

Abstract: By employing the micro level data set on industry and highway (Gaosu Gonglu) placement, and Double Difference Propensity Score Matching method, this paper estimates China's highway effects on economic development in peripheral regions—county level cities (Xian, Xianjishi) from 1998 to 2007, a period China experienced a sharply growth on highway mileage. After extracting the core regions, empirical estimate indicates the highway placement promotes industrial development of related cities with higher output and more investments, and the results show to be robust under two different checks. In addition, county level cities remote to big cities—in this estimate is more than 300 km in geographical distance, don't show to benefit from newly placed highway. Furthermore, highway helps promoting the development of heavy industry but not the light industry.

Keywords: transport infrastructure project; Double Difference Propensity Score Matching (DD-PSM); regional development

JEL Classification: H54; R12