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China's income inequality in the global context[☆]



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KEYWORDS

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Socialist

Summary Although China's GDP has become the world's second largest, China's long-term economic growth with high speed and long-lasting "efficiency first" policy guidance, has brought China into a complicated situation, therein serious inequality exists in China and it has become one of the most serious problems in China nowadays. This paper focuses on China's inequality issues in the context of the world, especially on comparison between China and the European countries, concerning of our common pursuit for socialist values.

Comparative method is widely used in the paper. Gini Coefficient and Percentage of Total Income of National Population by Income Quintile are utilized as main indicators, and the two results just mutually verify each other. We find that the huge inequality in China does not fit into the title of socialist country and its socialist extent is far less than the European's, even inferior to typical capitalist countries. Finally, we make a ladder target of the Gini coefficient standards for Chinese government to keep constraint by oneself.

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Introduction

China – the world's most populous nation – has enjoyed remarkable economic growth and gained a second large economy in terms of GDP in the world. At the same time the

living standard of many Chinese people has also increased significantly. Yet these economic gains have not been spreading across all people. The disparities in rural, urban areas, regions and population groups have reached to the extreme, although most indicators show weakening trends after 2010. However, "policy and institutions leading to income inequality have not changed radically, and the widening gap of wealth is further enlarging the income gap, so we could not say that the basic pattern of income distribution in China has been shift fundamentally", said by Li (2015), the famous expert on income distribution study, economic professor of Beijing Normal University.

At present, accompanying with polarization between the rich and poor, there exist many kinds of complication, such as a wide range of poor areas and poor population, low and

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poor public service, and a wide spread phenomena of low village and abandoned land in the vast rural areas and remote mountainous area. Meanwhile, definitely low level of governance of local governments and bureaucracy has inevitably caused the degradation of ecological environment and serious waste of natural resources. All above are potential adverse factors to the society, which to an extent, may foster social and political unrest and eventually revolution when people get it worse after having got it better, according to Østerud (2014), Professor in political science at the University of Oslo. China's economy has currently entered "the new normal" characteristics of lower growth rate, we have to be more careful to maintain the society in safety.

Inspired by Piketty (2014), the famous French economist, and professor of Paris school of economics, who predicts that in future 10 years, the inequality in China will become increasingly prominent, for the economic growth will eventually slow down; an ideal social economic system remains to be established. What kind of system should be established? In consideration of the current economic power of China, in the duration of economic adjustment, it might be a good opportunity to recall social equity, as the social nature of China.

In this paper, we are to make a thorough study on China's income inequality in the context of the world, especially to compare China and the European countries, concerning of our common pursuit for socialist values; And according to the results of comparisons, we make a ladder target of the Gini coefficient standards for Chinese government to keep constraint by oneself, and some principled approaches necessarily to obey.

Materials and methods

In China, the biggest income gap has been being between urban and rural areas, and income gaps among the administrative areas and industrial inequality of personal income are next following (Li, 2010; Li and Li, 2010a,b). As available materials show, most of the literature on China's inequality are of domestic, and further the most are about the gap of urban and rural areas.

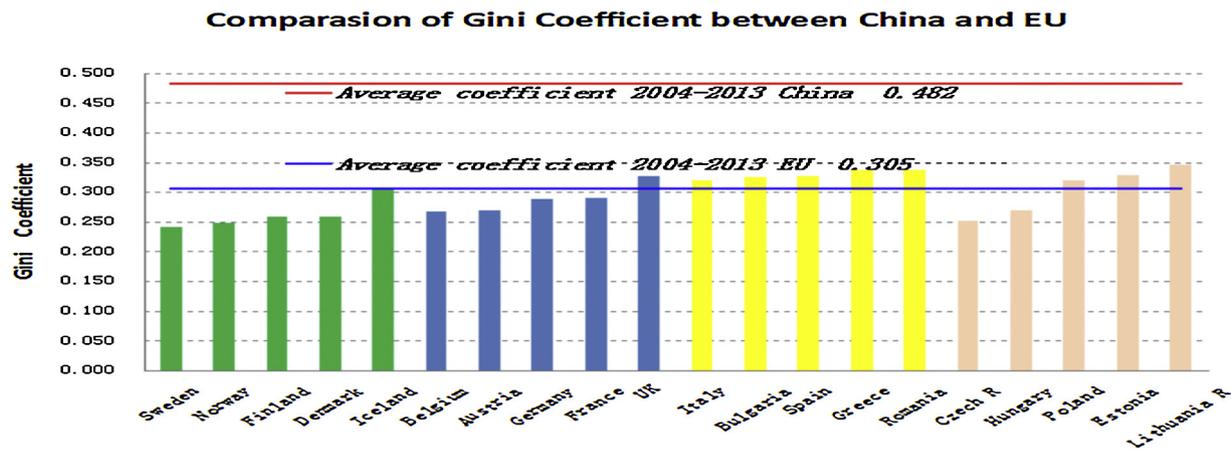
In this paper, the core task is to measure and judge if there is polarization between the rich and poor and how it is. The measurement is mainly to see China's inequality profile in the world. Hence comparative method is widely used in the paper. The Gini Coefficient, a comprehensive index prevailing in the world showing the inequality degree of income distribution, is the main indicator used widely in the paper. In theory, there is a warning line, which is the maximum 0.4 empirically, beyond 0.4, the society would be not in harmony, such as regional unbalance, rural and remote poverty, discrimination, hostility, crime, environmental degradation, etc. exist, just as China's current states. And also a dangerous line (0.5) is seemingly appeared to exist; reaching to 0.5, the society would probably be unrest, such as mass disturbance, vandalism, even rebellion, etc. may happen, as it is in Latin countries. Meanwhile, Percentage of Total Income of National Population by Income Quintile is utilized as well, and the Top/Bottom Ratio as an indicator is good for verifying results mutually with the Gini Coefficient.

About Gini coefficient, some scholars argue that China's Gini coefficient was over-valued or the data is not accurate, or the indicator itself has major defects, and so on. (Zhang, 2005; Li, 2006; Qu, 2007; Dong and Yang, 2010) But we advocate that Gini coefficient is the most authoritative and appropriate indicator to measure social inequality, especially in the global context. (Ge, 1996, 2001; Zhao, 2002). Even Wang (2010) points out that China's Gini coefficient is probably under-valued, and originally put forward an extra part, – "Grey income".

Data using in the text are mostly from National Bureau of Statistics of China (NBSC, <http://data.stats.gov.cn>) and Wind Information (data mostly origin from NBSC). The data from one official source make things simpler and more comparable.

China's inequality level in international context

This is the major part of the paper. We take China in the context of the world, to measure and judge whether China's inequality is a serious problem or not.



Graph 3.1 Average Gini Coefficient of China VS EU.

Source of Data: Wind Information.

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