

Research on the Impact of Integration of Factor Markets in the Yangtze River Delta Region on High Quality Economic Development

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Abstract

The Yangtze River Delta region is the region with the strongest economic strength and the most intense inter provincial competition in China. While achieving rapid economic growth, there has also been a serious phenomenon of industrial structure convergence. Promoting high-quality development in the Yangtze River Delta region should start with promoting and supporting market integration in the region. To achieve the dual integration of "integration" and "high-quality" development, we cannot only focus on one aspect. The integrated development strategy of the Yangtze River Delta market is no longer only related to the economic development of the region, but also to the strategic choice of the overall national economy. A correct understanding of the development process and current situation of market integration in the Yangtze River Delta is beneficial for each region to clarify its own positioning and develop the optimal economic growth strategy for the region according to local conditions. It has important theoretical and practical significance for achieving regional coordination and narrowing regional differences. This article will study the impact mechanism of market integration in the Yangtze River Delta region on high-quality economic development from the perspective of factor markets and propose corresponding countermeasures and suggestions.

Keywords

Yangtze River Delta Region; Market Integration; High-quality Economic Development.

1. Introduction

At present, some scholars have conducted research on the integration of factor markets. However, due to the short time frame for proposing high-quality economic development, there are not many theoretical research results and successful practical models. There is even less research on promoting high-quality economic development through the integration of factor markets in the Yangtze River Delta region, which fully highlights the theoretical and practical value of this project's research.

This project proposes a unique theoretical framework for the integration of factor markets and high-quality economic development, and uses empirical methods to study it, which is conducive to theoretical innovation in this field. The project empirically proves that establishing a unified factor market is to improve the resource allocation efficiency of the factor market, thereby improving economic efficiency. It objectively reveals the mechanism and path of the impact of regional factor market integration on high-quality economic development, providing a theoretical basis for building regional factor market integration and high-quality economic development in China, and has certain theoretical value.

The theoretical framework and empirical evidence proposed in this project can help objectively evaluate the impact and performance of factor market integration on high-quality economic

development. The obstacles in institutional mechanisms are not conducive to market integration, which can affect the allocation of market resources and constrain economic development. Clarify the path and institutional conditions of the impact of factor market integration on high-quality economic development, and provide theoretical basis for government departments to better achieve the goal of regional factor market integration and institutional mechanism reform. The study of the economic growth effect of factor market integration in the Yangtze River Delta region in this article can not only explore the reasons that affect the economic development of the region, but also have profound reference significance for the economic development of other regions nationwide.

2. Theoretical Basis and Literature Review

2.1. Related Concepts

2.1.1. Market Integration

Foreign scholars believe that market integration between countries means that factors can flow freely to a certain extent in all international markets, and the transaction prices of both buyers and sellers are not affected in transactions. Chinese scholar Lin Wenyi (1994) analyzed the integration of China's agricultural product market and believed that only when the economy is highly developed, effective division of labor and full employment can occur between regions, can the integration of the domestic agricultural product market occur. It views market integration as a means of eliminating barriers to the flow of goods and factors within a region, communicating and relying on each other, without any administrative barriers. Across the country, local governments are seeking regional economic development while also competing with each other. However, at the same time, there are also various trade barriers between regions, which hinder the free flow of production factors and commodities, exacerbate market segmentation, and hinder China's market integration process. Market segmentation and integration are two relatively independent concepts. Although there are still differences in the academic community regarding the concept of market integration, overall, market integration can be simply summarized as: multiple countries or regions weaken or even eliminate administrative and trade barriers between regions by establishing a unified or similar strategic system, eliminate local protectionism, promote the free flow of production factors and products between regions, and finally, under the influence of market mechanisms, The production factors and prices of products, production efficiency, and wages of workers in various regions can all reach the same level under the influence of market mechanisms, thus achieving the integration of market economy.

2.1.2. The Definition of Economic Growth

There are two completely different views on economic growth. One method is to characterize it as an increase in output, which is known as narrow economic growth. Another view is that economic growth should not only be a continuous increase in quantity, but also a qualitative improvement. This is what is called economic growth. Nowadays, people are using it more for narrow economic growth.

Douglas Greenwall (1992) believed that the total amount of various materials and services produced by a region during a certain period of time is continuously increasing. The definition of economic growth by Chinese scholar Zhang Weida (2000) is consistent with the view of Green Wall (2000), that is, the economic growth of a country or region is the increase in the total quantity of its goods and services. Paul Samuelson (1996) believes that the growth of a country's real gross domestic product should be viewed as the growth of a country's real gross domestic product over different periods, expressed in terms of the average annual growth rate of gross domestic product.

From the above two aspects, the current academic definition of economic growth is mostly narrow. (1) We should not only look at the growth of the total amount, but also separate the economic total and per capita gross domestic product. The development of the economy can only rely on the improvement of productivity. (2) The rapid growth that occurs in a relatively short period of time cannot be considered a norm. Economic growth should be a long-term continuous growth. (3) Economic growth is influenced by multiple factors such as population size, structure, and industry structure. Therefore, when studying economic growth issues, it is necessary to take them into consideration.

Economic growth refers to the continuous increase in a country or region's gross domestic product or per capita gross domestic product over a period of time, that is, the growth of a country or region over different time spans. It can be calculated by the growth rate of GDP or the growth rate of per capita GDP.

2.2. Domestic and Foreign Literature Review

2.2.1. The Relationship between Market Integration and Economic Growth

The role of market integration in regional economic growth depends on the level of regional economic development, and market integration can only play a role after the economy reaches a certain level of development. This means that when the level of economic development is low, the government will promote economic growth through "segmentation", while when the economy reaches a certain level of development, it will promote economic growth through market integration.

2.2.2. Construction of Indicators for High-quality Development and Research on Influencing Factors

Currently, research on high-quality development mostly focuses on its connotation, extension, and important connotations. Some have begun to attempt quantitative analysis, focusing on the construction of indicators and the analysis of influencing factors. High quality development, as an emerging concept, is still in its early stages of research, and its connotation and boundaries have not yet formed a unified understanding, nor does it have a specific measurement indicator. Ma Yu (2020) believes that the spatial agglomeration of high-tech industries is a key factor affecting TFP and the quality of economic development. Wang Yun et al. (2019) conducted a comparative study on the level of high-quality development worldwide.

2.2.3. The Relationship between Regional Innovation Policy Synergy and Factor Market Integration to Promote Economic Growth

Through the coordination of regional innovation policies, it is possible to effectively promote the flow of elements and resources of scientific and technological innovation between regions, thereby promoting technological progress and promoting high-quality economic development in China; The allocation effect of regional innovation policy synergy can strengthen the synergy of innovation resource allocation, improve the efficiency of resource allocation, achieve inter regional synergy, reduce duplicate allocation, and better leverage the driving effect of scarce innovation resources. On this basis, this project plans to take the Yangtze River Delta as an example, with industrial transfer as the main focus and industrial resources, talent resources, research and development resources as the main driving force, to promote regional economic development, shorten the development gap between resource absorption areas and core areas, and promote coordinated development of the Yangtze River Delta urban agglomeration.

2.2.4. Research on the Impact of Factor Market Integration on High-quality Economic Development

The higher the degree of integration of factor markets and the higher the efficiency of factor allocation, the easier it is to achieve free circulation between factors, thereby achieving the flow of factors from low productivity industries to high productivity industries, thereby increasing

factor production and promoting economic growth. With the free flow of production factors and the improvement of economic integration, it has a positive promoting effect on economic development. Therefore, studying the economic growth of the Yangtze River Delta from the perspective of factor market integration has important practical significance, but there is still a lack of relevant research so far.

3. Theoretical Mechanism of the Impact of Factor Market Integration on Economic Growth

The role of market integration in economic growth is mainly achieved by promoting the free flow of goods and production factors, thereby achieving breakthroughs in economic growth. The trade barriers between regions and the flow barriers of production factors play an important role in the economic development of regions due to factors such as specialized division of labor, transaction costs, and production scale. In this chapter, we summarize the mechanism of market integration on economic growth and provide relevant research hypotheses.

3.1. Analysis of the Impact Mechanism of Commodity Market Integration on Economic Growth

The integration of commodity markets can have a positive promoting effect on regional economic growth through economies of scale and technological spillovers (Xiao Canfu, 2011). On the one hand, the integration of commodity markets promotes the flow of products between regions. Inter regional trade is conducive to promoting the realization of regional specialized production. Each region relies on its own comparative advantages to produce specialized products, which inevitably leads to a lack of specialized products in other regions. Therefore, through inter regional trade, it is possible to import relatively scarce other products from other regions and sell its own specialized products to other regions, thereby promoting the formation of a closely connected unified market in the entire region. Expanding the trading market through the flow of products or services between regions is beneficial for the market to exert economies of scale and ultimately promote overall regional economic growth. On the other hand, market integration helps promote mutual exchange and learning of knowledge, technology, and experience among enterprises in the region, while also reducing information asymmetry and promoting complementary advantages and resource sharing among regions. In addition, market integration encourages enterprises to join more competitive markets, which can motivate them to quickly improve their technological and management levels, thereby enhancing their competitive strength.

However, the impact of commodity market integration on economic growth may vary in regions with different levels of economic development (Yang Lin, Chen Xiqiang, 2017). With the improvement of the integration level of the commodity market, economically developed areas are releasing spillover effects to surrounding cities, while underdeveloped areas receive funds and high-tech from economically developed areas. After receiving their technological spillovers, the surrounding underdeveloped areas rely on their abundant cheap labor resources and adopt catch-up strategies to improve their technological innovation capabilities, thereby enhancing their competitiveness with economically developed regions and enabling them to have a higher share of benefits in trade with them. The development of integrated commodity markets will no longer benefit economically developed regions, but will be more conducive to the economic growth of underdeveloped regions.

3.2. Analysis of the Impact Mechanism of Labor Market Integration on Economic Growth

Labor market integration refers to the process of strengthening labor mobility between different regions, thereby redistributing labor. The mechanism of its action is as follows: (1) Labor market segmentation will lead to distortion of the labor market. Market distortion can affect the timely adjustment of economic structure, resulting in an imbalance in the ratio of urban and rural workers to non-agricultural workers, leading to a large number of labor forces staying in rural areas and investing in inefficient agricultural production. By enhancing the integration of the labor market, it is possible to effectively reduce barriers to labor mobility, promote the transfer of labor from inefficient agricultural sectors to non-agricultural industries, maximize the utilization of labor capacity, and enable everyone to have a unique skill, thereby reducing the negative impact of unreasonable resource allocation on regional economic development. (2) The fragmentation of China's labor market has a negative impact on its economic development (Zong Huihua, 2020). Due to the fragmentation of the market, it is unable to effectively allocate resources, resulting in low efficiency in resource allocation and excessive distortion of the labor market, which affects the output efficiency of the regional economy and ultimately affects its development. (3) With the continuous improvement of labor market integration, the cost that enterprises pay in the process of finding and hiring labor will become smaller and smaller, which is beneficial for both employers and employees. (4) Bi Xianping (2009) found that labor market integration is not just a positive driving effect, but can also be negative. With the improvement of labor market integration, cross regional labor mobility has become more convenient and frequent. This will affect the stability of the employment relationship between the enterprise and employees, making it difficult for the enterprise to recover the investment of training personnel in a timely manner. Therefore, enterprises will invest less in training, which will affect the work ability and quality of employees, affect the production efficiency of the enterprise, and thus affect the development of the economy. In short, labor market integration has a dual effect on economic growth.

3.3. Analysis of the Impact Mechanism of Capital Market Integration on Economic Growth

This article analyzes the development of China's securities market from both theoretical and empirical perspectives. In areas with sufficient capital, due to excess funds, there is relatively less additional demand for capital. Therefore, within the region, there is a "segmentation" incentive, while in areas with abundant capital factors, the distortion of resource allocation and negative effects on economic growth can be weakened through the division of capital markets. In addition, implementing capital market segmentation can ensure the growth of regional tax revenue, so there is enough capital invested in public services, enabling local residents to access better social services, improve social welfare, and ultimately achieve inclusive economic growth (Zhu Zhiyong, 2020).

On the other hand, due to the fragmentation of the capital market, the liquidity of funds is reduced. Lack of funds in enterprises will reduce the training of employees, and therefore cannot enhance the competitiveness of the company through technological progress, innovative research and development, etc. Therefore, the growth potential cannot be fully unleashed. Secondly, due to the segmentation of the capital market, economic connections between regions are fragmented, leading to information asymmetry, affecting the normal operation of market mechanisms, resulting in optimal allocation of production factors, waste of resources, and a decrease in efficiency. In addition, due to the division of the capital market, it is likely to lead to gaps in the upstream and downstream of the industrial chain, and upstream and downstream enterprises may not be able to carry out division of labor and cooperation well, which leads to unclear professional division of labor, reduces production efficiency, and

also leads to industrial homogeneity. This is very unfavorable for the optimization and adjustment of the regional industrial structure, and will also cause great obstacles to the development of the regional economy.

As the level of integration in the capital market continues to improve, the liquidity of various capital factors has also been enhanced. This can effectively promote the market-oriented allocation of capital factors, allowing the market to better play the basic functions of resources, thereby achieving optimal distribution and promoting the flow of funds from regions and industries with lower marginal capital output to industries or regions with higher marginal capital output, thereby improving resource utilization efficiency, Motivate regional economic development. In addition, the integration of capital markets can also promote the optimization of factor allocation and the specialization of production. By adjusting the allocation ratio of funds between regions, achieving maximum output and promoting economic development.

3.4. Analysis of the Impact Mechanism of Regional Market Integration on Economic Growth

The impact of market integration on economic growth can be divided into three stages (Sun Bowen, 2017). Phase 1: The level of market integration is extremely low. At this time, the degree of market segmentation is very high, the market is basically in a completely closed state, there is basically no economic exchange between regions, economic activities are completely dispersed, and regions are self-sufficient. There is almost no spatial difference in economic growth. At this stage, the level of economic development is very low, production technology is backward, transportation infrastructure is severely lacking, and cross regional mobility and trade costs are high. Each region relies on its own natural factor endowment to develop its economy, while the welfare level of the region also improves, and the gap between regions is small. At this time, improving market integration construction and promoting economic exchanges between regions will greatly enhance regional economic growth; The second stage: asymmetric and balanced development of the core and edge areas. For peripheral regions, market integration is on the rise, and there is close communication between regions. The core area attracts resources and talents from peripheral regions to flow to it, resulting in personnel loss and resource shortage in peripheral regions. Under the same salary level, the shortage of resources leads to an increase in prices, which in turn reduces comprehensive welfare. On the contrary, at this stage, the core area attracts more materials and labor from the peripheral areas, which not only promotes the improvement of labor productivity but also obtains economic benefits through exporting products, and the labor force can enjoy higher wage levels. As a result, the higher the degree of economic integration, the greater the difference in economic growth; The third stage: With the further improvement of market integration level, it will to some extent reduce the trend of economic welfare decline in peripheral areas. The high wage level in the core area increases the labor costs of local enterprises, thus increasing the demand for labor in peripheral areas. When market integration promotes the free flow of products and production factors, the trade costs decrease, and the core area gradually transfers industries to the surrounding areas. The labor cost pressure in the core area is alleviated, while also bringing more employment opportunities to the peripheral areas. The improvement of market integration level has brought economic benefits to both the core and peripheral areas, which is conducive to regional economic growth.

The role of market integration in economic growth mainly comes from the removal of market barriers. The impact of reducing transaction costs, expanding factor supply channels, leveraging economies of scale, increasing total trade volume, and generating market competition effects. Regional market integration can promote the effectiveness of cost reduction, thereby increasing transaction frequency and scale. Market integration not only increases the total volume of inter regional trade, but also promotes large-scale and specialized

production in various regions, which is conducive to the realization of economies of scale. In addition, the formation of market integration has prompted regional administrative boundaries to no longer be obstacles, and products and factor resources to achieve free flow. The transfer of production factors from areas with low marginal output to areas with high marginal output promotes the gradual convergence of production factor prices, which is beneficial for reducing regional disparities.

From the above analysis, it can be seen that market integration has a joint impact on regional economic growth through the overall effect and the synergistic effect of various sub integration. Overall, the improvement of market integration is conducive to regional economic growth; The integration of different market segments has a positive and negative impact on economic growth; Therefore, the assumptions proposed in this article are as follows:

Assumption 1: Market integration is beneficial to the improvement of economic growth to a certain extent.

Assumption 2: The impact of different market integrations on economic growth is heterogeneous.

4. Countermeasures and Suggestions

4.1. Improve the Market Economy System

Adhere to the direction of market integration and integrate the domestic market. According to the analysis in this article, in the process of continuous regional coordinated development in China, both short-term and long-term market integration are very beneficial to economic growth. Therefore, this inspires us to firmly improve the market economy, complete its necessary hardware infrastructure, create a unified market system, and eliminate barriers to factor circulation between cities, Resources and markets can be shared, enabling various economic entities to better leverage economies of scale, facilitate more effective cooperation between different regions, and continuously narrow regional disparities.

4.2. Adhere to Technology Orientation

The shift from investment orientation to technology orientation promotes market integration. Based on the comparison of empirical regression results between two economic circles, significant economic growth can only be achieved when the dominant factor of long-term market integration becomes technology. However, continuing to invest capital will weaken the driving force of economic growth, which precisely confirms the theory of endogenous growth that technological progress provides a continuous source of power for economic growth, Therefore, various regions, especially the Beijing Tianjin Hebei urban area, need to improve their technological level at appropriate stages:

(1) Promoting industrial transformation in the Beijing Tianjin Hebei region: Beijing vigorously develops the tertiary industry and utilizes its advantageous talent reserves to vigorously develop high-tech industries; Tianjin can utilize the advantages of Binhai New Area and Free Trade Zone to develop offshore finance, etc; Hebei Province utilizes its advantageous resources to develop logistics and commerce industries, and comprehensively improves the supply of talent and technology in 13 cities across the three provinces, promoting market integration from capital to technology dominance.

(2) With the support of the government, various regions utilize technology to enhance product research and development and improve production efficiency.

4.3. Strengthen the Market Supervision System

Relax local government regulations and strictly strengthen supervision functions. At present, the fiscal decentralization system implemented in China has made local governments

increasingly autonomous in terms of debt, taxation, and budget. Through empirical analysis of the two economic circles, the common point is that the proportion of government expenditure significantly hinders the expansion of per capita GDP growth rate. Therefore, the central government needs to control the scope of power of the two local governments and limit their economic resources, Do not allow local governments to intervene too much in the functioning of market mechanisms due to their performance needs. Instead, allocate resources based on correct market signals, such as increasing investment in infrastructure in cities with lower levels of economic development in each province, formulating dominant production factors that are conducive to the transformation of development plans at different stages, and promoting endogenous technological progress, And learn to withdraw appropriately in cities and time periods with mature market integration development. Therefore, it is necessary to achieve: (1) relax the supervisory function of local governments, such as loosening the binding between performance evaluation and the appreciation of officials, so that the government can adjust based on complete market signals. (2) Strictly strengthen the regulatory system, clarify non budgetary revenue, etc. (3) Improve the governance methods of local governments and enhance the supply quality and quantity of software based public goods such as education and healthcare.

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