# BI-DIRECTORY CAUSAL LINKS BETWEEN URBANIZATION AND ECONOMIC DEVELOPMENT

## Linghui Fu[1], Haoyi Chen [2], Danan Gu [3]

1. Linghui Fu, Ph.D., National Bureau of Statistics of China

2. Haoyi Chen, Ph.D., United Nations Statistics Division

3. Danan Gu, Ph.D., Untied Nations Population Division

**Correspondence**: Please send the correspondence to Dr. Danan Gu at gudanan@yahoo.com

## Abstract

This study aims to empirically investigate the causal links between urbanization and economic development for 79 countries with time series data from 1961 to 2010 based on a simultaneous equations model. Our results demonstrate a bi-directory causal link between urbanization (indexed by urban proportion and urban primacy) and the level of economic development (measured by GDP per capita). We also find that the causal links differ depending on the economic development status of a nation, with a positive causal link between these two indicators mainly at the low level of economic development and an insignificant or a negative

causal link at an advanced stage of economy. Population structure and population growth, quality of labor force, GDP shares by fixed capital formation, and GDP shares by international trade and industrial structure are also important factors influencing both economic development and urbanization.