

Urban Champions or Rich Peripheries? China's Spatial Development Dilemmas

Kyle A. Jaros

*China Public Policy Postdoctoral Fellow, Ash Center for Democratic
Governance and Innovation, Harvard Kennedy School*

April 2016



Urban Champions or Rich Peripheries? China's Spatial Development Dilemmas

Kyle A. Jaros

*China Public Policy Postdoctoral Fellow, Ash Center for Democratic
Governance and Innovation, Harvard Kennedy School*

April 2016



EXECUTIVE SUMMARY

As China's leaders craft urban and regional policies, they confront a metropolitan dilemma. Investing resources and policy support in large cities pays economic dividends, but metropolitan-oriented development exacerbates regional disparities and urban governance challenges. This brief takes a closer look at spatial development policies in contemporary China, examining the experiences of similar Chinese provinces that have followed different approaches. In Hunan, a metropolitan-oriented economic strategy has turned the capital city into an urban champion but has also contributed to very uneven development. The more balanced development strategy pursued by neighboring Jiangxi province has yielded less urban dynamism but more inclusive growth. Diverging sub-national outcomes like these highlight the hard choices China's leaders face—and the political conflicts that unfold—in urban and regional development.

As the booming development of big cities around the world shows, size can matter. Major metropolises—from New York, to Guangzhou, to Bangalore—are thriving in an integrated world economy as hubs of advanced industry, innovation, and global commerce. Economists have highlighted the agglomeration advantages of big cities—productivity benefits of large and diverse markets, economies of scale in public goods provision, and knowledge spillovers among firms and people in close proximity.¹ Some development experts and policymakers have gone a step further, calling for strategic efforts to build up urban giants by channeling more investment and people toward big cities.²

But the question of whether, or to what extent, the state should encourage the growth of big cities is a difficult one in practice, and nowhere more so than in China. Amid an urbanization process of unprecedented speed and scale, there have been

.....
1 See Glaeser, Edward L. *Cities, Agglomeration, and Spatial Equilibrium*. Oxford: Oxford University Press, 2008; Henderson, J. Vernon. "Urbanization in Developing Countries." *World Bank Research Observer* 17, no. 1 (2002): 89–112.; Krugman, Paul. "Increasing Returns and Economic Geography." *Journal of Political Economy* 99, no. 3 (June 1991): 483.

2 See, for instance, McKinsey Global Institute. "Preparing for China's Urban Billion." McKinsey Global Institute, February 2009. http://www.mckinsey.com/insights/urbanization/preparing_for_urban_billion_in_china. Shaw describes how policymakers in India have supported the goal of building up major cities as economic engines following early 1990s reforms. See Shaw, Annapurna. "Metropolitan City Growth and Management in Post-Liberalized India." *Eurasian Geography and Economics* 53, no. 1 (2012): 44–62.

intense debates among Chinese policymakers over what spatial development model to pursue. National leaders historically have sought to disperse urban and industrial growth away from crowded metropolises. As these leaders are well aware, large cities are prone to congestion problems, social challenges, and political upheaval, and concentrated development can result in acute regional disparities.³ But in recent years, a growing set of actors, including subnational authorities, assorted central bureaucrats, and international consultants, has advocated metropolitan-oriented development as the best way for China to achieve sustained economic growth and upgrading.⁴

As is often true, realities on the ground have outpaced official policies. In many Chinese provinces, aggressive efforts to turn major cities into larger, more economically competitive urban champions have taken shape. This brief takes a closer look at these spatial development policies and the difficult trade-offs they involve.⁵ After discussing the rise of metropolitan-oriented growth strategies, I examine the cases of Hunan and Jiangxi, neighboring provinces that have taken different spatial development approaches. Hunan exemplifies a metropolitan-oriented model, while Jiangxi's development policies have placed more emphasis on regional balance and urban-rural coordination. Leveraging the power of the state, Hunan's efforts to build up its capital city have produced impressive results. Yet, this success has come at a serious cost in terms of regional inequality and urban congestion. While Jiangxi's more balanced development approach has not yielded the same degree of metropolitan dynamism, it has limited regional inequality and made for more inclusive, and perhaps more sustainable, growth.

.....
3 See Wallace, Jeremy. *Cities and Stability: Urbanization, Redistribution, and Regime Survival in China*. New York, N.Y.: Oxford University Press, 2014. For discussion of social inequality in major cities, see Fan, C. Cindy. "Migration, Hukou, and the City." In *China Urbanizes: Consequences, Strategies, and Policies*, 65–89. Washington DC: The World Bank, 2008.

4 Both provincial-level policy elites and officials from central bureaucracies like the Ministry of Finance and the National Development and Reform Commission have advocated development focused on big cities. See Xu, Jiang. "Governing City-Regions in China: Theoretical Issues and Perspectives for Regional Strategic Planning." *The Town Planning Review* 79, no. 2/3 (2008): 157–85; Gu, Chaolin, Wu, Liya, and Cook, Ian. "Progress in Research on Chinese Urbanization." *Frontiers of Architectural Research*, 2012a. Meanwhile, researchers from international institutions like the World Bank have advocated developmental support for large cities. The World Bank. "Reshaping Economic Geography (World Development Report 2009)," 2008. <http://web.worldbank.org>.

5 Many of the arguments presented in this brief borrow from the author's previous research. See Jaros, Kyle. "The Politics of Metropolitan Bias in China." Doctoral dissertation, Department of Government, Harvard University, 2014; Jaros, Kyle. "Forging Greater Xi'an: The Political Logic of Metropolitanization." *Modern China*. Forthcoming.

THE RESURGENCE OF SPATIAL POLICY IN CHINA

Governments influence the geography of development through their decisions about where to build infrastructure, encourage industrial development, and foster urban growth. Sometimes these actions are uncoordinated, and their effects on development are more accidental than planned. But in many settings, especially in statist economies like China, governments make concerted efforts to steer urban and regional development patterns through spatial policies that target state support and resources to specific locations. It is unclear whether governments are good at “picking winners” in space,⁶ and there are many examples of unsuccessful state attempts to guide urban and regional development.⁷ This, however, has not stopped policymakers from actively using spatial policies. Indeed, for China's leaders, the idea of shaping the geography of urbanization and industrialization is just as attractive today as it was at the height of the planned economy. And the state's instruments of spatial policy—urban and regional planning, land governance, investment policy, and fiscal and financial institutions—remain very powerful.⁸

The aims of spatial policy have varied over time and across regions. In some cases, Beijing and provincial governments have used spatial policies to redistribute resources in space. China's leaders have long worried that regional disparities might hinder the country's economic development or cause political instability, and they have made various attempts to redirect economic activity and people to hinterland regions. Both Maoist-era efforts to groom new industrial cities in the interior and contemporary regional strategies like the “Western Development” and “Rise of Central China” programs reflect this impulse. In other cases, however, spatial policies have aimed

.....
6 Glaeser 2008.

7 See Parr, John B. “Growth-Pole Strategies in Regional Economic Planning: A Retrospective View. Part 1. Origins and Advocacy.” *Urban Studies* 36, no. 7 (1999): 1195–1215; Hansen, Niles M., Benjamin Howard Higgins, and Donald J. Savoie. *Regional Policy in a Changing World*. Environment, Development, and Public Policy. Cities and Development. New York: Plenum Press, 1990.

8 See Gu Chaolin (顾朝林), Zhao Min (赵民), and Zhang Jingxiang (张京祥). 省域城镇化: 战略规划研究 (*Provincial Urbanization: Strategic Planning Research*). 南京 (Nanjing): 东南大学出版社 (Southeastern University Press), 2012; Heilmann, Sebastian, and Melton, Oliver. “The Reinvention of Development Planning in China, 1993–2012.” *Modern China* 39, no. 580 (2013).

to stimulate economic growth rather than to enhance equity. Under such policies, the state has sometimes lavished resources on areas that already enjoyed economic advantages. The designation of “special economic zones” and “coastal open cities” in the 1980s, and the creation of urban “new areas” like Shanghai’s Pudong and Tianjin’s Binhai districts in the following decades show this more regressive tendency.⁹

Recent years have seen this trickle-down logic catch on more widely. Since the late-1990s, a wave of provincial development strategies that prioritize the build-up of large, economically competitive metropolises has swept the country. From Guangdong in the southeast to Shaanxi in the northwest, policymakers have targeted investment and policy support to leading cities to groom urban champions that can serve as gateways to the global economy and engines for economic growth and restructuring.¹⁰ These metropolitan-oriented strategies seek to exploit large cities’ potential as platforms for large-scale industry, incubators for innovation, and centers for a growing consumer economy. Such approaches embrace the principle of uneven development, devoting fewer resources to secondary cities and rural areas in the near term on the assumption that urban “growth poles” over time will produce positive spillovers and ignite growth across broader provincial economies.¹¹

Unsurprising, such metropolitan-oriented development strategies are contentious. On the one hand, provincial governments, which along with big-city authorities have been key architects of such strategies, have good reasons to favor uneven development. Provinces pursue economic growth and compete fiercely with one another for private investment as well as the attention and resources of the central state. Big cities, which function both as economic engines and political showpieces, are valuable in this inter-provincial rivalry. However, other political actors question policies that marginalize hinterland regions and threaten to exacerbate urban problems. Officials from secondary cities and rural areas clamor for state attention and resources, and

.....
9 See Yin Cunyi (殷存毅). *区域发展与政策 (Regional Development and Policy)*. 北京 (Beijing): 社会科学文献出版社 (Social Science Documents Press), 2011.

10 See Xu 2008; Jaros forthcoming.

11 For discussion of this “growth pole” logic, see Ke, Shanzi, and Edward Feser. “Count on the Growth Pole Strategy for Regional Economic Growth? Spread-Backwash Effects in Greater Central China.” *Regional Studies* 44, no. 9 (November 2010): 1131–47.

oppose development strategies that consign them to the margins.¹² National leaders in China have long called for restraining the growth of large cities and aiding poor hinterland regions. Beijing has pushed in recent years for greater inter-regional and urban-rural coordination of development,¹³ and has continued working to channel rural migrants away from metropolises to smaller cities.¹⁴

Amid these conflicting priorities, provinces' spatial policy approaches have hinged on political factors. In cases like that of Hunan province, which I discuss below, pro-metropolitan provincial authorities have been able to carry the day. But in other cases, like Jiangxi, the push and pull of different state interests and actors has limited the metropolitan slant of policies.

HUNAN AND JIANGXI: DIFFERENT MODELS OF SPATIAL DEVELOPMENT

The diverging development paths of Hunan and Jiangxi, neighboring provinces in south-central China, speak to the importance of spatial policies as well as the heavy politicization of such policies. Landlocked, largely rural, and traditionally inward-looking provinces, Hunan and Jiangxi have grappled over the past two decades with the question of how best to urbanize and industrialize. The provinces fell behind neighboring coastal regions and more industrialized inland provinces amid intensifying economic competition in the 1980s and 1990s.¹⁵ Hunan's capital, Changsha, and Jiangxi's capital, Nanchang, remained backwater cities, and had difficulty attracting outside investment and talent. By the late 1990s, officials in both provinces saw the lagging growth of big cities and advanced industry as a major economic bottleneck, and many advocated giving more resources and policy support

.....
¹² See Xu 2008; Watson, Andrew, Yang, Xueyi, and Jiang, Xingugo. "Shaanxi: The Search for Comparative Advantage." In *The Political Economy of China's Provinces: Comparative and Competitive Advantage*. London; New York: Routledge, 1999.

¹³ See Wallace 2014.

¹⁴ See Wang, Xin-Rui, Eddie Chi-Man Hui, Charles Choguill, and Sheng-Hua Jia. "The New Urbanization Policy in China: Which Way Forward?" *Habitat International* 47 (2015): 279–84.

¹⁵ China Data Online (CDO). All China Data Center of the University of Michigan, Accessed 2012–2015. www.chinadataonline.org; author's calculations.

to their leading economic centers.¹⁶ In practice, however, development policies in Hunan and Jiangxi diverged.

From the late 1990s on, Hunan set in motion efforts to promote faster urban growth and industry development in the Changsha metropolitan area. Although central government policies at this time called for limiting the growth of larger cities, Hunan's

HUNAN AND JIANGXI AND THEIR MAJOR CITIES



Shapefiles for provincial boundaries and geographic features obtained from worldmap.harvard.edu/chinamap.

leaders wanted a larger, more economically competitive capital city that could “spur along” the provincial economy and better compete with nearby metropolises like Guangzhou and Wuhan. In 1997, Hunan launched a major regional initiative aimed at linking Changsha with the adjacent cities of Zhuzhou and Xiangtan to build a stronger metropolitan economy.¹⁷ This Changsha-Zhuzhou-Xiangtan (CZX) strategy gathered speed in the following years, as top provincial leaders pushed forward planning and construction work, and enlisted aid from outside institutions like the World Bank.¹⁸ At the same time,

16 Hunan Gazetteer Commission (湖南省地方志编纂委员会). 湖南省志, 1978–2002. 政府志 (*Hunan Provincial Gazetteer, 1978–2002, Government Gazetteer*). 北京 (Beijing): 中国文史出版社 (China Literature and History Press), 2007, p. 12; Liu Shangyang (刘上洋). 江西改革开放30年: 1978–2008 (*30 Years of Reform and Opening in Jiangxi: 1978–2008*). 南昌 (Nanchang): 江西人民出版社 (Jiangxi People's Press), 2009, p. 15.

17 Tong Zhongxian (童中贤). 城市群整合论: 基于中部城市群整合机制的实证分析 (*Integration of Urban Agglomeration: The Empirical Study on Urban Agglomeration Integration Mechanism of Central China*). 上海 (Shanghai): 格致出版社 (Scientific Press), 2011; Liangxing ban (湖南省长株潭两型办, Hunan Chang-Zhu-Tan Two-Type Society Construction Office). “两型社会”建设在湖南: 湖南《两型社会》建设的规划体系 (*Building an Eco-Friendly and Energy-Efficient Society in Hunan*). 长沙 (Changsha): 湖南人民出版社 (Hunan People's Press), 2011a.

18 Author's interviews in Changsha, March 2012; Hunan Jingji Bao (湖南经济报). “长株潭经济一体化离我们有多远?” (“How far from Us Is Changsha-Zhuzhou-Xiangtan Economic Integration?”), September 7, 2000.

the provincial government used preferential allocation of land quotas, infrastructure investment, and industry subsidies to help Changsha thrive. It supported rapid construction of regional infrastructure, new urban districts, and large-scale industry in and around Changsha.¹⁹ With continued policy support in the following years, Changsha galloped ahead of the rest of Hunan to become one of the fastest-growing cities in inland China.²⁰ Although Changsha accounted for only 9 percent of Hunan's population and 18 percent of Hunan's GDP in 2000, it carried out almost a third of total provincial investment between 2001–2010.²¹

With Changsha pulling far ahead of the rest of the province by the mid-2000s, Hunan's metropolitan agenda faced growing political challenges. Leaders from other important cities in the province, including Hengyang, expressed concerns about their economic marginalization and complained about policy favoritism toward Changsha.²² Meanwhile, central policies under the Hu Jintao-Wen Jiabao placed increasing stress on rural welfare and coordinated urban-rural development. Far from slackening, however, Hunan's support for Changsha's development grew even stronger under new provincial leaders who arrived in 2006. Party secretary Zhang Chunxian and governor Zhou Qiang, both rising stars in China's party establishment, lent their political capital to the metropolitan agenda. Beyond using provincial-level policies and resources to support the CZX strategy, Zhang and Zhou aggressively lobbied Beijing to obtain central recognition and support for Hunan's initiative.²³ These

.....
19 Author's interviews in Changsha, March 2012; Luo Guiqiu (罗桂秋). "1984—长株潭经济一体化 (1984—Chang-Zhu-Tan Economic Integration)." 湖南省发展与改革委员会 (Hunan Province Development and Reform Commission), June 2012. <http://www.hnfgw.gov.cn/fzda/fzda/29727.html>.

20 Li Guansheng (李官生), ed. 长株潭模式 (*The Chang-Zhu-Tan Model*). 长沙 (Changsha): 湖南省教育出版社 (Hunan Educational Press), 2009, 43–44. During the first decade of the 21st century, Changsha overtook other provincial capitals such as Changchun, Fuzhou, Xi'an, Harbin, and Shijiazhuang in economic output.

21 CDO; author's calculations.

22 Author's interviews in Changsha, May 2012; Wang Xiaohong (王晓红), ed. 中部突围: 《中国经济时报》对湖南的政经观察 (*China's Central Region Breaks Out: Reporting on Hunan's Politics and Economy from the China Economic Times*). 长沙 (Changsha): 湖南人民出版社 (Hunan People's Press), 2010.

23 Zhang identified himself closely with Changsha's development. Zhang Chunxian (张春贤). "推进新型工业化要着力在深化、加速、带动上下功夫 (To Push Forward New-Style Industrialization, We Must Gather Strive to Deepen, Accelerate, and Spur along High and Low-Level Work)." In *He, Ed., 加强基础产业, 推进富民强省 (Strengthen Basic Industry, Push Forward a Rich People and Strong Province)*. 长沙 (Changsha): 湖南人民出版社 (Hunan People's Press), 2009; Author's interviews in Beijing and Hunan, January–May 2012.

efforts bore fruit when the central government granted Changsha and neighboring cities special status as a “comprehensive support reform pilot zone” in late 2007. While meant to encourage regional governance experimentation, this designation also gave the provincial leadership expanded policy powers and easier access to resources to build up the CZX region economically. Zhang and Zhou used this opportunity to further expand investment in urban infrastructure and industry. By 2010, Changsha boasted new development zones, new highways, a new air terminal and high-speed rail station, and a redeveloped waterfront. The city was home to thriving industrial clusters both in heavy sectors like construction equipment and in cultural sectors like television entertainment. Changsha had also fostered a lively consumer economy and a reputation as one of China's nightlife capitals. In sum, through over a decade of sustained effort, Hunan transformed its capital city region into one of China's most dynamic urban areas. Once a backwater, Changsha by 2010 had a higher per capita income than prosperous eastern cities like Nanjing.²⁴

Changsha's good fortune came at a serious cost, however. With provincial policies giving less attention to secondary cities and hinterland areas, Hunan's regional disparities and urban-rural income gaps worsened. By 2010, Changsha's GDP equaled the combined output of Hunan's next three largest city economies, and urban incomes in Hunan were nearly three times rural incomes.²⁵ And metropolitan affluence coexisted with deep pockets of poverty in the province: by 2013, Changsha's per capita GDP would reach a stunning 7.7 times that of Shaoyang, Hunan's poorest (and most populous) prefectural-level unit.²⁶ At the same time, breakneck urban growth created significant congestion problems in Changsha. In 2013, Changsha's air quality ranked 20th worst among 74 major cities in China.²⁷ Urban transportation problems also grew severe: a 2014 study rated Changsha's traffic 14th worst in the country, and 39th worst in the world.²⁸

.....
24 CDO; author's calculations.

25 Ibid.

26 CDO; author's calculations. This ratio had increased from only 2.7 in 1996.

27 Tan, Monica. “Bad to worse: Ranking 74 Chinese cities by air pollution.” <http://www.greenpeace.org/eastasia/news/blog/bad-to-worse-ranking-74-chinese-cities-by-air/blog/48181/>. February 2014.

28 TomTom. “TomTom traffic index: ranking congestion worldwide.” https://www.tomtom.com/en_gb/trafficindex/#/list. Website accessed 2016.

Comparison of Hunan's story with that of Jiangxi makes clear that metropolitan-oriented growth was a political outcome as much as an economic inevitability, and provides a clearer picture of the tradeoffs involved in spatial development policy. Though Jiangxi resembled Hunan in terms of economic structure and geography, and faced similar development challenges, Jiangxi's policies after the mid-1990s did not focus so narrowly on developing the province's metropolitan region. Instead, Jiangxi's development approach shifted more over time, giving greater emphasis to rural livelihood and to the growth of secondary cities.

During the late 1990s, Jiangxi's leaders adhered more closely than Hunan's to central policies that advocated dispersed urban and industrial growth. The provincial government prioritized development of cities in the 200,000–500,000-person range, and worked to foster strong county-level economies across the province.²⁹ These policies brought benefits to rural areas of the province and to smaller cities, even though they would later come under criticism from provincial policy experts who felt that insufficient support for the Nanchang economic region was hurting Jiangxi's economic competitiveness.³⁰ Indeed, during the 1990s Nanchang experienced sluggish growth compared to Changsha and other nearby provincial capitals, and Jiangxi's industrial development lagged behind that of its neighbors.³¹

Jiangxi's policy approach changed after 2001 with the arrival of Meng Jianzhu, a new leader transplanted in from Shanghai. Soon after arriving in Jiangxi, Meng called for sweeping change in Jiangxi's economic strategy, announcing the goal of "achieving Jiangxi's rise in the central China region."³² New provincial policies gave more investment and policy support to urban development and industry, with a particular focus on the Nanchang metropolitan region. Provincial and municipal leaders made concerted efforts to improve Nanchang's built environment as well as its business climate: one

.....
29 Cao Yuanshen (曹元坤), and Zhu Limeng (朱丽萌). 江西崛起与现代化进程跟踪研究2009 – 江西社会发展30年专题 (2009 Research on Jiangxi's Rise and Modernization Process: 30 Years of Social and Economic Development).

南昌 (Nanchang): 江西人民出版社 (Jiangxi People's Press), 2010; Author's interviews in Nanchang, January 2014.

30 See, for instance, Chen Xinhua (陈新华). 远近高低各不同: 中部发展战略与江西崛起研究 (*Far and Near, High and Low, Each Different: Central China's Development and Jiangxi's Rise*). 南昌 (Nanchang): 江西科学技术出版社 (Jiangxi Science and Technology Press), 2010, pp. 219–221.

31 CDO; author's calculations.

32 Liu 2009, p. 29.

of Meng's signature programs was construction of a new urban district across the river from Nanchang's historic city center.³³ Enjoying more policy support, Nanchang gained a larger share of total provincial investment in the early 2000s, and won international recognition for its investor-friendly policies.³⁴

But unlike in Hunan, where leaders continued to emphasize metropolitan growth in the late 2000s, Jiangxi's authorities adjusted their development policies again after the mid-2000s, restoring emphasis to rural welfare and regionally coordinated growth. Political pressures from both above and below were instrumental in bringing about this shift. Not only did the central Hu-Wen administration call on provincial authorities across China to do more about rural welfare and coordinated urban-rural development; sub-provincial actors in Jiangxi also pushed for more attention to hinterland development. In 2004, the large city-region of Ganzhou in southern Jiangxi took a bold step of its own, launching a New Socialist Countryside Construction program focused on renovating villages and boosting rural livelihood.³⁵ After Beijing gave its stamp of approval to this sub-provincial initiative in 2005, Jiangxi quickly adjusted provincial-level policies, placing more stress on rural issues and regionally inclusive development.³⁶

This more balanced development strategy continued under Meng's successor, Su Rong, who became known as a champion of environmental protection and rural welfare. Although Su in 2008 helped set in motion a "Poyang Lake Environmental Economy Area" regional strategy that in some ways resembled Hunan's CZX initiative, Jiangxi's strategy placed more weight on environmental protection and development of smaller cities. Under the strategy, the provincial government invested heavily in

.....
33 Jiangxi Development Research Center (江西省政府发展研究中心). "江西在中部崛起战略中的思路和对策 (Jiangxi's Thinking and Strategies in the Central China Rising Program)." In State Council Development Research Center, 中部崛起: 战略与对策 (*Central China Rising: Strategies and Measures*). 北京 (Beijing): 经济科学出版社 (Economy and Technology Press), 2006, p. 215.

34 CDO; author's calculations. See also World Bank Poverty Reduction and Economic Management, Financial and Private Sector Development Unit for the East Asia and Pacific Region. "China: Governance, Investment Climate, and Harmonious Society: Competitiveness Enhancements for 120 Cities in China (Report No. 37759-CN)," October 2006. www.worldbank.org.

35 See Looney, Kristen. "The Rural Developmental State: Modernization Campaigns and Peasant Politics in China, Taiwan, and South Korea." Doctoral dissertation, Department of Government, Harvard University, 2012.

36 After 2005, Jiangxi's provincial leaders shifted their policy rhetoric considerably, dropping their erstwhile emphasis on big-city development, and instead stressing rural issues and environmental protection. See *People's Daily*, 3/8/2006; 4/18/2006. Accessed on www.cnki.com.cn.

water treatment and energy infrastructure, and supported construction of small urban centers like Gongqingcheng.³⁷

Jiangxi's evolving policies and more regionally balanced development approach made it hard for Nanchang to keep up with Changsha's economic rise. By 2010, Nanchang's GDP was only half that of Changsha's, and its per capita GDP—once higher than that of its Hunan rival—was merely 66 percent of Changsha's.³⁸ Indeed, during the late 2000s, Nanchang's economy grew more slowly than that of the province as a whole, while outlying cities and rural areas of the province saw relatively fast development.³⁹ With its more spatially balanced development model, however, Jiangxi managed to achieve more inclusive growth and rapidly rising rural incomes. Regional disparities were less stark than in Hunan: whereas Changsha had nearly eight times the per capita GDP of Hunan's poorest prefecture in 2013, Nanchang's per capita GDP was 3.6 times that of Ganzhou, Jiangxi's poorest region. Jiangxi's secondary cities, including Jiujiang, Ganzhou, and Ji'an, experienced relatively fast growth, and Jiangxi emerged as a leader among China's inland provinces in boosting rural incomes and protecting the environment.⁴⁰

WHITHER URBAN AND REGIONAL DEVELOPMENT IN CHINA?

Traditionally, a key critique of spatial development policies has been the lack of effective implementation: governments in many countries have proven unable to muster the resources and political will over a long-enough period of time to realize their urban and regional development goals. In China, where government actors at different levels have a remarkable ability to mobilize organizational capacity and resources for the

.....
37 Author's interview in Nanchang, January 2015; Ma Zhihui (麻智辉). "构建共青城'低碳经济示范区'的战略思考 (Strategic Reflections on Constructing a Gongqingcheng 'low Carbon Economy Demonstration Area')." In 江西崛起新热点 (*New Emphases in Jiangxi's Rise*). 南昌 (Nanchang): 江西科学技术出版社 (Jiangxi Science and Technology Press), 2012.

38 CDO; author's calculations.

39 Ibid.

40 Ibid.; Zhu Limeng (朱丽萌). 城市化与江西县域经济发展 (*Urbanization and Jiangxi's County-Level Economic Development*). 南昌 (Nanchang): 江西人民出版社 (Jiangxi People's Press), 2011.

construction of development zones, new urban districts, and even entire city-regions, effective implementation is less of a concern. As shown by the experience of Hunan, where government efforts helped turn a sleepy provincial city into a booming metropolis, spatial policies can significantly shape the economic landscape.

The more pressing question in China is whether such state interventions constitute an optimal or equitable use of resources. Government policies may be exploiting the economic advantages of larger cities like Changsha, but it is not clear that top-down schemes make the most efficient use of resources or address the most pressing social needs. Economic research suggests that China's larger cities attain higher productivity than smaller cities, but that these benefits of scale tend to abate or even reverse beyond a certain point.⁴¹ Meanwhile, China's largest cities, which have enjoyed preferential access to land and financing, tend to exhibit more severe urban sprawl than smaller urban areas.⁴² Even if metropolitan-oriented strategies are economically efficient, such policies raise major questions about developmental equity. When government policies locate the most advanced firms, the best urban infrastructure, and the lion's share of educational, medical, and cultural institutions in the largest cities, they deprive not only rural areas but also secondary cities of access to resources. The severity of China's urban-rural gap and the problems associated with it are well-documented. Less commonly discussed, but similarly worrisome, are the increasingly severe regional disparities found between large metropolitan areas like Changsha and secondary city-regions like Shaoyang.

Of course, China's national leaders have long recognized the economic, social, ecological, and political dangers of concentrated urban growth, and have worked to promote more dispersed development. Recent calls by Xi Jinping and Li Keqiang for "a new form of urbanization" are the latest iteration of Beijing's efforts to develop medium-sized and smaller cities and to better integrate city and countryside. Yet, even as Beijing works to adjust China's growth model and rein in red-hot metropolitan growth, the central government is continuing to rely heavily on the provinces to carry out its

.....
⁴¹ Xu, Zelai. "Productivity and Agglomeration Economies in Chinese Cities." *Comparative Economic Studies*, no. 51 (2009): 284–301; Au, Chun-Chung, and Henderson, J. Vernon. "Are Chinese Cities Too Small?" *Review of Economic Studies* 73, no. 3 (2006): 549–76.

⁴² *The Economist*. "The Great Sprawl of China," January 2015. www.economist.com.

vision.⁴³ Given provincial leaders' record of metropolitan bias, it is unclear how faithfully they will implement the new agenda.

.....
⁴³ Under new rules, provinces will have the authority to issue development-related bonds. See *Wall Street Journal*, 5/18/2015. Recent years have also seen provinces gain more power over land policy and investment decisions.



A publication of the

Ash Center for Democratic Governance and Innovation
Harvard Kennedy School
79 John F. Kennedy Street
Cambridge, MA 02138

616-495-0557
www.ash.harvard.edu