

# The impact of knowledge diffusion and The impact of knowledge diffusion and learning learning capability capability on regional economic development in China on regional economic development in China

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## **Abstract**

One of the guiding principles of regional policy during the reform era in China has been the assumption that imbalances of regional development will trigger off catching-up processes in the lagging regions. Serious doubts on this have been raised since the mid-nineties when the impression became stronger and stronger that there are increasing imbalances in particular between the interior and the coastal provinces. This has caused a policy shift in favour of government intervention especially supporting Western region development.

Under this light the tremendous importance of knowledge and technology for regional development becomes more and more recognized. In this paper we present an evolutionary growth model focusing on the inter-regional diffusion of knowledge. Using provincial data for the time period 1978-1998 we calculate the provincial learning capabilities, which are the main parameters of the model, and compare these results to a constructed measure of absorptive capability using data on the provinces level of education, infrastructural endowment and political environment.

Our results support evidence for the high relevance of the included factors of social capability for the regional growth process observed in the nineties. We conclude that government intervention in backward regions should focus on improving educational and infrastructural aspects as well as on establishing linkages to coastal provinces enabling knowledge transfer. Nevertheless, as this article presents our first modelling approach on this problem, there is still some room for improvement and extension of the model.