Towards an intelligent country: China’s higher education expansion and rural children’s senior high school participation

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ABSTRACT

Colleges in China were instructed to massively expand their enrollment beginning in 1999, an event referred to as China’s Higher Education Expansion (HEE). As the HEE explicitly enlarged the share of high-skilled labor, there may be a potential positive effect of the HHE on rural children’s willingness to enter senior high schools. This is because their chances to get into colleges are improved. This study found that, after controlling for other observable factors, the probability for rural eligible individuals to participate in senior high schools increased by 0.18 more than their urban counterparts from 2000 to 2005, and this result was indeed caused by the HHE via increased expected gains. Based on the empirical results, the expected returns to education are proven to be critical in educational decisions. To build an intelligent country, the government should raise returns to education by reforming the educational supply and eliminating the distortions and misallocations that depress returns to education.

1. Introduction

Human capital accumulation has special importance for developing countries, which are faced with the formidable tasks of maintaining rapid economic growth (Eichengreen et al., 2013; Felipe et al., 2012) and controlling internal income inequality (Alvaredo et al., 2018). With respect to economic growth, high value-added industries have proven to be necessary to raise an economy to a high-income stage (Kharas and Kohli, 2011; Musacchio et al., 2012). To make local high value-added industries competitive in the global market, developing countries must improve their total factor productivity and innovation abilities. However, productivity and innovation begin with human capital (Fleisher et al., 2010; Kharas and Kohli, 2011; Musacchio et al., 2012). With regard to income inequality, human capital inequality has been a major source of overall income inequality worldwide (Chen et al., 2010; Sylwester, 2002). It is crucial to narrow the human capital gap within a country to control income inequality. Especially during these times of revolutionary skill-biased technical changes, the strengthening human capital accumulation is urgent because there exists a plethora of low-skilled jobs in developing countries that are being substituted by capital and new technology (Acemoglu and Restrepo, 2017; Autor et al., 2003; Bresnahan et al., 2002).

Despite many remaining problems, China has made remarkable achievements in education, the primary source of human capital, in recent decades. First, China made primary education and lower secondary education legally compulsory in 1986 by instituting nine-year compulsory education. Subsequently, due to a serious of targeted policies, the nine-year compulsory education requirement...