

Determinants of Economic Growth and Spread-backwash Effects in Western and Eastern China

Shanzi Ke 

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Abstract

This paper comparatively assesses the major contributors to economic growth and spread-backwash effects in Western and Eastern China over the period 2000–2007. The empirical findings indicate that economies in both regions increasingly agglomerated in large cities; the marginal products of domestic capital and labor in the western region were, respectively, two-thirds and half of those in the eastern region; FDI was more productive than domestic capital. Spatial econometric analysis reveals that the central cities in Western China had mild spread effects on each other and backwash effects on the nearby rural counties and, in contrast, the central cities in the eastern region competed with each other and had backwash effects on nearby rural counties but spread effects on neighboring county-level cities. The paper draws several policy implications in relation to the improvement of factor inputs and construction of growth centers in the western region.

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