

High-speed rail, market access, and the rise of consumer cities: Evidence from China

Abstract

This study examines the impact of high-speed rail (HSR) on the formation of consumer cities in China. We employ the market access (MA) approach and construct the least-cost path spanning tree network as an instrument to estimate the causal impact of HSR development on the socio-economic changes of counties from 2007 to 2016. Through a set of IV regressions, we find that districts with high MA growth experienced service sector agglomeration, manufacturing sector decentralization, and land price appreciation. These effects are relatively large for the urban districts of first- and second-tier Chinese cities. Similarly, HSR-induced MA plays a positive role in population and economic growth. Through counterfactual analysis, we find that the absence of an HSR network decreases the growth of the number of service firms, service land price, and GDP growth by 6.11%, 52.2%, and 7.24%, respectively. These results suggest that HSR plays a key role in the rise of consumer cities by improving market access/integration, which transfers the economic structure from production to consumption.

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