

URBANIZATION AND ITS EFFECTS ON ECONOMIC DISPARITIES IN CHINA

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ABSTRACT

This paper takes the relation between urbanization and economic growth in China as the object of study. By using the time series data ranging from 1982 to 2024 and building VAR model, it analyzes, respectively, the dynamic relations between economic growth and the urbanization rate of resident population, the urbanization rate of land and the quality of urbanization.

Keywords: resident population urbanization, household registered population urbanization, land urbanization, quality of urbanization, economic growth.

INTRODUCTION

Urbanization is one of the themes of the economic and social development in China and in the world. According to the forecast of UNFPA, by 2050, 75% of the world's population will be living in the urban area. From the perspective of social development process in China, the more than three decades since the reform and opening-up have witnessed a roaring development of urbanization. By the end of 2015, the urbanization rate of China had reached 56.1%, with the resident population in cities and towns arriving at 770 million. On the one hand, urbanization makes industries and population gather towards cities and generates scale effect, which has positive effects on economic growth; on the other hand, rapid urbanization also brings problems such as environmental pollution, overcrowding, etc., which has negative effects on economic growth. Therefore the in-depth study of the relation between urbanization and economic growth has great practical significance for increasing the promotion of urbanization to economic growth and realizing the harmonious development of the two. This paper takes China as an example to analyze the relation between urbanization and economic growth, provides answer to the question whether urbanization promotes economic growth or the other way round and the size of its effect, and puts forward police suggestions on how China should promote urbanization in the future.

MATERIALS AND METHODS

The relation between urbanization and economic growth has always been a focus of domestic and foreign scholars' researches. As early as 1956, Lampard studied the relation between urbanization and economic growth in the U.S. and concluded that economic growth promotes urbanization in the U.S. Bertinelli et al. (2008) thought that there exists a critical value in the role of urbanization in economic growth; urbanization can have effect on economic growth only when urbanization has developed to a certain degree. By empirical test, Bloom et al. (2008) concluded that there is no remarkable evidence showing urbanization will have effect on economic growth; the policy trying to influence economic growth by raising or reducing urbanization rate might be useless.

RESULTS AND DISCUSSION

Rapid urbanization is the deepest change of China's economy and society in the past more than three decades. Urbanization process has changed the patterns of population and economy in China, making China transform from agricultural society to urban society and from a primarily agricultural country to a country primarily based on industry and services, and exerting profound influence on economic growth. By the end of 2014, the urbanization rate of resident population in China was 54.77%, an increase of 1.6 times comparing with 21.2% in 1982; the land urbanization rate was 27.04%, an increase of 10.5 times comparing with 2.34% in 1982; the urbanization rate of household registered population was 36.33%, an increase of 1.1 times comparing with 17.6% in 1982. Apart from rapid increase, the urbanization in our country also has two characteristics: one is that the speed of population urbanization is lower than the speed of land urbanization; the other is that the urbanization rate of household registered population is lower than the urbanization rate of resident population.

The urbanization speed of population is slower than that of the land. In 2014, the urbanization rate of population in China had a growth of 1.94% on year-on-year basis, and the urbanization rate of land had a growth of 4.01% on year-on-year basis. In terms of year-on-year growth rate, the urbanization rate of population is slower than that of the land by 2.07 percentage points. To show this feature of urbanization in China in a more visualized way, we demonstrated the data from 1982 to 2014 of the year-on-year growth rate regarding urbanization rate of population and of land in a figure. Taking the year-on-year growth rate of land urbanization rate as the vertical axis and the year-on-year growth rate of population urbanization rate as the horizontal axis, the value of the data point is represented by the ratio of the year-on-year growth rate of population urbanization rate to the year-on-year growth rate of land urbanization rate. A larger data point represents a larger ratio. Then we drew the equation $Y=X$ oblique line. When data points fall exactly on this oblique line, it means the year-on-year growth rate of population urbanization rate equals to that of land urbanization rate; when data points fall in the region above this oblique line, it means the year-on-year growth rate of population urbanization rate is lower than that of land urbanization rate; when data points fall in the region under this oblique line, it means the year-on-year growth rate of population urbanization rate is higher than that of land urbanization rate.

CONCLUSION

By empirical test, we can obtain the following conclusions. Firstly, there exists a unidirectional causality between resident population urbanization and China's economic growth, the former promoting the long-term growth of the latter, and not the other way round. In the short term, resident population urbanization rate has a negative effect on economic growth and in the long term, a positive effect. The reason of this conclusion is that the population urbanization requires relevant supporting public investment, such as infrastructure construction, and therefore has negative effect on economic growth in the short term. However, along with the population gathering towards cities, population transfer from primary industry to tertiary industry. It makes the positive factors promoting economic growth be reinforced, particularly abundant surplus labor, which will inevitably have positive effect on economic growth in the long term. Based on the relation between resident population urbanization and economic

growth, we can make the judgment that with the accelerated urbanization process in China, China's economy can maintain a growth of medium and high speed in the future. Secondly, unidirectional causality also exists between land urbanization rate and China's economic growth. However, different from resident population urbanization rate, it is the economic growth of China that promotes the increase of land urbanization rate and the increase of land urbanization rate cannot promote China's economic growth. No matter in the short term or in the long term, economic growth all has a positive effect on land urbanization rate. One possible explanation why land urbanization does not have effect on economic growth is that land urbanization is based on rapid enlargement in China. It does not match with the resident population urbanization and household registered population urbanization rate, whereas human factor is the key to promoting economic growth. The promoting effect of economic growth on land urbanization rate is related with the evaluation mechanism of the Chinese government officials.

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