

China Development Forum 2021

China on a New Journey of Modernisation

09:15-10:15 20 March 2021

Parallel Session 2 - Venue II

Bridging the Inequality Gap

Moderator

Qian Yingyi, Professor, School of Economics and Management, Tsinghua University

Speakers

Angus Deaton, Professor, Princeton University; Nobel Laureate in Economics

Li Shi, Professor of Economics, Zhejiang University; Acting Director, China Institute for Income Distribution, Beijing Normal University

James Heckman, Professor, The University of Chicago; Nobel Laureate in Economics

Chen Zongsheng, Professor of Economics School, Dean of China Institute of Wealth and Economics, Nankai University

Darren Walker, President, Ford Foundation

Key points

- In the post-epidemic era, the feasibility and distribution of COVID-19 vaccines and economic recovery are important factors influencing global inequality.
- "Common Prosperity" is neither "Equal Prosperity" nor "Equal Fortune", and requires a new balance between fairness and efficiency.
- Education is a highly effective tool for eliminating poverty.
- China's urban-rural gap is expanding and will continue to expand if it cannot be bridged.
- We need to build global cooperation and put aside cultural differences in pursuit of the common wellbeing of humanity.

Synopsis

The continued deterioration of economic and social inequality not only threatens domestic political and social stability, but also impacts the international order. In this session, panelists had an in-depth discussion of new trends in the distribution of global income and wealth since 2000, the main drivers of the continuous expansion of economic and social inequality, feasible measures to reduce inequality, and priority areas in public policy.

Economic and social inequality is ubiquitous globally, and encompasses global and national inequalities. Bridging domestic inequality can therefore play a positive role in bridging global inequality. Global equality is challenged by unfair rules, cultural misunderstandings, government and governance problems, the involvement of decision-makers, and discrimination.

The US already had substantial inequality of opportunity and incomes before the outbreak of COVID-19, and this is expected to expand further. Educational inequality is a key factor. Disadvantaged groups who lack a college education are worse off in employment, career success, marriage, healthcare, and average life span.

Although China's economy has grown quickly, this growth did not cause polarization. The income gap among Chinese citizens is relatively wide in global terms, but society is harmonious and the state is stable as a result of its socialist system with Chinese characteristics. The intra-urban and intra-rural gaps in China are at a reasonable level, with absolute incomes gradually improving and a shrinking relative income gap. The intra-country wealth gap is smaller than the intra-rural gap, which indicates its urbanization is of small gaps across urban areas.

There are still obvious inequalities in China. In recent years, the income gap has remained wide, and the income distribution gap might continue to expand, giving further impetus to the widening income gap. Public service equality has yet to be realized, the social insurance gap, especially in pension security, continues to widen, and pre-school education has substantial regional gaps. The urban-rural gap is also expanding, with rural areas falling behind in terms of infrastructure, public services and social security, with particular problems in rural education and the growing number of left-behind children.

The 14th Five-year Plan emphasizes that "people's common prosperity will see more obvious and actual progress by 2035". From the perspective of individual benefits, "common prosperity" covers family and individual incomes, property and public services. Although "common" means "sharing", "common prosperity" does not mean "equal prosperity" or "equal property". Instead, achieving "common prosperity" means ensuring the income and property of every individual meets the lowest benchmark for affluence, having a smaller disparity in incomes and property, the elimination of unreasonable gaps in income and property, and equal access to public services.

Common prosperity is a 100-year goal that requires long-term efforts. Reaching it requires a new balance between fairness and efficiency. Prosperity should be the

foundation shared by all and be given priority. This requires long-term, stable growth in the economy and incomes, enhanced innovation, production efficiency improvements, market expansion and greater growth momentum. It also requires the implementation of people-centered development concepts, and closing gaps in human capital accumulation and individual ability through education.

It requires the optimization of distribution and redistribution systems to achieve a development model that enables fairness and efficiency. Faced with a large urban-rural gap, China needs to promote urbanization, rural revitalization and urban-rural integration, as well as transform land policies and household policies. Meanwhile, we should introduce successful international practices (such as low-cost rural education projects) to reduce domestic inequality.

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