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Abstract This paper designs a theoretical model of excess per-capita income growth and brings forward such indices as excess per-capita income, per-capita base consumption and decreasing factor as well as the corresponding measurement methods. It studies from a brand new aspect the disparity between the economic growth in urban sector and rural sector of China in the past 30 years after the reform and opening-up, together with the disparity between the effects of such growth on consumption. The research results show that: At present the problem of the duality of urban and rural sector of China is still serious; the impaired amount of economic growth in urban sector is larger than that in rural sector while the impairing strength in rural sector is higher than that in urban sector; and it is vital to increase the excess per-capita investment in rural sector in order to effectively strengthen consumption related policies. Therefore, promoting urbanization but reasonably controlling the urbanization progress while strengthening the infrastructure construction in rural areas would be the efficient approach to reduce the impairing strength over the economic growth, to build up consumption market, to improve the duality of economy and to realize sustainable development.

Keywords excess per capita income, per capita base consumption, excess per capita consumption, speed of urbanization, rural infrastructure construction

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1 Introduction

Since 2007, Chinese economy has suffered a serious shock in oversea market demand because of the US Financial Crisis. In order to ensure stable and sustainable economic growth, Chinese government has successively launched a series of policies since October 2008 to stimulate the domestic demand so as to offset the adverse impact of decreased oversea market demand on Chinese economy and thus to avoid too large economic recession and get through the tough time. In the 2010 sessions of National People’s Congress and Chinese People’s Political Consultative Conference, how to stimulate domestic demand, expand consumption and narrow the disparity between urban sector and rural sector, as well as realization of sustainable development and change of growth mode, became hot topics and attracted wide concerns. The work reports of the government especially brought forward the objective to actively increase the consumption demands of residents, solidify and expand traditional consumption, positively foster new hot points of consumption, and promote optimization of consumption structure. Besides, taking the key objective of building up the consumption demands in rural markets, the government has made concrete policies such as greatly heightening the upper limit of the prices of the products in the Home Appliances Program for Rural Areas and expanding the coverage of the subsidies to consumers buying such products. Then, how are the status, characteristics and trends of the economic growth in urban sector and rural sector in China? What differences are there between those in urban sector and rural sector? How great is the disparity between urban sector and rural sector? What are the disparities in the effects of economic growth on consumption between urban sector and rural sector? How effective are the policies that benefit farmers and stimulate rural consumption?

This paper gives an analysis on the disparities in economic growth, as well as the effects of such growth on consumption, between urban sector and rural sector by answering the above questions. For the purpose of more profound and reasonable analysis, the author brings forward such concepts as excess per-capita income, per-capita base consumption and excess per-capita consumption, designs a dynamic model of excess per-capita income growth, and compares the actual economic growth and consumption between urban sector and rural sector through empirical analysis. The author attempts to study and appraise from a brand new perspective the above-mentioned disparities in the past 30 years since the reform and opening-up and find out an ultimate solution for the current sustainability problem of economic development.

2 Basic Concepts and Main Indices

The economic growth focusing on in this paper is different from the traditional