

Chinese Urban Development: Introduction

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For scholars interested in how urban processes affect human welfare, it is hard to think of anything more important than urbanization in China. The sheer numbers of people involved is staggering: roughly one out of every 25 people in the world today is a resident of a Chinese city who arrived, or was born, since the current round of economic reforms began in 1978. This has taken place despite China's unique *hukou* system of home registration, which restricts permanent migration to cities but allows a large amount of temporary migration, thereby creating a group of urban residents with restricted rights known as the "floating population."

The next few decades promise changes at least as dramatic as those from 1978 to now. China's agricultural sector is currently extremely labor-intensive. As the drive to modernize and raise living standards spreads beyond the urban coastal regions where it has been concentrated, agriculture will inevitably shed huge numbers of workers. D. Gale Johnson in this volume estimates that 12-15 million nonfarm jobs will be required *annually* just to absorb this surplus labor. A crucial question he addresses is: can such a shift be absorbed through urban migration, or must these jobs be created on a massive scale in rural areas themselves?

Migration

Obviously, a crucial element in understanding and shaping this transformation is to understand the motivations for individuals to migrate and the conditions they encounter when they do so. Five papers in this volume address the determinants and effects of migration. Zai Liang, Yanmin Gu and Yiu Por Chen¹ focus on the “push factors” for migration. They especially explore the possibility that migration is curtailed by rural industrialization, a hoped-for effect underlying current industrial policies but one they are unable to verify. Aimin Chen and N. Edward Coulson, in contrast, focus on the “pull factors” of destinations, with several interesting results. Migrants are attracted not so much by high wages but by high gross incomes and entrepreneurial activity, a result consistent with much evidence in the literature for the economic creativity of ordinary people in developing nations. Furthermore, migrants appear relatively indifferent to most measures of urban quality of life, suggesting that it is primarily economic goals that motivate them to leave their family homes for an urban life.

Fan Zhai and Zhi Wang use a computable general-equilibrium model to estimate the likely effects on migration (and related outcomes) of China’s joining the World Trade Organization (WTO). This model permits some illuminating “what-if?” simulations that show alarming increases in urban unemployment under WTO Accession if the *hukou* system is relaxed in the absence of labor-market reforms. These adverse effects of international trade are greatly ameliorated if urban wages are made more flexible.

Haizheng Li and Steven Zahniser focus on the *temporary* rural-to-urban migration mentioned earlier. They find, for example, an inverted-U-shaped pattern relating an

¹ Throughout this special issue, Chinese names are given in the western order, i.e. family name last.

individual's migration probability to education. This provocative result seems to suggest that people in the middle of the spectrum of educational achievement are abandoning rural areas in large numbers. The same is true with respect to age. They also find that education has a greater effect on migration probability among men than among women.

Daniel Goodkind and Loraine West set the stage for understanding the "floating population" that results from legal restrictions on migration. They consider the many difficulties of defining and tracking this set of people with available data sources, but leave no doubt about its quantitative importance.

Urban Conditions

Three papers develop a detailed understanding of urban conditions and how they are affected by various aspects of regional and national economic development.

Shuanglin Lin and Shunfeng Song examine a cross-section of cities to find the determinants of city growth rates in per capita income. They learn, for example, that foreign direct investment and certain (but not all) types of government expenditures encourage economic growth at the individual city level.

Zuohong Pan and Fan Zhang measure econometrically the effects of agglomeration economies on the economic productivity of China's cities. This study applies methods from a research area very much at the forefront of work in urban economics. They are able to discern a favorable effect of size on productivity, which of course is needed in a free-market system to induce firms to put up with the high costs and congestion encountered in larger cities. Pan and Zhang also find that the size advantages

accrue mostly within a given industry, rather than across all industries, a result found by some but not all studies in other nations.

Another paper, by Chaoyang Peng and five coauthors, takes up a very significant aspect of urban life in the new China, namely air pollution. They do this by examining in detail the causes and effects of sulfur dioxide concentrations in a highly industrialized city in northeast China. The authors identify switching to lower-sulfur coal as a feasible strategy for making significant improvements in human health in such a city.

Urban Growth Rates and Patterns

What sort of pattern should China expect or seek in its urban growth? The distribution of activities among cities in the late 1970s was far from what would have arisen in a free-market economy. During the Mao era, urbanization was often suppressed and, for military reasons, was channeled away from the eastern coastal cities. This bias has been dramatically reversed as those same cities are now at the center of activity connected with an explosion of international trade. The changes in fortunes of various cities have great consequences for income distribution and infrastructure investment. It is therefore opportune to ask about the underlying factors behind differential urban growth across regions and provinces.

Kevin Zhang analyzes the cross-provincial pattern of urban growth during the reform era. He finds that by and large, economic growth has fostered urban growth rather than vice versa. Foreign direct investment is an especially strong causal factor, explaining much of the difference between coastal and inland provinces in urban growth rates. Shunfeng Song and Kevin Zhang show that despite China's recent extraordinary urban

history, the distribution of city sizes is quite within expectations from work on other nations. The distribution is not too different from the commonly observed Pareto distribution. It is somewhat more even (i.e., the sizes of China's cities are somewhat less divergent) than the average nation, precisely what is expected for a large country. Furthermore, the distribution became somewhat more even between 1991 and 1998. The findings of Song and Zhang invite some tantalizing questions. Why does Shanghai, China's largest city, not exert the kind of relative economic dominance in China that Tokyo, New York, London, Mexico City, or Jakarta do over their respective national economies? One explanation is distrust by the Mao regime of a traditional intellectual hotbed. Another is the dearth of "urbanization economies," i.e. economies of agglomeration that act across many industries, which is found by Pan and Zhang as already mentioned. But one wonders if this dearth might be only a temporary phenomenon related to the particular stage of China's economic development at present.

Urban growth proceeds in part from natural population growth. Yi Feng, Jacek Kugler and Paul Zak apply a political model to explain variations in birth rates between 1960 and 1995. They find that, in addition to being influenced by economic factors, two political factors tend to reduce urban birth rates in modern cities: political stability and strong central government control over local affairs. (Currently China has a stable national regime but it has delegated many decisions to localities, so these two factors are working in opposite directions.) Rural birth rates do not exhibit these political effects, a finding interpreted by the authors as evidence that government population-control policies are effective in urban areas but less so in rural areas. If true, this result has obvious potential implications for the shape of future urban growth and migration.

Hong Kong, a British colony until 1997, plays a role in China that really has no parallel in the world. Appropriately enough, then, it is analyzed as a case study by Zhigang Tao and Y.C. Richard Wong. By looking at its industrial structure, they are able to show how it has thrived by shifting from manufacturing to intermediary functions. In particular, Hong Kong has shifted to producer services, especially those used in the rapidly growing manufacturing activities in neighboring Guangdong province -- many of them spun off from Hong Kong itself. It will be interesting to see whether Hong Kong can maintain its dominance as the rest of China's urban system develops further, or whether other cities, particularly Shanghai, will eventually surpass it as a supplier of specialized services.

The Chinese Economists Society

These papers are selected and extensively revised from a larger group of papers presented at a conference of the Chinese Economists Society (CES), which took place in Xiamen, Fujian province, in June 2001. This remarkable society is an outgrowth of a far-reaching development in higher education starting in the mid-1980s. At that time western universities began accepting students from the People's Republic of China for Ph.D. training in economics – a notable change for a nation whose official economic ideology, Marxism, is barely mentioned in most western economics curricula. Today there are many western-trained professional economists who are native to the People's Republic, some working in China but many others employed by western universities and research institutions. Each year the CES organizes a conference in which these professionals,

along with various other scholars, examine some topic of importance to China's economic progress.

The topic in 2001 was urbanization. The resulting papers are testimony not only to the far-sightedness of those who inaugurated this experiment in international education but also to the dedication of the scholars themselves. These people are working to provide a solid scientific background for the formulation of economic policies in this extremely important nation.

The conference was organized by Professor Aimin Chen, of Indiana State University, as part of her duties as president of CES. The editor thanks her both for the conference itself and for her untiring help in organizing the process for submission and preliminary screening of conference papers for this special issue of *Urban Studies*.