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COMMENTS ON

How Agglomeration in the Financial Services Industry Influences Economic Growth: Evidence from Chinese Cities

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INTERNAL CONSISTENCY

When advising students about writing, I always have told them to be sure that the abstract, the introduction, the body of the paper and its conclusion are consistent. The authors of this paper would have done well to follow this advice.

The first sentence in the abstract is:

This paper empirically tests the effect of financial knowledge spillovers on agglomeration in China's financial services industry and examines the external effects on cities' economies.

This appears to be at odds with the "Research hypotheses" (p. 7):

According to literature review and study methodology, we thus propose the following four research hypotheses:

Hypothesis 1: Agglomeration in the financial services industry is positively related to the effect of specialized knowledge spillovers.

Hypothesis 2: Jacobs spillovers based on industry diversification are positively related to financial knowledge spillovers.

Hypothesis 3: Agglomeration in the financial services industry is positively related to the city's economic growth.

Hypothesis 4: Financial knowledge spillovers are positively related to the city's economic growth.

There is no mention of causality in these hypotheses, only correlation. Later, however the paper concludes that it has found causality (p. 11):

The results of the empirical analysis suggest that agglomeration in the financial services industry and diversified Jacobs spillovers promote financial knowledge spillovers, while the former has a significantly positive influence on the city's economic growth. In addition, diversified Jacobs spillovers have no significant effect on the city's economic growth, while the effect of financial knowledge spillovers on the city's economic growth is significant but negative.

And then (p. 12), they purport to have discovered more than is set forth in their hypotheses.

We can draw the following three main conclusions. First, the agglomeration of the financial services industry is an important driving force behind the economic growth of Chinese cities, notably affecting a city's productivity and human capital resources. Agglomerating financial enterprises can use the city's human capital to enrich and improve the overall quality of the financial industry. Meanwhile, the city's productivity can be integrated into the value chain in

order to improve financial efficiency. Second, the spread of agglomeration in the financial services industry is large and the tendency towards clustering in a few major cities is clear. In this regard, agglomeration in the financial services industry significantly influences cities' boundaries. Finally, China's financial services industry is limited by a serious degree of regulation and is dominated by the main banking institutions. Information sources and the internal and external transfer of financial know-how are influenced by top-down government direction and executive orders, while financial knowledge spillovers have no available diffusion mechanism.

The authors need to be consistent about what they are trying to do and about what they have accomplished.

CORRELATION AND CAUSALITY

It would be very surprising not to find significant correlation among the variables in question, but it is difficult for this reader to find how the authors justify their conclusions about causality. It is even more difficult to see how the effect of regulation derives from the analysis. It is probably correct, but this conclusion cannot be inferred from the analysis in the paper.

Much more attention to the correlation/causality issue is needed.

DATA

I do not know how reliable the data used in this paper are, but I have some doubts that data on a variety of variables for each of 279 Chinese cities can be very reliable.

The authors should discuss the sources and the reliability of the data.

EDITING

There are many statements that are not well thought out. One example is the statement (quoted above and below) that introduces the four hypotheses.

According to literature review and study methodology, we thus propose the following four research hypotheses

The words before the comma simply do not fit with those that follow it.

Careful editing of the entire paper is needed.