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DO HIGH SPEED RAILWAYS LEAD TO URBAN ECONOMIC GROWTH IN CHINA?

Abstract:

This paper investigates the impact of high-speed railroads (HSR) on city-level economic activity using a new dataset for approximately 200 cities in China from 2007-2014. We apply panel Granger causality methods to assess whether increases in a city's accessibility increases GDP growth, GDP per capita growth and wage growth. Or does causality run the opposite way - does rising economic growth boost accessibility? Results document that increases in accessibility lead to significant and relatively large increases in GDP growth on the city-level; further, the benefits substantially out-weigh HSR's fixed costs, depreciation and subsidies. Out-of-sample methods document the importance of increases in HSR in forecasting GDP growth. Monte Carlo simulations document the usefulness of OLS and out-of-sample tests in assessing panel Granger Causality tests.

Keywords:

China Infrastructure, Granger Causality, High Speed Railroads