $y_{i,t}=[UR_{it}, UC_{it}, UE_{it}]'$, in the rural model, $y_{i,t}=[UR_{it}, RC_{it}, RE_{it}]'$. For more details about PVAR model and its estimation method see Holtz-Eakin et al.(1988) and Arellano and Bover (1995).

We estimate respectively two major categories of urban and rural residents consumption with two lag levels. The purpose of this study is to explore the impact of development of urbanization on consumption; We list the estimate results of equations which take the total consumption level and consumer Engel coefficient as endogenous variabls.

As can be seen from Table 2, the majority of the variables were significant at the 10% level, indicating that the equation estimation effect is better. These results are more intuitive, but it does not reflect the dynamic effects between PVAR system variables, so we will further analyze the impulse response function, more accurately assess the dynamic trend of urbanization's impact on urban and rural consumption.

Table2 Empirical Results

Urban Consumption Equation		Rural Consumption Equation		Urban Consumption Structure Equation		Rural Consumption Structure Equation	
Variable	Coefficient	Variable	Coefficient	Variable	Coefficient	Variable	Coefficient
UR（–1）	1.2639* （0.9126）	*UR*（–1）	-1.2479 （0.7693）	*UR*（–1）	-0.1925** （0.0948）	*UR*（–1）	0.1143 （0.2118）
UC（–1）	0.9559*** （0.1665）	*RC*（–1）	1.1345*** （0.1585）	*UC*（–1）	0.0316 （0.0260）	*RC*（–1）	-0.0692*** （0.0206）
UE（–1）	-2.9857** （1.4842）	*RE*（–1）	-0.5469 （0.4374）	*UE*（–1）	0.7794*** （0.1973）	*RE*（–1）	0.6469*** （0.1485）
UR（–2）	-0.4972 （0.7597）	*UR*（–2）	0.2993 （0.2384）	*UR*（–2）	0.0615 （0.0571）	*UR*（–2）	-0.1524 （0.1723）
UC（–2）	-0.2361* （0.1341）	*RC*（–2）	-0.2731** （0.1187）	*UC*（–2）	-0.0172 （0.0210）	*RC*（–2）	0.0630*** （0.0211）
UE（–2）	-0.8265* （0.4409）	*RE*（–2）	-0.6874*** （0.2583）	*UE*（–2）	-0.0606 （0.0778）	*RE*（–2）	0.1506** （0.0726）

Note: The value in variable column are listed in parentheses represent the lag order and the value in coefficient column are listed in parentheses represent the standard deviation, ***, ** and * represent the coefficient significant under the level of 1%, 5% and 10%, the same below.

3.2 Impulse response analysis

As can be seen from Figure 3, when urbanization changes by a unit standard deviation, the level of urban residents' consumption shows steady upward trend. The effect factor remains stationary between 0.05-0.1, which indicates that urbanization can promote the upgrading of urban residents consumption level effectively by promoting urban economic development, accumulating factors of production, enhancing income level and other ways. Similarly, from Figure 4, when urbanization changes by a unit standard deviation, the level of rural residents' consumption has a positive impact. This effect shows weakening trend and its factor is from 0 to 0.04. After 5th period, the impact of urbanization on consumption has almost completely disappeared. From the above results, the development of China's urbanization, promoted the growth of urban and rural consumption, but the boost in not its leading role in urban consumption is relatively stationary, while the leading role in the rural consumption is gradually reduced.

From the dynamic effects of urbanization on urban consumption structure (Figure 5), a unit of urbanization standard deviation can continue to reduce the Engel coefficient of urban residents' consumption, which improves the consumption structure of urban residents, and its impact

factor is from -0.005 to 0. The same result can be seen from Figure 6, the impact

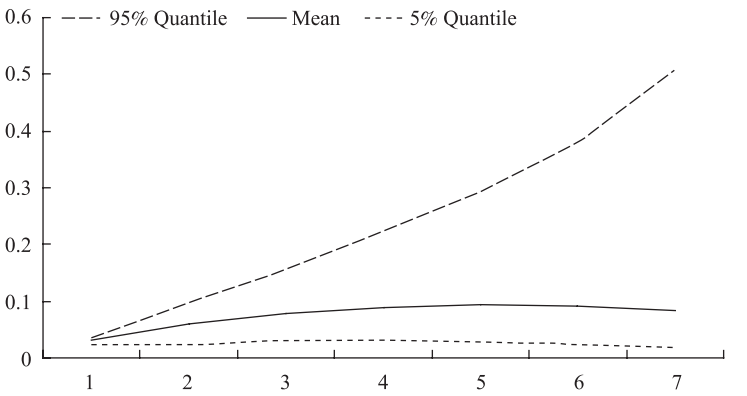

Figure 3 The Dynamic Effect of Urbanization on the Urban Consumption

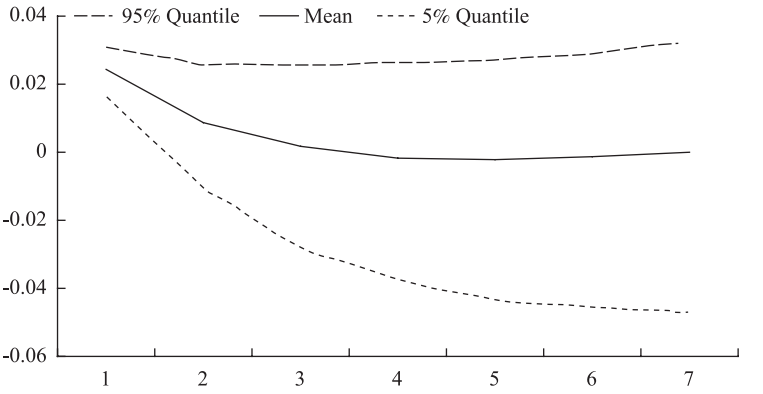

Figure 4 The Dynamic Effect of Urbanization on the Rural Consumption

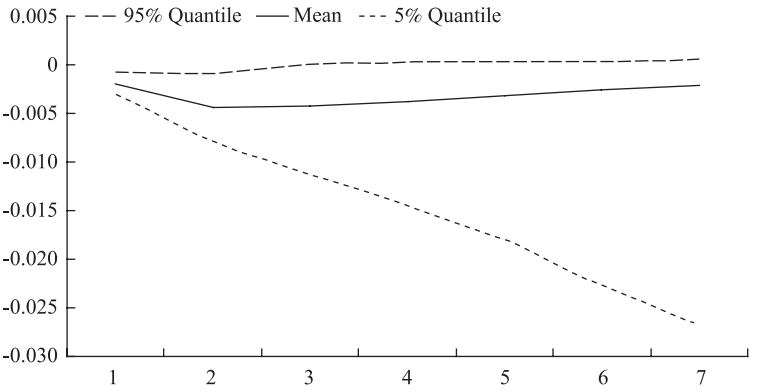

Figure 5 The Dynamic Effect of Urbanization on Urban Consumption Structure

of urbanization also effectively reduces the Engel coefficient of rural areas, which improve the consumption structure of rural residents, and the impact factor remains to about -0.004. From

the results above we can know that, while improving the development of China's urbanization, the consumption structure of the urban and rural areas is improved and the intensity to the two regions are basically the same, which means that there is no "distortions" effect of urbanization on improvement of urban and rural consumption structure.

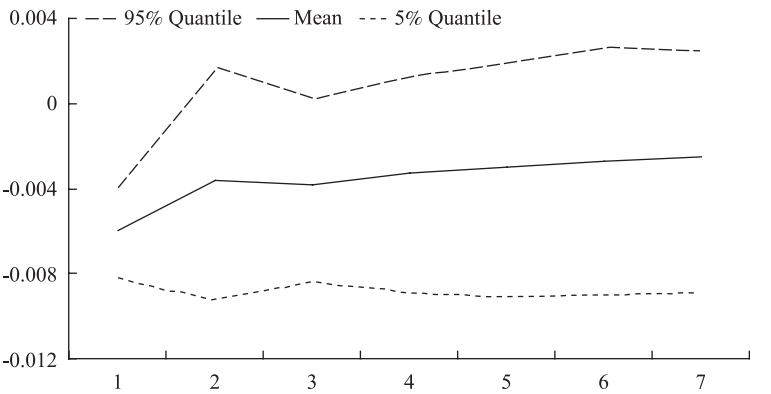

Figure 6 The Dynamic Effect of Urbanization on Rural Consumption Structure

4 Conclusions

Based on PVAR model, the paper empirically analyzed the differences of urbanization development between level of urban and rural consumption and consumption structure, researched and judged the "distortion" effect of urbanization on simultaneous growth of urban and rural consumption, come to following conclusions and revelations:

First, how can China's urbanization "distort" the simultaneous growth of urban and rural residents' consumption? From the appearance, urbanization promotes the income growth of the city but limits the income growth of rural areas. In essence, the reason for the problem is the urbanization development strategy of China's "big city bias", which aims to expand urban scale and economic development and will inevitably result in the imbalanced allocation of resources, and then to some extent, the phenomenon of "sacrificing" rural areas.

Second, between urban and rural urbanization, the distortion effects of "consumption" reflects that urbanization development in China has a significant imbalance in promoting their well-being to enhance the quality. Moreover, the simple pursuit of size and speed, resulted in a lot of mismatched resources. At this stage, China's "big city bias" and "eastern coast bias" urbanization trends persist, then how to change this situation through policy making? On the one hand, we shall pay attention to promote the establishment of small towns in rural areas of central and western regions, to produce a newly combined effect through industrial transfer and entrepreneurship policy support, and to improve the income level of rural residents in essence, thus contributing to their welfare and consumption levels overall. On the other

hand, we should appropriately control the scale of large cities, produce optimal city size and reasonable rhythm of urbanization, and with the internet platform to the dispersion of urban functions to rural radiation, and balanced urban and rural development.

Third, how to improve the consumption and well-being of large transferring agricultural population during the process of urbanization in the future? We believe that continuing to promote the agricultural transfer of population is the inevitable choice of public policy. Specifically, it should reverse the single economic and urban development model of urbanization, and enhance the quality and sustainability of urban development from multiple aspects such as resource allocation, social development, equality of welfare, employment equity and information networks, and therefore to promote urbanization level.

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An Empirical Research on New Generation of Migrant Workers' Entrepreneurial Cognition and Entrepreneurial Decision: The Mediating Role of Entrepreneurial Intention

Xiu-e Zhang Zhuo Fang Qiao Meng*

Abstract: With the advancement of the human-centered urbanization, the new generation of migrant workers' entrepreneurship and urbanization have become the focus of attention. The new generation of migrant workers' self-employment is an important way to promote the development of urbanization. However, due to the lack awareness of the entrepreneurial environment, resources, and opportunities, they have to face many kinds of difficulties. Previous research on the relationship between entrepreneurial cognition and entrepreneurial decision focused on model construction and theoretical research, few empirical research. This paper chooses the new generation of migrant workers as the object, explores the entrepreneurial cognition's influence on entrepreneurial decision-making behavior and discusses the intermediary role of entrepreneurial intention by empirical analysis. The results show that the new generation of migrant workers' entrepreneurial cognition and entrepreneurial intention can effectively influence their entrepreneurial decision; entrepreneurial intention has the partial intermediary effect.

Keywords: New Generation of Migrant Workers; Entrepreneurial Cognition; Entrepreneurial Intention; Entrepreneurial Decision

1 Introduction

According to the data from the National Bureau of Statistics, there were 274 million migrant workers in 2014. The new generation of migrant workers who were born after the 1980s accounted for about 70 percent of the total migrant workers. Compared with the older generation of migrant workers, the new generation of migrant workers has a greater demand for self-realization and a stronger desire of urbanization. The entrepreneurship is an effective way to promote the development of urbanization. Encouraging the new generation of migrant workers to start entrepreneurial activities cannot only effectively expedite the transfer of

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surplus labor force, realize the peasant workers' urbanization, but also can adjust the industrial structure and achieve coordinated development of urban and rural economies.

Entrepreneurship is a product of the market economy; individual entrepreneurial behavior is a driving force to promote entrepreneurship and economic development. Many scholars use a cognitive perspective to study individual entrepreneurial behavior and analyze the relationship between entrepreneurial cognition and entrepreneurial decision. The evaluation and cognition of entrepreneurial information and opportunities play a decisive role in the process of decision-making (Kahneman & Tversky, 1979). Entrepreneurs' subjective perception of entrepreneurial feasibility and entrepreneurial scheme evaluation are important symbols of business decisions (Tang Jing et al., 2007). Existing studies mostly focus on the current situation and problems of migrant workers' entrepreneurship, the relationship among entrepreneurial awareness, personal qualities, information resources and entrepreneurial activity (Han Jun & Cui Chuanyi, 2008). However, the new generation of migrant workers has a unique cognition about the entrepreneurial environment, resources and opportunities, which also affect their entrepreneurial decisions. Therefore, this paper chooses the new generation of migrant workers as the research object, explores the role of entrepreneurial cognition in entrepreneurial intention and entrepreneurial decision and build the theoretical framework for further studies of the relationship.

2 Hypothesis

2.1 Entrepreneurial cognition and entrepreneurial decision

Cognition refers to mental processes including thinking, knowing, remembering, judging, and problem-solving to gain knowledge and comprehension. Cognition is the higher-level functions of the brain, covering language, comprehension, imagination and planning. From the individual's point of view, entrepreneurial cognition is a knowledge structure which is used to collect and process information, evaluate entrepreneurial opportunity (Mitchell,2002). Entrepreneurial perception of the external environment, opportunities and information, has an important influence on decision-making .

Busenitz & Lau (1996) created a cross-cultural cognitive model of entrepreneurial decision and Mitchell (2002) established an entrepreneurial decision-making model which verified that the individual cognitive has a positive effect on the entrepreneurial decision. Simon Houghton (2007) used cognitive information processing theory to analyze the impact of differences cognitive on the decision-making process of venture capital investment. The study found that entrepreneurs would choose the positive exogenous information in the entrepreneurial decision-making process, and different cognitive also make bias of resources, thereby affecting business decisions. In the research of migrant workers' entrepreneurial