

# **Evaluating the China 2005 NHDR: Development with Equity**

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# **Concepts Do Matter: The Human Development Approach**

# Mahbub Ul Haq and Amartya Sen's

## Revolution: *The Obvious is often the most difficult to see*

- The true wealth of a country is its people.
- Human well-being is the purpose, the end, of development. Puts people back at the center stage: Both as **means** and **ends** of development.
- Development is the increasing of human freedom: Freedom at the same time the main goal and the main means to achieve development.
- About expanding individual freedoms, such as
  - Freedoms to do what you want to do;
  - To be what you want to be.
  - "The basic purpose of development is to enlarge people's choices.

# HD encompasses 2 aspects...

- Evaluative

- which means improving human lives as an explicit development objective, and understanding how these improvements can be made
- measuring how countries use their wealth and policies to promote capabilities)
- Uses HDI on the three most basic and universally accepted capabilities

- , Agency

- what people can do to achieve improvements in their lives through individual, social and political processes.
- individual as well as collective agency, added social movements and political reforms to development variables of education and health care and, ultimately, human rights as an intrinsic as well as instrumental value.

# And 4 simultaneous principles:

- **Efficiency:** Efficient use of resources and increase of their availability. HD is pro-growth and productivity.
- **Equity:** Distributive justice, especially for choices and opportunities
- **Freedom and Empowerment,** Possibility of choosing. Sen: Freedom has a constitutive value (value by itself) and an instrumental value ( as a means to efficiency and to equity)
- **Sustainability** not just for present generation but next ones too

# Both the destination and the road

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- **Where you go:** Ultimate end is people's well-being and people's freedom to choose the life they value
- **How you get there:** Ethical and efficient balance of top down measures for people, bottom up engagement by people and enabling institutions. Role of people both as end and as means

# Operationalizing HD?

**Economic growth plus public policy** to translate growth into HD. How?

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1. **Economic growth** that generates resources for HD
2. Priority to **social development** with expansion of opportunities
3. More **equitable distribution** of assets and income
4. **Political and social reforms** for governance that secures people to live in freedom and dignity
5. **Empowerment** of people to participate
6. Policy and institutional reforms at the **global level** for a more conducive economic environment for all to have access to global markets, technology and information

**Otherwise the growth is voiceless, rootless, ruthless, futureless, discriminating, etc.**

**Top down development** bestowed by an efficient and just state: Regulations, public goods, externalities, social expenditures etc

**Meso level ensuring** trickle down and providing accountability. Forces of market regulated to provide opportunities for people

**Bottom up-engagement by people**, whose capabilities and aspirations are unleashed





HD is not the same as:

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- 1) Economic growth
- 2) Human resource development
- 3) Welfare/basics needs approach
- 4) Western democracy

	<b>Economic Growth</b>	<b>Human Development</b>
<b>Development is:</b>	Increasing per income growth, based on capital accumulation	To ensure people's freedoms to capabilities
<b>Assumptions on individuals</b>	of rational individuals who maximize their utility	Also structural differences debunks rational individual. Some choices do not depend on income. Simultaneous expansion of choices in other dimensions – social, cultural, political - and economic Per capital income does not take into account distribution between rich and poor, unevenly distributed.
<b>Assumptions on Income</b>	Expanding income is an end in itself Trickles down automatically	income is a means; enhancing people's capabilities the end Income's contribution to satisfaction of needs could decrease as income increases (marginal utility)

	<b>Human Resources Development</b>	<b>Human Development</b>
<b>Definition</b>	Enhancement of stock of skills and productive knowledge (Shultz, 1960s)	Expansion of choices, capabilities, freedoms (ul Haq and Sen, 1990s)
<b>People</b>	Means to increased production/income and wealth <b>(Inputs)</b>	People as ends <b>(outcomes)</b>
<b>Investment in people</b>	Is about how education and health enhance productivity (value for econ. Growth) investment in terms of education, health, nutrition is justified in terms of the 'rate of return' it yields to the individual as well as to the family and society <b>(rate of return logic)</b>	as a matter of ethics: the education, health, nutrition that are embodied in people are valuable in themselves <b>(to enhance their capabilities)</b>

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# Equity as seen through the HD Lens

# Equity through HD

3 possibilities: achievements (outcomes), opportunities or capabilities.

HD seeks a multidimensional—not one-dimensional—conception of equity, extending it to “natural” or “pre-existing” differences that either help or hinder the conversion of opportunities into actual choices.

Human development ultimately views equity not only to income, to the appropriation of one’s own effort, or even to opportunities, but to the whole range of human choices

# Capabilities or achievements?

- Achievement is concerned with what we manage to accomplish and freedom with the real opportunities that we have to accomplish what we value
- What we can or cannot do or achieve does not depend on incomes but also on variety of physical and social characteristics that affects our lives (pregnant woman, handicapped man, etc).
- Capabilities approach builds on the general concern with freedoms to achieve (including the capability to function)

# capabilities different from equal opportunities

- Equal opps. is used in terms of the equal availability of some particular means, or with reference to equal applicability of specific barriers.
- Equality of opps. does not amount to equality of overall freedoms. Because of: 1) diversity of human being, 2) existence and means that do not fall into opportunities.
- Even if opportunities were equal, circumstances not of the person's making can prevent her of him from taking the best advantage of them. For example, the school child is not responsible for his or her intellectual abilities; likewise, the worker is not responsible for his or her paralysing disease, and perhaps not even responsible for his or her motivations to work and save.

# What challenge for Equity?

- **Diversity of human beings:** Antecedent diversities (biological, ethnic differences, geography and spatial disparities which are a result of a number of antecedent conditions that due to geography, history or nature have become a reality of life, the environment)
- **Trade-offs are inevitable.** Inequality in terms of one variable (I.e income) may take us in a very different direction from inequality in the space of another (I.e. ability and well-being).
- **Thresholds of tolerance** Should we eradicate or decrease inequalities? How much equity is socially and economically acceptable and affordable?
- **To tolerate initial income inequalities or prevent them and at what cost?**



# Causes of inequities

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- a) Objective factors:
- b) System causes
- c) Voicelessness and participation
- d) Errors in public policies
- e) Implementation
- f) New causes tied to the external factor

# Consequences of inequity

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- **Social injustice** (rights of individuals, ethics)
- **Inefficiencies** (efficiency and legitimacy of the economy and of political institutions)
- **Unsustainability** (of the environment, of future policies, of institutions, etc)
- **Insecurity** (conflict prevention and social stability)
- **Unassailability of MDGs**

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# Equity is on the Global Agenda

# Why equity on global agenda?

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- Report of the World Social Situation 2005: Inequality Predicament
- World Bank: WDR 2006
- Global HDR 2005
- China NHDR 2005
  - Alimention extreme poverty and extreme deprivations (MDGs, etc)
  - New moral imperatives: the societies in which we live are fair, or just, or equitable

# Unequal World

- 80% of the world's GDP belongs to the 1 billion people living in the developed worlds, the remaining 20% is shared by 5 billion remaining people in developing countries.
- Inequalities have increased, become more complex and deepened
- Income differentiation narrowed among OECD except for those pursuing liberalization and deregulation policies, Among most other countries, income inequalities have worsened since the 1980s
- Income gap between high an own-income countries has widened

- Large gap between formal and informal economies. Formal” Haves (earn decent wages, receive job related benefits, have secure employee, be covered by labor laws and regulations)
- Extreme inequalities in global employment situation: unemployment declined in developed countries, much of developing world rise in unemployment: Why: high labor force growth rates and reliance on policies focused on macro-economic stability
- Deepening levels of rural poverty, increasing urbanization of poverty
- The World Bank estimates that global inequality doubled between 1820 and 1990, while the contribution of inter-country inequality increased from just 10% to more than 60% over the same period.
- Within nations inequality rose most in China, the US, Britain and New Zealand

# All 3 agree...

- Causes of recent trends in inequality, including the macroeconomic crises and adjustment), government policies and social and cultural factors (e.g. discrimination).
- Violence is the manifestation of social inequality and disintegration, where there is competition over scarce resources. Violence more common where inequalities are greatest. Poverty increases crime

# Unequal opportunities at the N<sup>o</sup>1 level

- Antecedent inequalities affect such factors as infant mortality rates, child stunting, and school test scores.
- A substantial proportion of inequality in life achievements (e.g. income or expenditure) can be attributed, even statistically, to factors beyond people's control (e.g. their race or place of birth) as opposed to those under their own control (e.g. post-school training, hours worked).



# Unequal opportunities at the Int'l level

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- The world is currently doubly inequitable:
  - First because of the co-existence of extreme wealth with extreme poverty,
  - Second because of the unequal opportunities or chances people face in terms of which of these states they end up in.

# Perilous consequences

- Ignoring inequalities in pursuit of economic growth is bad:
  - Focusing on economic growth as development strategy is ineffective: deepens the poverty of many, accumulates wealth by a few
  - ignores inter-generation transmission of poverty
  - Can endanger Social cohesion
  - Does not make use of capabilities of people
  - Has negative effects on economic growth, poverty reduction, and progress toward the Millennium Development Goals (MDGs);

# What can be done?

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- At the international level: increased aid and for more rapid trade liberalisation at the multi-lateral level
- At the domestic level: focus on policies for:
  - promoting widespread access to public health and education
  - achieving greater fairness in markets and access to justice and infrastructure.
- Recognizing and dealing with trade-offs

# Substantive Differences


- HDR and the RWSS, outline arguments for addressing inequality of outcomes, and not just opportunities ( such arguments are generally dismissed in the WDR).
- The HDR also places much greater emphasis on actions at the inter-national level, whereas the WDR places more emphasis on the domestic arena, believing the key to greater inter-national equality being policies within developing countries themselves.


# Report of the World Social Situation 2005 (UNDESA)

- Economic growth in Asia has come at the cost of increased inequality in many countries, from growth with equity to increase in income inequality since 1990s
- Urban/Rural income inequality and among regions

# Causes?

- Rise in overall levels of unemployment in East Asia (3.3% in 2003, compared to 12.2 in ME and North Africa, 8% in LA ): High annual labor force growth, slow recovery from crisis
- Increased informal economy (survival strategy)
- Insecurities such as HIV/AIDs and Tsunami and effect on communities.
- Structural adjustments and labor market reforms  
Economic liberalization has meant greater wage flexibility, erosion of minimum wage, reduction in public sector, weaker labor laws, declining protection

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- External competition pressure: Desire to attract FDI is race to the bottom, labor protection and environment standards ignored or compromised
  - International migration: for receiving communities and origins
  - Asymmetric globalization. Rapid in economic terms but weak on social agenda
  - Insufficient Financial resources: ODA debate but high military spending
  - Focus has been on improving the status of various social groups (disabilities, youth, elderly, etc), but But no interest in policies to equalize the distribution of income and wealth

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- Failure to address “inequality predicament” will ensure that social justice and improved living conditions remain elusive, and communities countries an regions remain vulnerable to social, political, economic upheaval.



# Recommends

- 10 Commitments set out at the 1995 World Summit for Social Development in Copenhagen, re-affirmed at the recent 10-year review in NY:
- These contain more explicit policy commitments to tackling inequality, including ‘fostering societies based on nondiscrimination and equality of opportunity’ (part of Commitment 4), and ‘rectifying inequalities [in education and primary health care] relating to social conditions and ... to race, national origin, gender, age or disability’ (part of

# Broader policies are needed

- Broader approach to poverty reduction and economic growth: social, economic, political, human dimensions
- 1) Worldwide Asymmetry derived from globalization must be dealt with
- 2) Goal of reducing inequity must be explicitly incorporated in programs for development and poverty reduction
- 3) Employment that not only for job creation but promote working conditions
- 4) Social integrating and cohesion seen as key to development, peace and security

# World Development Report 2006: Equity and Development (WB)

- Objective is not equality of incomes, but to expand access by the poor to health care, education, jobs, capital and secure land rights
- Puts main emphasis on equality of opportunity, pointing out that groups (such as religious or ethnic minorities) excluded from better health and education reduce the overall capacity of the economy to grow
- In-country inequalities are associated with differences in an individuals' agency, socioeconomically culturally and politically determined ability to shape the world around oneself.
- From an equity perspective, distribution of opportunities matter more than the distribute of outcomes.

# People as agencies

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- Report stresses the importance of strengthening the “agency of the poor and excluded groups, ability to press for stronger mechanisms or voice and political accountability.
- People can create checks and balances on elites
- They can curb oligarchic dominance in political arena

# Analyzes why

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- Because of practices related to geography, field, etc
- One of the biggest barriers to equity is that within countries, access to basic services like health and education varies greatly according to "predetermined group characteristics" like social, economic, and ethnic status
- Differences in agency
- Transmitted through generations

# Why inequity should be avoided

- Inequitable institutions impose economic costs. Inequality lead to economic institutions and social arrangements that favor the interests of those with more influence (elite capture). Makes society more inefficient.
- Effects of unequal opportunities show market imperfections, and consequences of inequity or the quality of institutions.
- Perpetuated by interlocking economic, political and socio-cultural factors (discriminatory attitudes and practices on race, religion, gender and social class)

# Why equity matters

- Complementary to the pursuit of long term prosperity
- Greater equity is doubly good for poverty reduction: 1) favors sustained overall development, 2) delivers increased opportunities to the poorest groups of society
- Equity not just an end but because stimulates greater and more productive investment, which leads to faster growth
- Wasted human potential slows the pace of sustained economic growth
- Should be part of successful poverty reduction strategy in the developing world

# Recommends leveling economic and political playing fields

- 1) Investing in people by expanding access to quality health and education services, safety nets for vulnerable population
- 2) Expanding access to justice, land , economic infrastructure such as roads, power, water, sanitation and telecommunications
- 3) Promoting fairness in financial, labor and productive markets for poor people to have easier access to credit and jobs and curb market discrimination
- 4) Domestic reforms to unleash the economic potential o people to help themselves.



# International

- Relaxation of restrictions on international migration.
- Opening global arena for market of labor, goods, ideas and capital. Rich nations to allow greater migration for unskilled workers from development countries,
- Press ahead with trade liberalization under the Doha Round,
- Allow poor countries to use generic drugs,
- Develop financial standards appropriate to developing countries.

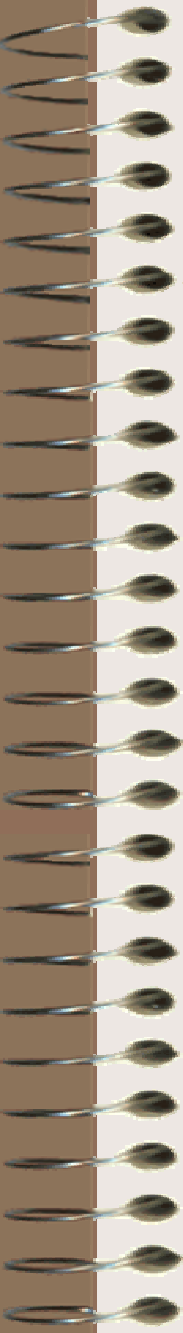
# Cautious recommendations

- Not anti-growth, but that equity enhances the effect of growth on poverty reduction.
- Our role is "to point out the inequities we can observe and to note that reducing them may be perfectly consistent with - and perhaps even necessary for - greater efficiency and prosperity in the long-term
- It warns against too-great an emphasis on redistribution alone. However, it also says that policy makers "too often ignore the long-term, hard-to-measure but real benefits of greater equity" which can lead to "more efficient economic functioning, reduced conflict, greater trust, and better institutions, with dynamic benefits for investment and growth."

# UNDP Global HDR 2005: Aid, Trade and Security

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- Plato: “There should exist among the citizens neither extreme poverty nor again excessive wealth, or both are productive of great evil.”
- Inequality matters because it is a fundamental issue for HS

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- Extreme inequalities in opportunities and life chance have a bearing on what people can be and what they can do, on human capabilities.
  - Progress are social and political: rooted in tech in unequal access to resources and distribution of power within countries
  - Inequalities are systemic, complex hierarchies of advantage and disadvantage and they reflect public policy choice

# Why inequality matters for HD

- **Social justice and morality:** Relative, without shame, depends on what society accepts, perception of social justice
- **Putting the poor first:** Welfare enhancing. Limits to the acceptable level of inequality, have to choose the one that has the biggest return to the poor, even where overall growth effects are less certain
- **Growth and efficiency:** trade off works in other way. Extreme inequality is bad for poverty reduction and **bad for growth, they don't contribute, assets loss**

# ....contd

- **Political legitimacy:** weaken political legitimacy and corrode institutions, inequalities in political power, groups are disadvantaged because have weak political voice, and have weak political voice because disadvantaged
- **Public policy goals.** When societies see reducing poverty an extreme inequalities in income limited the rate at which growth can be converted into lower levels o poverty and improving welfare.
- **Instrumentation reason:** bad for growth, bad for democracy and bad for social cohesion
- **Bad for the MDGs.** MDGs do not address inequality, “distribution neutral”.

# Recommends

- High emphasis on international commitments to trade and aid:  
"The world's highest trade barriers are erected against some of its poorest countries,"  
Donor countries have failed to act on their commitment to a development agenda at the WTO The *status quo* for international trade regulation therefore must be changed.



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# Evaluating the NHDR 2005 China



# Applies HD approach to China

- **Consistent with the “human-oriented” approach to development** (2003): “putting people first, fostering comprehensive, harmonious and sustainable development views, and promoting comprehensive development of the economy, society and people”.
- **Consistent with the development goal of building a harmonious Xiao Kang Society.** ( principles of a comprehensive political, economic and social development, a development that properly coordinates between urban and rural areas, between regions, between ethnic groups, and between people and nature. In short, a Xiao Kang society means harmony and common prosperity for all members of society)

# Consistent with urgent national priorities

- On the one hand, China has gradually completed the transition from a planned to a market economy with growing international competitiveness in the past two decades.
- China's spectacular economic growth over the past quarter century, Growth marred by threats to the environment, and associated with significant increases in inequality in both income and wealth distribution, which were relatively low during the central planning period
- On the other, the country still has to build a just society, a society based on humanistic care, social equality, accommodation and social cohesion.
- China seeks to strike a balance between competition and sympathy, risks and safeguards, efficiency and equity, and speed and stability.

# Consistent with intense global interest in China...

- OECD: Spectacular growth: Economic expansion is set to continue with annual growth above 9%
- Domestic demand would improve in 2006-7
- China would continue to increase its share of global trade.
- That puts China into sixth place in terms of economic size, ahead of Italy and close behind the UK and France, of current growth continues, China could squeeze into fourth position by the end of 2005, economists believe

# Good HD analysis of inequalities

- First, is equality in terms of equal subjects, or agents of changes.
  - Disparities are analyzed in terms of differences between rural and urban areas, between residents in different regions and between different groups of population, including differences between men and women, rural migrant workers and urban residents, and between disadvantaged groups and the general population.
- Then views inequalities in terms of people as objects of development,
  - namely differences in opportunities for income, property, jobs, wages, education, health, social security and government expenditure.

# Recognizes the challenge of development

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- Progress on Human Development Indicators: Impressive Growth but Growing Disparities
- These disparities are mainly caused by inequality in income and the resulting unequal distribution of wealth
- Level of tolerance of inequality that is acceptable

# Impressive HD Indicators

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- Since 1990, the country has climbed 20 places in the Human Development Index to rank 85. The report recognized China's massive achievements in poverty relief in the past 30 years, saying that if it were not for China, the world would have regressed in poverty alleviation.

- ***Life Expectancy:*** In the past three decades, the life expectancy of the Chinese population increased by nearly 8 years.
- ***Infant and child mortality:*** Compared with the early 1970s, China's infant mortality rate dropped by 64 percent and its under-five mortality rate was down 68 percent.
- ***Education:*** China's primary education rate has been outstanding among developing countries
- ***Economic indicators:*** China's rapid economic growth over the past 26 years has been called a miracle, with its GDP growing at an annual rate of 9.4%.

# But uneven progress..

- Disparity of indicators between urban and rural areas, between regions, between genders and between different population groups
  - **1) Rural-Urban Disparity** Urban areas score an HDI of 0.81, while the value of the HDI of rural areas is only 0.67 or only 83 percent of the former in 2002. A person living in a city earns on average \$1000 a year, compared to just over \$300 in the countryside. An urban citizen can also expect to live over 5 years longer than a farmer. In Tibet, only half of the population can read and write while over 97 percent Chinese living in Beijing, Shanghai or Tianjin are literate.



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- **2) Regional Disparities:** For example, says the report, if Southwest China's Guizhou Province were a country, it would rank just above Namibia, while East China's Shanghai Municipality would rank alongside Portugal on the Human Development Index measured by the HDI by province in 2003
  - Moreover, the level of human development also varies greatly within certain provinces.

## Identifies the “poor” and most vulnerable ...

- *The rural poor:* Both in terms of income or the risk prevention capability, the rural impoverished population are the most disadvantaged group.
- *The urban poor:* Starting from the latter half of 1990, the urban poverty problem became more serious, especially as a result of the restructuring of state-owned and collective enterprises.
- *Rural migrant populations in cities:* Whether employed or not, these cannot receive due social security benefits as a result of institutional discrimination, do not have stable income and live in poor conditions.
- *Landless farmers:* With the acceleration of urbanization and industrialization, a great many farmers have lost their land. Some of them have not received due compensation for various reasons, thus living in jobless and harsh living conditions.

# ... and the lack of opportunities for them...

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- An Insecure and Unfair Labor Market
- Discrepancies in Education Opportunities and Allocation of Resources
- Discrepancy in Health and Public Medical Care
- Embryonic Social Security
- Access to Social Services Depend on an Unequal Fiscal Revenue and Expenditure System

# Recognizes inequalities...

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- **Inequality in Income Distribution**

- between urban and rural areas under the traditional system ... .. exacerbated today
- Income Inequality Within Rural Areas: Growth of Non-Farm Incomes
- Urban Income Inequality: Wage Disparities
- National Income Inequality

- **Inequality in Wealth Distribution**

- In Rural China: Saved by Land Reforms
- In Urban China: Booming Housing Prices

# Differences in education

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- First, rural areas lag far behind cities.
- Second, although differences in educational opportunities have narrowed under the compulsory education policy, there is a great difference in the quality of schools between urban and rural areas.
- Third, the gap in educational opportunities widens after the period of compulsory education.
- Fourth: Gender, at national level, illiteracy rate for women is more than double that of men.

# In healthcare...

- *Discrepancy in Health and Public Medical Care (Among Urban and Rural Residents, Between Regions , Between Different Income Groups)*
- *Discrepancies in the Allocation and Use of Resources in Public Health and Medical Care (Among Urban and Rural Residents Between Regions )*
- *Discrepancies in the Use of Medical Services (Among Urban and Rural Residents, Between regions, Between Different Income Groups )*

# In Social security...

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- Minimum Living Standards for Urban and Rural Areas
- Spatial and Gender discrepancies in:
  - ... *Coverage and Distribution of Pensions*
  - .. *Unemployment Insurance*
  - ... *Medical Security Systems*
  - ... *Rural Social Assistance*

# Recognizes specific groups

- Drastic Changes in the Labor Market:
  - More Laborers, Especially Migrant Workers...
  - But More Discriminatory Practices
    - a) The Household Registration System
    - b) Wages and Opportunities
    - c) Working Environment
    - d) Job Distribution
    - e) Wage Discrimination
    - f) Employment Service and Assistance
- Gender Differences in Employment and Wage
  - *Men and women have different employment opportunities... which result in wage differences*



# Analyzes causes and structural problems

- Changing nature of economy: Employment problems
- Share of agriculture employment declined Economy changing nature becoming industrialized, but rural employment is still dominated by agriculture (2/3 of rural workers)
- Migration also partially caused increased urban unemployment post 1985
- Disparity in wages in agriculture (rural) and in industry an services (urban),
- Ratio of wages in services (esp.) and industry has increased, not to benefit of rural areas
- Wage disparities between dominant sectors and new sectors (banking, telecom, insurance, real estate)

# FDI is not enough

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- Facilitated more rapid growth
- But major factor behind increasing inequalities.
- Basic nature of FDI that chooses safe estimations that are already developed (coastal regions, more than 85% of total FDI)

# Public resource mobilization: Distributional problems

- Biases towards richer, coastal areas
- Before reforms, centralized budget and equitable distribution of resources, generated from the profits and taxes on state owned enterprises: Rich provinces turn surplus to govt and poorer provinces received large subsidies.
- In reform era, profitability of SOE declined, system interrupted: local governments impose other revenue raising measures
- Proliferation of ad-hoc extra budgetary projects monitored through banking system
- Share of govt revenue, an ability of central govt to spend on physical and social infrastructure, decline.

# Industrialization

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- High growth of industrial growth in the reform era, but patterns of development inequitable.
- Profit: Manufacturing slow, service sector growth inadequate to meet needs of labor force, requires higher skills not available yet
- SOEs hit by reduced subsidies and greater external competition

# Agriculture

- Agriculture growth decelerated since 1984 when agrarian reforms exhausted. The sector has not received much state patronage in terms of investments or not seen small enterprises.
- China's egalitarian distribution of land has had a strong equalizing effect on distribution of farm income. New reforms may adversely affect rural population, sharp increase in wealth inequality, driven by land ownership

# Migration labor movement

- Hukou (household registration system) affects migrants. Only registered urban residents, restrictions on labor movement
- Urban Hukou holders entitled to receive the guaranteed social service services such as education, healthcare, housing
- Since 1980s some rural migrants granted temporary residence permits but larger part did not qualify for temporary resident permits, remained in the informal sectors without benefits
- Rural migrants in cities face discrimination as a result of local regulations, charged administration fees
- Migrant workers face harsher and more unhealthy and dangerous working conditions

# Answers to “academic concerns”

- Academics argue whether regional inequality has widened in the post-Mao period. They argue instead that regional inequality has actually declined since the initiation of economic reforms, mainly as a result of diffusion, inter-regional resource transfer and rural industrialization
- Use of new sources and methodologies to argue
- Rise in regional inequalities
- Role of policy in allocation among the regions, especially inter-regional resource transfers to interior regions through centralized fiscal and investment systems
- Are widening gaps inevitable?
- What kind of policies are needed

# Engage academics in further research on...

- Analyzing further the impact of economic reforms, international investment and trade as well as local states and agents, in shaping China's regional development.
- The impact of liberalization and ownership transformation on regional inequality
- Understanding of regional income inequality, inequalities in consumption, education and healthcare have attracted much less attention.
- More attention should be paid to the crucial discrepancies experienced in these diverse regions
- Policy implications of research



# Does a cost-benefit analysis of Government policies

- Going beyond success of poverty reduction to equalizing policies:
  - Guaranteeing basic living wage for poor families in the urban areas;
  - Closing urban/rural gap by concentrating efforts on agriculture, countryside and farmers.
  - Regional development of the Western Region, including enhancing investments in infrastructure and increasing fiscal transfer payment to western provinces.

# Recognizes govt. achievements

- First, in respect of eliminating poverty, in the past quarter century, China's poor population in rural areas has witnessed record decrease that has been recognized and praised by the international community.
  - Second, the Chinese Government recently started to focus on the imbalance of economic and social development between urban and rural areas..
  - Third, the government has promoted input for education and the development of human resources.
  - Fourth, the government has made investments to build health service system in towns and cities.
  - Fifth, the Chinese Government is actively attempting to change the imbalanced development among regions.
- Finally, in recent years the Central Government has modified discriminatory policies on the rural floating population and migrant workers.

# Evaluates and analyzes existing interventions to make recommendations

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- To further narrow the income and living standard gaps between regions and urban/rural areas, it is necessary for the Central Government to
  - increase opportunities in urban areas,
  - upgrade the wage rates of rural laborers,
  - focus attention on the poor and vulnerable groups
  - and increase inputs into compulsory education and healthcare of undeveloped rural areas.

# Makes specific recommendations

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1. Promoting Human Development and Social Equity as a Goal
2. Promoting Employment, Free Flow of Labor and Creating More Job Opportunities
3. Improving Rural Infrastructure and Living Environments:
4. Investing in Public Education and Promoting Capabilities
5. Strengthening Public Health and Improving Basic Medicare
6. Improving the Social Security System
7. Eliminating Social Discriminative Barriers and Encouraging Mutual Help Systems
8. Improving the Rule of Law and Transparency
9. Reforming the Taxation and Financial Systems for Fair Distribution
10. Improve the Capacity of the Government

# Useful and timely for Government...

- The Ministry of Labor and Social Security: Gap between rich and poor has reached dangerous levels. "yellow alert", its second-most serious level, and may reach "red alert".
- White Papers on employment, poverty, women talk of correcting regional imbalances, rural-urban and gender disparities
- These new development targets and the new concept of development have become the basic guidelines for the Chinese government to implement the 10<sup>th</sup> Five-Year Plan and also the 11<sup>th</sup> Five-Year Plan now under formulation.

# New growth model

- New economic blueprint to ease the strains of inequality.
  - By end of this year, it will have completely abolished agriculture taxes across the country.
  - To improve literacy rates in rural communities, the government is promoting compulsory education for the rural poor through renovation of primary and middle schools and providing free textbooks for 24 million students from poor families.
  - Expanding security net and pension and unemployment insurance
  - Relaxing migration norms
  - Launch o poverty relieve prpgrais on wider scale

# Ultimately....

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- Shows the importance of planning and govt. intervention to ensure a redirection of growth patterns in more progressive (equalizing) ways.

# Is consistent with the International Goals MDGs

- The UN agency 2004 assessment *Progress of China's Implementation of Millennium Development Goals*: in general, the overall situation of China's implementation of the MDGs was very promising, and that China would probably achieve most of the millennium development goals.
- At the same time, statistical data on the average values of national indicators available today often cover up the huge and growing inequality between urban and rural areas and between the coastal region and the central and west regions. Hence, the average assessments method may be misleading, concealing the huge gap between urban and rural areas.



# A contribution to the Global Family on NHDRs

- **Human Development Report - Montenegro**  
*Diversities potential for development* :highlights three major issues - inequality, gender and poverty. Points out huge inequality between 10% of the richest and 10% of the poorest, as the highest in the region.
- **Argentina** Extended Human Development Index, disparities among its 24 provinces.  
<http://www.desarrollohumano.org.ar/Download/IDHAEnglish.pdf>.
- **Brazil 2005:** Racism, poverty and violence Social inequalities of black people in Brazil. Statistical evidence to disband stereotypes. Policy to target silent racist policies
- **Serbia & Montenegro 2005:** Value diversity of culture, of language, of religion, but also geographical, gender and generational.

# Hong Kong Indicators

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- “Best performer” in East Asia and the Pacific on the HDI (22 out of 177 countries)
- Best performer on GDI (GDI equals HDI)
- GEM and HPI could not be calculated
- Big improvement: Value up from 0.761 (1975) to 0.916 (2003)

	HDI Rank (2003 out of 177 countries)	GDP per capita rank	GDP per capita (PPP US\$) minus HDI	GDP per capita value (PPP US%)	Life Expectancy at birth (2003)	Combined primary, secondary and tertiary gross enrolment ratio (%) 2002/2003
Hong Kong	22	17	-5	27,179	81.6	74
China	85	96	11	5,003	71.6	69

% of total	Seats in parliament held by women	Female administrators and managers	Female professional and technical workers	Estimated female earned income (PPP US\$)	Ratio of female earned income to male earned income ,
Hong Kong		26.2	39.3	19,593	0.56
China	20.2	-	-	3,961	0.66

# Concluding thoughts

- HK as economic powerhouse: Built its industrialization on the basis of thousand of migrants in the 19<sup>th</sup> and 20<sup>th</sup> C. 1970s: Asian Tiger
- Inter-linkages of opportunities: economy moving from manufacturing to services-based. Corporate and banking center, conduit for China's burgeoning exports.
- Interlinkages of threats: Asian financial crisis and the SARS epidemic of 2003
- Inter-linkages matter!