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Authors: Li Hongchang, Jack Strauss, Hu Shunxiang, Liu Lihong

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Do High-Speed Railways Lead to Urban Economic Growth in China?:

A Panel Data Study of China's Cities

Li Hongchang, Jack Strauss*, Hu Shunxiang, Liu Lihong

* Corresponding Author, Jack Strauss is the Miller Chair of Applied Economics, Reiman School of Finance, University of Denver. Li Hongchang, Hu Shunxiang, and Liu Lihong are from the School of Economics and Management, Beijing Jiaotong University, P.R. China. Sponsorship: Study on the Spatiotemporal Relation of Economics based on the Time Value of Transport/Logistics (project No. 41171113), Chinese National Natural Science Foundation. We thank Richard Bullock, and Jin Fengjun and his Chinese Academy of Science team as well as Mahdi Mahjoub.

Highlights

- This paper investigates the impact of high-speed railroads (HSR) on the economic activity of 200 Chinese cities using a new dataset from 2007-2014.
- Panel Granger Causality results document that boosts in accessibility lead to significant and relatively large increases in Chinese city-level economic growth.
- Out-of-sample methods document the importance of increases in HSR in forecasting city-level GDP growth.
- We document find that the benefits of HSR in terms of boosting Chinese GDP substantially out-weigh HSR's large fixed costs, depreciation and subsidies.

Abstract

This paper investigates the impact of high-speed railroads (HSR) on the economic activity of 200 Chinese cities using a new dataset from 2007-2014. We construct a measure of a city's accessibility, which is measured by weighted travel time, and then apply panel Granger Causality methods to determine whether an increase in accessibility contributes to future economic growth in China. Or does causality run the opposite way – does rising economic growth boost HSR? Results document that boosts in accessibility lead to significant and relatively large increases in city-level economic growth; further, out-of-sample methods document the importance of increases in HSR in forecasting city-level GDP growth. We also compare the benefits to the costs, and find that benefits of HSR in terms of boosting Chinese GDP substantially out-weigh HSR's large fixed costs, depreciation and subsidies.

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