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THE IMPACT OF CHINA'S URBANIZATION LEVEL ON HOUSEHOLD CONSUMPTION

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The Impact of China's Urbanization Level on Household Consumption

Lin LI¹, Yanlong ZHU²

Abstract

In recent years, household consumption has continued to be in the depression, which has restricted the healthy and sustainable development of the economy. With the deepening of the level of economic globalization, the current trade frictions are increasing, and export difficulties are expanding. The government investment to stimulate economic growth is not sustainable. Promotion of household consumption is the only way to achieve economic transformation. An important reason for the insufficient consumer demand is the lagging urbanization. This article focuses on the impact of urbanization development on consumer demand, which analyzes the effect and level of urbanization on household consumption. Based on the international experience in the development of urbanization, we try to give reasonable and orderly policy recommendations to promote urbanization.

Keywords: China, urbanization, household consumption, consumption structure, panel data, policy suggestions, social development.

Introduction

Urbanization means the advancement of science and technology, and the adjustment of the enterprise pattern during the development of social productivity in a country or region. The history of its society has gradually changed from a traditional rural society to a modern urban society, modern urban society based on non-agricultural industries such as industry (secondary industry) and service industry (tertiary industry), traditional rural society based on agriculture (Zhen *et al.*, 2020). This process includes changes in population occupations, changes in regional space, and changes in enterprise pattern.

Urbanization is conducive to improving the regional enterprise pattern, improving the overall development level of the region, and driving regional

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economic development (Ma *et al.*, 2020). By the improvement of the urban and rural enterprise pattern, it has realized the rational circulation and efficient allocation of urban and rural resources, which promoted the integration of urban and rural areas. Therefore, urbanization is an inevitable product of social and economic development. The function of urbanization is mainly reflected in two aspects. First, urbanization has changed the enterprise pattern and accelerated the development of the tertiary industry (Hu *et al.*, 2017). Urbanization has improved the population gathering ability, and cities can create more employment opportunities. This can absorb a large number of rural surplus populations. This has also shifted the labor force from the primary industry to the secondary industry and the tertiary industry, thereby promoting the coordinated development of the urban and rural economy. Second, urbanization has increased the consumption ability of residents. Urbanization has increased residents' income, created a good consumption environment, and changed household consumption concept. The transfer of labor in the process of urbanization has accelerated the development of the secondary and tertiary industries. This not only increases the income of residents, but also provides residents with more consumer choices.

From 1949 to 1978, China borrowed from the development model Soviet Union and "preferential development of heavy chemical industry" (Zhang & Ye, 2020). The "scissors difference" generated by a large amount of agricultural surplus through unified purchase and marketing was transferred to industry. The policy implemented was agricultural subsidy industry, which has a positive significance for changing the situation of the poor and dilapidated society in the early days of the foundation of the People's Republic of China, rapidly realizing the capital accumulation of the heavy chemical industry, and advancing China's industrialization process. Generally speaking, in many countries, there will be a significant population transfer from rural to urban areas during the process of industrialization. However, at that time, in order to facilitate the development of heavy industry, China ensured that capital was concentrated in cities; it restricted population movement through a strict household registration system. Such a clearly inclined system policy has restrained the flow of population, caused severe urban and rural barriers in China, which formed a completely split dual social structure. This also caused China's employment structure to lag seriously behind the enterprise pattern, the efficiency of resource allocation could not have improved, and the process of urbanization was severely hindered.

Since the reform and opening up, along with the rapid economic growth of China, urbanization has been advancing rapidly. The urbanization rate increased from 17.9% in 1978 to 59.58% in 2018. The resident population in cities and towns increased from 172 million to 831 million, accounting for about 26% of the world's new urban population during the same period, which has greatly promoted world urbanization.

From the perspective of the urbanization rate, combined with the international division standard of the urbanization stage. Since the reform and opening up,

China's urbanization can be divided into three stages, 30% and 50% are set as the dividing points, respectively. As shown in Figure 1.1. The first stage is the early stage from the end of 1978 to the end of 1995. The urbanization rate increased from 17.9% to 29.0%. The average annual growth is 0.65 percentage points, which is near the 30% demarcation point. The second phase is the rapid advance phase from the end of 1995 to the end of 2010. The urbanization rate increased from 29.0% to 50.0%. The average annual increase is 1.39 percentage points, reaching the 50% cut-off point. It should be noted that the jump in the urbanization rate from 1996 to 2000 was mainly caused by the adjustment of the urban population statistics and data revision. The third phase is a period of rapid advance, which slowed down from the end of 2010 to the present. The urbanization rate has grown from 49.59% to 59.58% in 2018, an average annual growth of 1.11 percentage points, which is a slowdown compared to the previous stage.

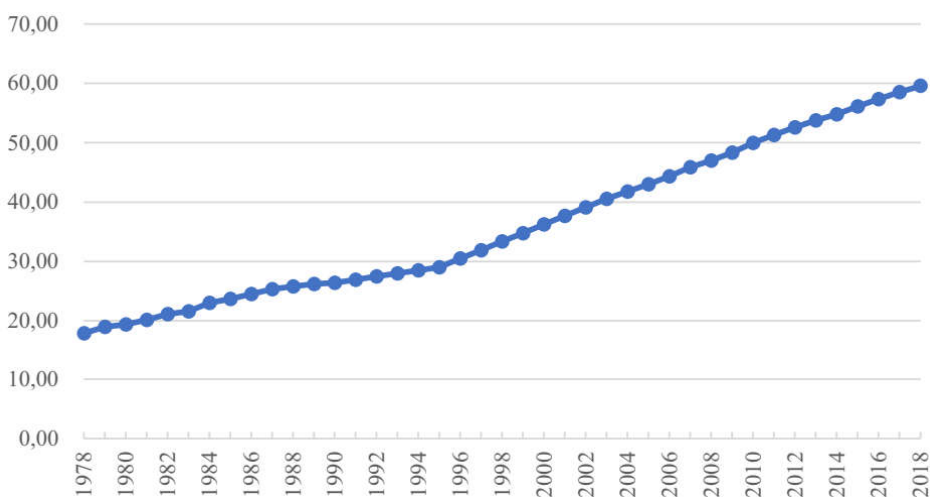


Figure 1. China's urbanization rate since reform and opening up

Literature review

Status Quo of China's Urbanization

China's urbanization lags behind industrialization. Industrialization is the fundamental driving force of urbanization and promotes the formation and development of cities. In addition, urbanization is the space carrier of industrialization, which restricts the development of industrialization (Putra, Tong, & Pribadi, 2020). If urbanization lags behind industrialization, industrialization development will lack good production conditions and markets, thereby delaying

the process of industrialization. If industrialization lags behind urbanization, that is, excessive urbanization, cities cannot provide sufficient employment for rural labor Opportunities, which in turn lead to a large number of unemployed and poor people in cities (Liao *et al.*, 2019). The large concentration of these people often leads to chaos in cities, the spread of slums, traffic congestion, disease epidemics, social unrest, and high crime rates. Various problems, this is the “urban disease” (Giang *et al.*, 2020). At the same time, due to the loss of production factors such as land, capital, and labor in rural areas, the impetus for rural economic and social development has become insufficient, leading to the “rural disease” problem (Xie, Yan, & Wei, 2020). Therefore, urbanization and industrialization are the opposite and unified relationship. Coordinating the development of urbanization and industrialization is an inevitable requirement for practicing the scientific development concept. Since the reform and opening up, China’s industrialization has accelerated, its enterprise pattern has been upgraded, and it has continued to shift to non-agriculturalization (Wang & Yu, 2019). The non-agriculturalization rate calculated by the proportion of output value in 2018 was 92.8%, and the non-agriculturalization rate calculated by the proportion of employed persons was 73.9%. Although the process of urbanization is fast, China’s urbanization rate in 2018 is only 59.58%, which is significantly lower. The non-agriculturalization rate, that is, the level of urbanization in China lags behind the industrialization development, and according to the international industrialization process classification, that is, four different indicators are per capita GDP, non-agricultural output proportion, non-agricultural employment proportion, and urbanization rate. (Yu *et al.*, 2016) The numerical values of the industrialization process are divided into four stages, which are the initial stage of industrialization, the middle stage of industrialization, the late stage of industrialization, and the post-industrialization stage. Different levels of experience regarding urbanization rates exist at different stages of industrialization, as shown in *Table 1*.

Table 1. Experience level of industrialization process and urbanization rate

progression stage	GDP per capita	Non-agricultural output value	Non-agricultural employment proportion	Urbanization rate
	(\$)	(%)	(%)	(%)
Early industrialization	600	65	20	10
Mid-industrialization	1200	80	50	30
Post-industrialization	3000	90	70	60
post-industrial stage	4500	95	90	80

In 2018, China's per capita GDP was about \$ 9771. In addition, China's urbanization rate is still lower than the average level that it should have in the late industrialization period, that is, China's urbanization level lags behind industrialization.

China's urbanization has large regional differences and unbalanced development. China has a vast territory and large regional differences (Zhang, 2015). The factors that cause development differences include the differences in economic resource endowment structure and policy differences among different regions. According to the general classification criteria, the proportion of urban population in the total population is used to measure the urbanization rate. When the urbanization rate is $\geq 70\%$, it is considered to be in a highly urbanized stage. When the urbanization rate is between 50% and 70%, we call it basic urbanization. When the urbanization rate is between 30% and 50%, it is close to the urbanization stage. When the urbanization rate is below 30%, it is said to be in the stage of urbanization (Wang & Yang, 2019). The comparison results of the urbanization levels of 31 inland provinces in China in 2018 are shown in *Table 2*.

From the data in *Table 2*, there are large differences in the regional urbanization process in China. The eastern coastal areas opened earlier and had a greater level of openness. A large amount of foreign capital, technology, and talents gathered in the east, effectively promoting the development of urbanization, and the level of urbanization is relatively high. Especially Beijing, Tianjin, and Shanghai are in a highly urbanized stage and the large, medium, and small cities in the eastern region have a reasonable structure, perfect functions, and strong radiation effects, which has promoted the rapid development of small towns and formed the Yangtze River Delta, Pearl River Delta, and Beijing-Tianjin-Hebei urban agglomerations with higher density. Northeast China is China's most important industrial base. It has made important contributions to building an independent and complete industrial system, and the national economic system (Tak *et al.*, 2019). Driven by the development of industrialization, the level of urbanization has also increased rapidly. At the national average level of urbanization, it is in the basic urbanization stage. The level of urbanization in the central region lags behind the developed areas in the east. This region is China's main agricultural production area. The population is relatively concentrated, and the distribution of large and medium-sized cities is relatively scattered. The radiation effect of large and medium-sized cities is not strong (Zhao *et al.*, 2019). The process is slow. Except for Shanxi and Hubei, which are in the basic urbanization stage, other regions are nearing the urbanization stage. The level of urbanization in the western region is much lower than the national average. The development of urbanization is slow, and most regions are nearing the stage of urbanization.

Table 2. Urbanization Level of Provincial Administrative Regions in Mainland China in 2018

Urbanization stage	State / Province / State	Urbanization rate	Area
Highly urbanized (≥70%)	Beijing	86.50%	East
	Tianjin	83.15%	East
	Shanghai	88.10%	East
	Guangdong	70.70%	East
Basic urbanization (50%--70%)	Hebei	56.43%	East
	Shanxi	58.41%	Central
	Inner Mongolia	62.71%	West
	Liaoning	68.10%	Northeast
	Jilin	57.53%	Northeast
	Heilongjiang	60.10%	Northeast
	Jiangsu	69.61%	East
	Zhejiang	68.90%	East
	Anhui	54.69%	Central
	Fujian	65.82%	East
	Jiangxi	56.02%	Central
	Shandong	61.18%	East
	Henan	51.71%	Central
	Hubei	60.30%	Central
	Hunan	56.02%	Central
	Guangxi	50.22%	West
	Hainan	59.06%	East
	Chongqing	65.50%	West
	Sichuan	52.29%	West
	Shaanxi	51.71%	West
Qinghai	54.47%	West	
Ningxia	58.88%	West	
Xinjiang	50.91%	West	
Near urbanization (30%--50%)	Gansu	47.69%	West
	Guizhou	47.52%	West
	Yunnan	47.81%	West
	Tibet	31.14%	West

Data source: National Bureau of Statistics official website: <http://www.stats.gov.cn/>

Compared with the level of urbanization in the east and northeast, urbanization in the central and western regions is lagging behind, and development is uneven. To implement the scientific development concept and realize the healthy development of urbanization, we must attach importance to the urbanization construction in the central and western regions, which reduce the differences among regions.

Government plays a leading role in urbanization. Judging from the driving force of urbanization development, it can be roughly divided into two models, one is government-led and the other is market-led. Prior to the reform and opening up, the development of urbanization led by the government and implemented in a top-down manner (Wen & Shao, 2019). This development model is the government planning the overall layout of the urban system, examining and approving the establishment of towns, and determining the scale of urban development. The government is not only the maker of the urbanization development strategy and its related policies and plans, but also the main body that directs and organizes the urbanization construction and the main body, which invests funds and implements various policies and plans. Under this model, the process of urbanization has greatly influenced by government policies. It can gather a large amount of resources in a short time to achieve leapfrog development of the city. However, this model is easily affected by the will of administrative staff by human factors (Brati, Ishihara, & Higashi, 2019). It is extremely strong in the decision-making process, which will greatly weaken the coherence of urban decision-making. Moreover, the government to complete the urbanization of a country or region is also a great burden on finances, and the role of the market in allocating resources should have brought into full play. The Chinese government has continued to deepen the reform of the economic system, and gradually established and improved the socialist market economic system. Driven by the market economy, the driving force for urbanization has characterized by diversification. The role of the market mechanism is far from being realized.

Unbalanced urban and rural development, the gap is still large. For a long time, China's urban-rural dual economic structure has been very prominent. In the early days of PRC, in order to realize the strategy of prioritizing the development of industrialization, the country implemented a policy of unified distribution and purchase of agricultural products (Zheng *et al.*, 2019). The state has kept the prices of agricultural products at a very low level. In addition, the implementation of high price controls on industrial consumer goods, capital accumulation through the price difference between industrial consumer goods and agricultural products. Supporting industrial development and implementing a dual household registration system, the state separated rural residents from urban residents, resulting in a serious imbalance in the relationship between workers and farmers.

In order to break down the dual economic structure between urban and rural areas, since the 16th National Congress of the Communist Party of China first proposed to coordinate urban and rural development, the government has invested many funds to improve rural infrastructure. "Going to the countryside" and other policies and activities have improved the rural appearance to a certain extent, and abolished the dual household registration system. It no longer distinguishes between agricultural and non-agricultural registered residence, which guarantees the transfer of farmers' rights and interests. The disparity is still large. According to the statistics in 2018, China's total fixed asset investment in the whole society was 646.5675 trillion yuan, but the total investment in urban fixed assets was 633.6363 trillion yuan, and the total rural fixed asset investment was about 103.9 billion yuan. According to the statistics in 2018, the per capita disposable income of Chinese urban households was 39,250 yuan, and the per capita disposable income of rural households was 14,617 yuan, which is three times that of the latter.

Status of household consumption demand

Household consumption ability refers to the quantity and quality of the products (and services) consumed by the residents of a country on average during a certain period (Khan & Uddin, 2018). In 2018, China's Engel coefficient was 28.4%, a decline of 0.9 percentage point from the previous year. The consumption structure of Chinese residents has continued to improve, and development trends such as high-end consumption, smart products and green consumption have been obvious. According to data from the National Bureau of Statistics, China's household consumption structure has changed significantly under the new economic normal. Transportation, communications, clothing, food, medical care, education, and entertainment have all witnessed significant growth. In particular, residents' spending on transportation, communications, cultural and entertainment, and medical care has increased significantly. This also largely reflects the changes in the consumption structure of China's rural market.

Changes in household consumption level. Since the reform and opening up, the speed of China's economic development has reached a new level. The consumption level of urban and rural residents has continued to increase, but the consumption level of urban residents has grown faster than that of rural residents. The trend of the per capita consumption level of residents is shown in *Figure 2*.

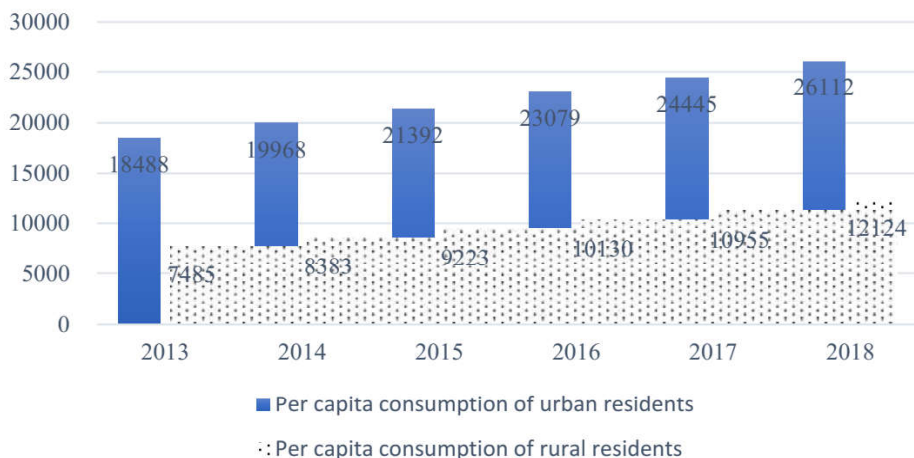


Figure 2. Changes in Per Capita Consumption of Residents

From Figure 2, the consumption level of urban residents is relatively high, while that of rural residents is the lowest. In terms of growth rate, urban residents are significantly ahead of rural residents. The disparity between the consumption level of rural residents and the consumption level of urban residents is becoming larger, and it is particularly urgent to stimulate the growth of rural household consumption.

Changes in the consumption structure of residents. This paper analyzes the changes in the consumption structure of urban and rural residents, grasp the changes in the consumption structure of urban and rural residents, and adjust the enterprise pattern and optimize the allocation of resources to change the supply structure to meet the consumer demand. It is of great significance to realize the expansion of consumer demand.

Table 3. Consumption Structure of Rural Residents, 2013-2018

Year	Food	Clothing	Residence	Household equipment and supplies	Traffic communication	Culture, education and entertainment	Medical insurance	Other
2013	34.12%	6.07%	21.11%	6.08%	11.69%	10.09%	8.92%	1.92%
2014	33.57%	6.08%	21.03%	6.04%	12.08%	10.26%	8.99%	1.94%
2015	33.05%	5.96%	20.88%	5.92%	12.61%	10.51%	9.17%	1.89%
2016	32.24%	5.68%	21.19%	5.88%	13.43%	10.56%	9.17%	1.84%

2017	31.17%	5.59%	21.49%	5.79%	13.77%	10.69%	9.67%	1.83%
2018	30.07%	5.34%	21.95%	5.94%	13.94%	10.74%	10.23%	1.80%

Data source: National Bureau of Statistics official website: <http://www.stats.gov.cn/>

Table 3 shows the changes in the proportion of rural household consumption expenditure on various goods and services from 2013 to 2018. It can be seen from the data that the proportion of rural household consumption expenditure on food, clothing, and residence has a significant downward trend, reflecting the continuous improvement of the living standards of rural residents. The proportion of household equipment and supplies expenditure also fluctuated, which has increased in recent years and was 5.94% in 2018. The overall proportion of transportation and communication consumption expenditure is on the rise, from 11.69% in 2013 to 13.94% in 2018. The percentage of cultural, educational, and entertainment consumption expenditure has changed little. The proportion of health care consumption expenditure has shown a relatively obvious upward trend, from 8.92% in 2013 to 10.23% in 2018.

Table 4. Consumption Structure of Urban Residents, 2013- 2018

Year	Food	Clothing	Residence	Household equipment and supplies	Traffic communication	Culture, education and entertainment	Medical insurance	Other
2013	30.13%	8.41%	23.26%	6.11%	12.54%	10.75%	6.14%	2.65%
2014	30.05%	8.15%	22.49%	6.17%	13.21%	10.73%	6.54%	2.67%
2015	29.73%	7.95%	22.09%	6.11%	13.53%	11.14%	6.75%	2.70%
2016	29.30%	7.53%	22.16%	6.18%	13.75%	11.43%	7.07%	2.58%
2017	28.64%	7.19%	22.76%	6.24%	13.59%	11.65%	7.27%	2.67%
2018	27.72%	6.92%	23.95%	6.24%	13.30%	11.39%	7.84%	2.63%

Data source: National Bureau of Statistics official website: <http://www.stats.gov.cn/>

Table 4 shows the changes in the proportion of urban household consumption expenditure on various goods and services from 2013 to 2018. Judging from the data, the proportion of urban residents' food and clothing consumption expenditure has a significant downward trend. In addition, consumer spending on culture, education, entertainment, transportation, communications, and healthcare grew

faster. These trends reflect that with the growth in income levels, the consumption structure of urban residents is constantly optimizing, and they are increasingly pursuing development and enjoyment consumption, focusing on the reality of quality of life.

Comparing the consumption structure of Chinese urban and rural residents, we can find that there are both similarities and some differences between the two. The similarity lies in that rural residents and urban residents spend the most on food. Moreover, the proportion of food expenditure has shown a significant downward trend. In 2018, the proportion of food expenditure by rural residents was 30.07%. In the same year, the proportion of urban residents' food expenditure was 27.72%, and the disparity was small, reflecting that China's economic development has gradually reached a new level. The living standards of residents have gradually improved, and more income is used for development and enjoyment consumption. The main difference is that the proportion of rural household consumption expenditure for housing, transportation, and communication is greater than that of urban residents. In addition, the proportion of consumer spending on clothing, cultural and educational entertainment, and medical care is smaller than that of urban residents. In summary, with the continuous expansion of China's economy and the advancement of urbanization, the living standards of urban and rural residents are constantly improving. The consumption structure has optimized, but there is still room for further optimization. In particular, the proportion of rural residents in the development and enjoyment of consumption is not high enough, which has huge growth potential (Chakrabarti *et al.*, 2018).

Impact of China's urbanization level on household consumption

Urbanization development is conducive to increasing residents' income

According to the economist Keynesian consumption function theory, in the short-term people's consumption is mainly determined by the current income, and the consumption level is positively related to income. Therefore, urbanization can increase household consumption capacity and increase their consumption demand by improving their income.

Income is the basis and premise of consumption. The continuous acceleration of urbanization will inevitably promote the growth of various regional industrial economies. This provides more diversified income channels for urban and rural residents, thereby increasing the income level of residents. On the one hand, labor transfer in the process of urbanization can increase the income level of rural residents. On the other hand, the consumption concept of migrant laborers will change significantly after being exposed to various kinds of information in cities. Furthermore, the consumption behavior of migrant labor force will serve as a "demonstration effect", which indirectly affects the consumption patterns of

rural residents. The study found that the consumption level of urban residents is significantly higher than that of rural residents. This imitation and demonstration effect is of great significance for increasing the total consumption in rural areas and optimizing the consumption structure. As shown in Figure 3, as the income level of urban and rural residents in China has increased, their consumption levels have also continued to increase.

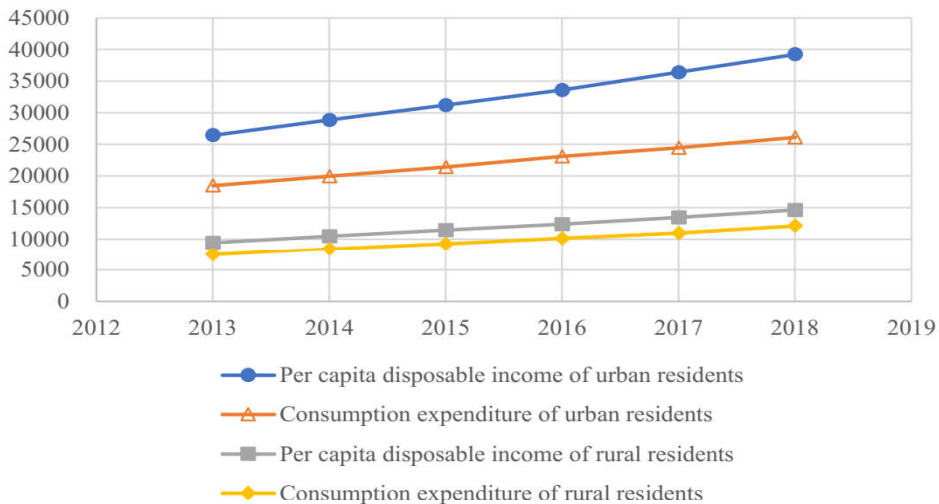


Figure 3. Income and Expenditure of Urban and Rural Residents in China, 2013-2018 (Unit: Yuan)

According to Maslow's hierarchy of needs, an individual's demand behavior will undergo a transition from a low level to a high level. In addition, based on the life cycle theory and lasting income theory, the improvement of household consumption capacity brought by urbanization is obvious. Because urbanization has increased the income levels of urban and rural residents, and consequently their consumption capacity has continuously improved.

The development of urbanization is conducive to changing the concept of residents consumption

With the advancement of urbanization, the income level of residents has continued to increase. What's more important is that in the process, household consumption concept is constantly changing. This has a far-reaching and extensive impact on consumer demand. Veblen (1899) mentioned in the Theory of the Leisure Class that consumption is not only a way to meet the needs of life or production, but also a way to reflect his socioeconomic status (Liu & Lei, 2018). Duesenberg's relative income theory states that in addition to the consumer's own

income factors, the income and consumption levels of the surrounding people will also affect the consumer's consumption behavior. Every consumer has different individuals in terms of social background, social status, ability, and so on. In addition, the consumption capabilities of these different individuals are different (Liu *et al.*, 2017). However, low- and middle-income earners in this group make their consumption at a disproportionately high level of income due to psychological factors such as comparison and vanity. In economics, we call this phenomenon a demonstration effect.

First, with the acceleration of urbanization, more and more rural residents are transformed into urban residents. Urban residents will affect the shift of farmers' consumption concepts. Residents pursue the trend of consumption, which purchase various commodities and services to drive consumption.

Secondly, as the level of urbanization increases, the consumption behavior of small and medium-sized cities is converging toward that of large cities. Large cities are richer in consumption content and information than small and medium cities, and their consumption channels are more extensive than those of small and medium cities are. The consumption of small and medium-sized cities has a huge demonstration effect, making the consumption level of small and medium-sized cities closer to that of large cities.

Finally, in the context of economic globalization, with the continuous advancement of urbanization and the consequent diversification of consumer products, the consumption concepts of Chinese urban residents will have affected by the consumption pattern of internationalized cities. Therefore, internationalized cities consumption also has a demonstration effect on the consumption of Chinese urban residents.

It can be seen that the acceleration of the urbanization process is changing consumption concepts from different levels. Rural residents are imitating urban consumption model, small and medium-sized city residents are imitating large city consumption models, and Chinese urban residents are imitating international urban consumption model. Changes occur to achieve optimized upgrades. Specifically, the proportion of urban and rural residents' subsistence consumption will decline, while the proportion of development and enjoyment consumption will rise. It is reflected in the gradual decrease of the Engel coefficient, that is, the proportion of food expenditure gradually decreases. In addition, its consumer demand for medical care, leisure facilities, transportation and communications, cultural and educational entertainment, literature and art, and residence has gradually increased, and the pursuit of continuous improvement in the quality of life. It can be seen that there is huge room for expansion in consumer demand. The development of urbanization can effectively stimulate the growth of residents' consumption by changing their consumption concepts.

Urbanization development is conducive to improving household consumption environment

Any consumption behavior is carried out in a certain consumption environment, and the consumption environment has a certain restrictive effect on household consumption demand. The continuous improvement of the urbanization level has continuously strengthened and deepened the communication and connection between urban and rural area (Zhang & Lahr, 2018). The urban and rural markets have gradually integrated, and the consumption environment of urban and rural residents has continuously improved, which in turn has affected the consumption levels of urban and rural residents.

For urban residents, the growth in urbanization has made, more and more rural residents integrate into the city, it will make the relatively immature and perfect business service model unable to adapt to the growing market demand, and urge enterprises to serve their own interests (Tan *et al.*, 2017). As a starting point, in order to adapt to market demand, measures such as increasing sales and service outlets, improving service quality and business environment, and setting up multiple marketing methods will optimize the consumption environment of urban residents, thereby making urban household consumption more convenient and consumer goods. The categories are more abundant, the consumer comfort is improved, and they are more willing to spend, driving consumption growth.

For rural residents, first, with the development of urbanization, public facilities such as roads, railways, water, electricity, gas (Guo *et al.*, 2018) and communications have gradually improved, providing necessary material conditions and convenience for rural household consumption. Second, with the urbanization process, various such commercial institutions, such as small and medium-sized supermarket chains, shopping malls, and brand stores, have settled in the countryside, improving the market environment for rural residents 'consumption, enriching rural residents' choices in consumption content, and greatly facilitating rural residents' consumption. In addition, with the gradual improvement of the rural logistics system, e-commerce companies such as Taobao and Jingdong will reach the rural market and gradually expand to promote online consumption by rural residents. Therefore, the improvement of residents 'consumption environment can reduce consumption costs, (Guo, Zhao, & Dai, 2017) increase consumption efficiency, and effectively stimulate the growth of residents' consumption.

Conclusion

Low consumer demand: (1) Since the reform and opening up, the consumption level of urban and rural residents has continued to increase, but the disparity between the consumption level of rural residents and the consumption level of urban residents has become wider; (2) The consumption rate of Chinese residents

is low, showing a downward trend in fluctuations, especially the consumption rate of rural residents is extremely low, and it is urgent to stimulate the consumption demand of rural residents: (3) With the development of the economy and the growth in income of urban and rural residents, the consumption structure of urban and rural residents has optimized, but there is still huge room for growth in terms of development and enjoyment consumption.

Urbanization development is conducive to the expansion of consumer demand: (1) The development of urbanization can promote the growth of household consumption by increasing the income of residents, changing the concept of household consumption, and improving the environment of household consumption; (2) It can be concluded from the consumption model that introduces urbanization factors combined with the huge consumption disparity between urban and rural areas, urbanization as a process of continuously transforming rural residents into urban residents contributes to the improvement of overall household consumption levels; (3) From the impulse response analysis, it can be concluded that the growth rate of urbanization has a positive impact on the growth rate of household consumption, and the development of urbanization is conducive to the expansion of consumer demand.

Recommendations

Optimize government functions and promote urbanization with the market as the lead. In the context of a market economy, market mechanisms should play a fundamental role in allocating resources. Urbanization takes the continuous transformation of rural residents into urban residents as the main manifestation (Liu et al., 2018). In fact, it is a major transformation process of social and economic resource reconfiguration. It is also an endogenous and natural evolution process. A unified and standardized market system is required. The market should be leading force. Therefore, it is necessary to establish and improve a diversified investment and financing mechanism. At the same time as the government invests financial resources, it must pay attention to giving full play to the enthusiasm of different investment entities to gather more funds for urbanization. For example, when the government undertakes investment in large-scale infrastructure and public utilities, it actively explores and uses modern financial markets and financial tools to collect private idle funds for investment in urbanization (Ding et al., 2016). While establishing a market-driven urbanization dynamic mechanism, the government's functions will be changed to create a good external environment for urbanization. In the process of urbanization, although market laws must have respected, government guidance and regulation are also indispensable, because the path dependence formed over the years has solidified, and government departments have formed a strong "pro-business" complex, which concentrated towards developed regions and large cities (Muller & Jha, 2017). We can learn from the successful experiences of developed countries, establish, and improve relevant

legal systems to promote the healthy development of urbanization, implement the above-mentioned related policies and plans, and provide legal guarantees for the effective resolution of many problems arising in the process of urbanization.

- 1) *Actively cultivate urban leading industries and optimize enterprise pattern.* International experience shows that industrialization and urbanization should develop in harmony (Suman *et al.*, 2018). The essence of urbanization is the transfer process of production factors from the agricultural sector to the non-agricultural sector with the development of the economy, that is, from low-efficiency places to high-efficiency places, and resources are optimized for allocation. The fundamental sign of transfer is the decline in the proportion of agriculture and the growth in the proportion of non-agriculture. With the advancement of urbanization, rural surplus labor continues to transfer to cities, and industry is the foundation of the city. Without industrial support, the transfer of labor cannot achieve real. This will reduce the source of income for the transfer of labor, lack of security of life, and severely restrict the expansion of consumer demand. Therefore, the development of urbanization must first solve the problem of industrial development. A city without industry is like a tree without roots (Nicholas *et al.*, 2018). Many cities have accurately positioned the city's industrial development strategy according to their location conditions, created the city's core competitiveness, and developed well. In the construction of small cities and towns in China, there are generally similar enterprise patterns and inconspicuous industries. Therefore, localities must rationally position the industrial development strategies of cities and towns, fully tap local resources, focus on fostering distinctive leading industries, which promote the development of new industries and supporting facilities through the development of leading industries, and promote the development of urbanization. At the same time, in improving urban employment capacity, we should vigorously promote the healthy development of the tertiary industry (Sun *et al.*, 2014). In the process of urbanization, if the tertiary industry is fully developed, it will inevitably provide more jobs for new entrants to protect the income level, thereby increasing the consumption capacity of residents and expanding consumer demand. At present, the proportion of the output value of the tertiary industry in China's total output value and the proportion of corresponding employees in the total number of employed persons are far lower than those in developed countries are. There is great room for development and potential. Effective policies should have formulated to further optimize China's enterprise pattern and accelerate the tertiary industry, which vigorously promote the development of sunrise industries such as culture, tourism, housekeeping, and health.
- 2) *Coordinate urban and rural development and accelerate urban-rural integration.* China's urban-rural dual economic structure has a long history. In the pro-

cess of promoting urbanization, we must attach importance to the development of rural and agriculture, coordinate urban-rural development, strive to build a positive interaction mechanism between urban and rural development (Guo *et al.*, 2018) and continuously improve the level of urban-rural integration. The government should implement relevant measures in this regard. First, a unified urban and rural employment system has built. The first is to establish and improve a unified labor market across the country. The second is to establish equal employment access, employment services, employment training systems, and equal pay for equal work in urban and rural areas. The third is to improve the supervision system for the labor market (Zhang *et al.*, 2017). Second, regarding the issue of transferring farmers' land in the process of urbanization, we should learn from Japan, which do not force the expropriation of farmers' land. Instead, we should promote the process of rural urbanization through policy tilt and financial support. At the same time, we must deepen the reform of the rural land transfer system. We can introduce a shareholding system in the construction of the land system, so that farmers who have obtained land shares can transfer it with peace of mind. Third, it is necessary to further relax the conditions for farmers to settle in small and medium-sized towns, accelerate the implementation of the household registration system in megacities, lower the threshold for urban household registration, and promote the rapid development of urbanization. Fourth, we must increase fiscal investment in rural areas and improve rural infrastructure. At the same time, we must actively guide and encourage financial organizations to provide sufficient funds to support rural development, and study the establishment of a rigid constraint mechanism for returning funds to rural areas. This will not only reduce the income disparity between urban and rural residents, but also provide a large amount of land and labor for urbanization and promote the development of urbanization.

- 3) *Speed up urbanization in the central and western regions and promote the development of household consumption potential.* The early United States, like China today, also faced the current state of regional imbalances in urbanization development (Sanna, Jukka, & Seppo, 2014). The population was concentrated in the east. The east was the region with the highest level of urbanization in the country, and other areas were backward. Later, driven by the development of new industries and transportation, the development of urbanization gradually becomes balanced. On the one hand, it has promoted economic development in other regions, and on the other hand, it has solved problems such as the large regional income disparity in the United States. China's urban population is mainly concentrated in the eastern region and large cities, and the level of urbanization in the central and western regions is far behind the eastern region. To this end, the government needs to thoroughly implement strategies such as

the “Western Development” and “Rise of the Central Region”, support policies in the central and western industries, accelerate urbanization in the central and western regions, and stimulate consumption in the central and western regions.

- 4) *Further accelerate the development of various transportation facilities and promote the development of urbanization.* International experience shows that the development of transportation facilities is conducive to the development of urbanization (Ye *et al.*, 2015). After the reform and opening up, China’s railways, highways, and civil aviation have achieved rapid development, and the number of automobiles has continued to increase and gradually spread. However, due to the weak economic foundation and relatively short development period before the reform and opening up, the development of China’s transportation facilities has relatively backward compared with developed countries. In addition, the development and layout of China’s transportation facilities are also uneven. Large and medium-sized cities have better development of their transportation facilities, while smaller towns are relatively backward. The backwardness of the development of transportation facilities and the uneven distribution of distribution have made the development resources of China’s large, medium and small cities more uneven (Guo, Zhao, & Dai, 2017). The backwardness of transportation facilities has limited the development of small and medium-sized cities and towns. For this reason, in order to realize the great development of China’s urbanization, it is necessary to accelerate the development of transportation facilities, especially the development of transportation facilities in small and medium-sized towns, and actively promote the development of urban-rural transportation integration. This paper promotes coordinated development between the region and urban and rural areas by reducing the gap in transportation facilities. At the same time, it is necessary to accelerate the research and development and mastery of core technologies such as automobiles, airplanes and high-speed rail, effectively reduce the cost of transportation and logistics, and realize the great development of urbanization.

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