

# Who Promoted the Rural-Urban Inequality in Contemporary China?

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**Abstract:** After 1949, China has witnessed dramatic economic growth especially in recent decade. Economists predict that Chinese economic growth rate will continue consistently in the next decades. The growth has fueled a remarkable increase in per capita income a decline in the poverty rate from 64% to 10% in 2004. However, income inequality increased sharply after the Economic Reform and Open Up era. This paper investigates the rural and urban economic inequalities in contemporary China by identifying various drivers behind these trends--including urbanization, quality education, governmental funding, and political policy. From sociocultural perspective, flaws on Hukou system disables rural population to have the same right as urban population in schooling, medical care, and career aspects; limited brand value disables rural population to start up strong enterprise; all factors have restricted chances for the relatively poor rural population to pursue higher living standard. Due to China has unique Hukou and Yibao system, poor villages couldn't afford services including household, educational tuition, health care and so on. This analysis addresses case study of socioeconomic and sociopolitical issues related to economic inequality in contemporary China and indicates several ways to eradicate inequality and promote economic growth.

**Keywords:** Rural-Urban Inequality; Chinese economic growth rate; urbanization; quality education; governmental funding; political policy

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## 1. Introduction

After Economic Reform and Open Up era, China has experienced rapid economic growth and is on the way to eradicate poverty. According to the International Monetary Fund (IMF), China has 14,172.20 billion dollars in which ranked second in nominal GDP. Moreover, China also has 27,449.05 billion of Int\$ in which ranked first in GDP based on purchasing power parity. The economic growth trend has contributed to an unprecedented increase in living standards and to a dramatically decline in poverty. According to the World Bank statistical estimation, more than 60% of the population lived under its \$1 per day(PPP) poverty line at the beginning of economic reform. The poverty headcount ration reduced to 10% in 2004, which means that approximately 500 million Chinese have been out of poverty in a generation. The economic growth trend not only enables poverty reduction, but also enables further economic development. Through the economic reform, the nominal GDP per capita is only 10,099 dollars in which ranked 72 globally. The huge contrast between nominal GDP per capita and nominal GDP highlights economic inequality dilemma in contemporary China.

In accordance with the economic development equality between rural and urban areas, individuals should acquire professional skills and technical improvement on production process. In order to hire more satisfied skilled labor, it is necessary for Chinese government to improve quality education by educational reform for youth and professional skills training. In order to alleviate economic inequality, it is essential to have technical improvement by acquiring

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professional training and governmental funding in this current circumstance. Particularly, 57% of Chinese lived in rural areas in 2015 with underdevelopment of rural basic schooling, health care system, and infrastructure construction. Due to lack of quality schooling, rural-urban inequality enlarges that youth cannot witness the economic prosperity development after the Economic Reform and Open Up era in terms of sufficient basic schooling, health care system, and household. The huge economic inequality between poor rural areas and rich urban areas demonstrates the severity of the income gap and life standard. Besides, due to Chinese nine-year compulsory education, two-thirds of rural students just directly entered the labor market as unskilled labors after they receive junior high school diploma.<sup>[1]</sup> Chinese competitive educational system limits poor rural students to become skilled labor for higher wages which foster the rural-urban disparity.

In accordance with the economic development equality between rural and urban areas, government should fund more on infrastructure construction projects. In order to alleviate economic inequality, establishment of airports and roads can be one of the essential way to improve living standards. The high speed rail and city-wide metro networks benefits the wider economy in which granting farmers chance to sell products from nearby regions to further areas. Under the 11th Five-Year Plan, Chinese government funds 370 billion Chinese yuan for rural development, including building public amenities, relocating displaced communities, supporting agricultural works and providing safe drinking water. Unfortunately, most of the public sector projects experience extensive delays. The impact of construction delays affects the overall economic and social condition in the region as a whole. The underdevelopment infrastructure construction projects prevent poor rural residents to have better living condition which foster the rural-urban disparity.

This paper focuses on analyzing rural-urban economic inequality from quality education, policy formation, and social mobility. As a developing country, the widen rural-urban economic inequality attributes to brain drain, empty nester, and other social problems. From historical perspective, the rural-urban economic inequality in 1950s was caused by a historical background. The rural-urban tension was amplified by inequality of governmental funding allocation, urbanization, multinational cooperation, company investment, and political policy. This paper investigates and analyzes the regional economic division in contemporary China.

The paper examines and analyzes the role of rural and urban inequality from socioeconomic and sociopolitical perspective:

1. What caused the rural and urban economic inequality in China?
2. To what extent does the rural-urban economic inequality affect rural youth and unskilled labors?
3. Which factors contribute to discrepancies between rural and urban areas?
4. Which strategies can promote poverty reduction and balance economic inequality in China?

## **1.1 Literature Review**

Many factors have led to the current economic inequality between rural areas and urban areas in China. Economists have illustrated the reason for economic inequality from lack of quality education, policy formation, and social mobility. The problematic rural economy still obstructs the acceleration of the overall Chinese economic growth.

## **1.2 Forces of Economic Inequality**

### **1.2.1 Inequality of Quality Education**

To promote rural-urban economic equality, the improvement of quality education in rural areas is the next step for Chinese to take. From the sixth nationwide population census of China, the proportion of poor living below the national poverty line was 4.5% in 2016, with more than 40 million struggling with poverty. Therefore, raising governmental funding is necessary to enlarge the rural schooling resources from recruiting professional teachers, installing digital devices, and improving physical facilities. Poor rural students also have a tendency to prematurely leave schools and become unskilled labor or farmers. Since they lack of high school even college educational dilemma, their per capital annual family income mostly below 10,000 Chinese Yuan.

City-oriented educational resources allocation hinders the development of quality education in China. In the

statistical report of the Education Expenditure Year Book, the rural basic school expenditure consisted merely 13.57% of the total education expenditure. The insufficient educational funding contributes to heavy workloads for rural teachers, low enrollment rate and complement rate, poor transportation, and limited collection of book. The teaching quality gaps between urban and rural areas highlight the difference in educational resources allocation priority. From sociopolitical perspective, the governmental goal is to distribute funding and public resources fairly. In contrast, the huge difference of governmental funding for compulsory education was about in the range from 39.14% to 70.52% in 2001. In most of rural elementary schools, each class size has over 80 people with unprofessional teachers. However, in most of urban elementary schools, each class size has fewer than 45 people with professional teachers and better facilities. [9] The difference class size is caused by the totally biased financial budget, since rural schools lack money to employ better teachers and improve physical facilities. From socioeconomic perspective, this unequal educational resources distribution enlarges the social stratification system. City students have much higher chance to enter to top universities in China and become skilled labor with high wages in the future. In contrast, rural students only have chance to be unskilled labor with low wages. In this trend, inequality can become an unsolved cycle: high-income people remain high social economic status permanently through quality education, and the rest of rural families are impossible to raise social status by career.

To keep a balanced resources allocation between the rural and urban, it requires central government to consider the policy on improvement of basic schooling in rural areas through allocating public service and funding fairly.

### **1.2.2 Inequality of Policy Formation**

The Household Residential Permit (Hukou System) provides an impenetrable divergence between rural and urban residents toward basic education, job opportunities, health care system, and living standards. In other words, students with rural household residential permits are not allowed to obtain basic education and health care discount in cities. Urban workers are mostly white and gold collar with adequate health care, pension benefits and housing subsidies in contrast to rural laborers who have no benefit and pay lots of money to work in cities. The economic inequality and income gap attribute to the inequality of Hukou system which prevent rural residents right to health care system, basic education, and living condition.

In China, cities give registration to skilled people who usually have urban Hukou and job, but have been unwillingness to provide registration to migrants from the countryside, who are needed for economic development and higher wages. People who migrated to cities are called “floating population”. Due to the commercial convenience and prosperous economy, migrants mostly flowed into the southeast coastal areas, especially the Yangtze River Delta and Pearl River Delta. According to the data from Asian Development Bank, Guangdong Province absorbed the most migrants in 2005, rising from 5.23% of total migrants to 22.37% of total migrants during 1982 to 2005. Since these migrants don't have official registration in cities and have for all practical purposes to move to cities, the empty nester phenomenon emerge. Migrants work in cities for higher wages, so they leave hometown with their children and parents. Children and elder lack of the love from parents, which attributed to psychological diseases among youth. Economic factors play crucial influence on the level of loneliness of the elderly and children in empty-nest families. Feeling of loneliness and social isolation lead to psychological disorders including cardiovascular disease, cancer, and asthma. This dilemma is caused by the flaw of Hukou system and rural-urban economic inequality.

In essence, the Hukou system attributes to the social stratification system in China. This rigid household system prevents rural students chance to have quality education which affects their future achievement. This phenomenon can be demonstrated by the process of urbanization. Government gives more funding on cities by better education resources, job opportunities, and health care system. The necessity step for Chinese government to promote rural-urban equality is to amend the Hukou system by facilitating rural-urban migration and establishing equal educational and public service resources allocation for rural poverty reduction.

### **1.2.3 Inequality of Social Mobility**

Since the Economic Reform and Open Up era, an unprecedented rural-urban labor migration had occurred in China,

and this trend still continue until now. Scholars estimated that the rural-urban migration impacted inequality which depends on the complicated pressures on urbanization and modernization. With the rural migration flows, the child labor phenomenon emerged in villages dramatically. Unlike domestic or international migration in other countries, this rural-urban migration trend lacks a sense of long-term commitment in which changing migration people's residential commitment from rural to urban. Xubei Luo (2008) suggested that, resource misallocation between rural and urban areas was pervasive and related with the capital distortion in recent China's economic growth. Moreover, the financial friction and income difference significantly influenced on balancing rural and urban economy.

Rural labors, who came from village yet worked and lived in urban areas, are called floating population. This phenomenon is caused by economic inequality between urban and rural areas. According to statistics data, the floating population is now estimated at about 140 million, up from 30 million in 1983 and 75 million in 1995, and floating employment is now estimated at 100 million. In contemporary China, the fragmentation and misallocation of rural labors and resources are a serious challenge for central government to deal with. This profound domestic rural-urban migration mitigated the rural-urban income gap and balanced rural-urban economy disparity situation.

Undoubtedly, rural-urban inequality was closely attributed with the rural-urban division and migration. This result leads to the distortions of contemporary labor market structures based on rural-urban income inequality. In China's current labor market, it also directly triggered the rural-urban division since most rural labors serve as unskilled or semi-skilled labor with low paid wages. In contrast, most urban labors serve as skilled labor with high paid wages.

To sum up, balancing the rural-urban economic inequality of income is still complicated. How to attract floating population back to their hometown to stimulate local economy still challenges the Chinese central and local government. Indeed, integrating training program for unskilled labors under the public financial guarantee framework is the next major breakthrough for the government to take.

### **1.3 Previous Studies on the Economic Inequality Cases**

As the most rapidly growing economy in the world, in China, income inequality propelled by the disparity between highly educated urban professionals, urban working class, and rural unskilled labors. As a developing country, economic inequality is an inevitable trend. Hukou has restricted opportunities for rural youth population to enroll in colleges. To some extent, the rise in inequality could be alleviated even halted by changing some of governmental policies.

#### **1.3.1 Economic Inequality by Brand Value**

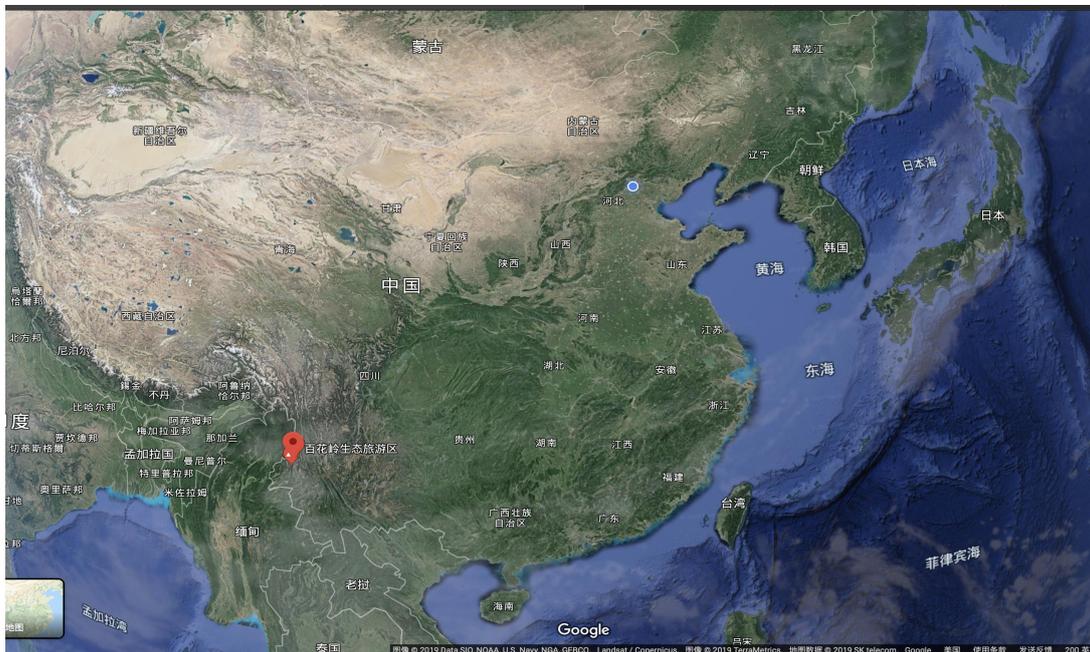
Baihualing is located in the Gaoligong Mountain, which is a natural reserve for gibbons and exotic birds. President of people's Republic of China Xi Jinping said "lucid waters and lush mountains are invaluable assets" and proposed policy on harmonious development between economy and nature. Due to government set policy on protecting nature, economic development is limited in scale especially for natural reserve regions. Inconvenient transportation system and expensive shipping fee attribute farmers' agricultural products mostly selling to nearby province like Chongqing, Sichuan, Guangdong, and Guangxi. The diverse animal species and exotic plant enable rural residents to develop eco-tourism.

Mr. Hou is a farmer and pseudo-entrepreneur for fruits, coffee, and nuts. He sells his goods in a challenging business environment where locals have little or no income and there are fierce competition as other farmers struggle to sell the same products. The quality of coffee bean attracts company like Starbucks to buy their product and bake them to delicious mocha, latte, cappuccino, and cold brew. Farmers sell their coffee bean in the cheap price about 50 Chinese Yuan per kilogram, but Starbucks can sell their coffee at least over 30 Chinese Yuan per cup. In this unfair economic trading, farmers only get few profit comparing to the huge profit that Starbucks get, and the economic inequality occur.

In China, everyone knows Starbucks, but not everyone knows where these coffee bean come from. Urban residents rely on coffee to work and study, which provide huge target customers for Starbucks to operate business. The brand value plays a crucial role in this process. The monetary strategies for Starbucks is its ability to effectively leverage their

cornerstone product differentiation strategies through offering a premium product mix of high quality beverages and snacks for urban white collar and gold collar class. The brand equity of Starbucks is based on selling the finest quality coffee and related products. To building a high degree of customer loyalty with a cult following, the “Starbucks Experience” attracts customers by its supreme service and global community value. Comparing to Starbucks, farmers are just coffee bean supplier. Cooperating with Starbucks reflect their coffee bean quality, so more businessmen are more likely to buy their products since Starbucks have used these to sell in the cities. The economic inequality emerged because of brand value. In rural villages, farmers get the money by becoming raw coffee bean providers with little economic benefit. In modern cities, Starbucks get the money by selling their high quality coffee with occupying much higher economic benefit.

To promote the equality between rural areas and urban areas, the necessity step is to create the sense of brand pride, which means to establish the brand value. This requires funding, professional training, target customers and their good feedback. Government can set policy on encouraging the creation of regional coffee or specific agricultural industries to gather fund to improve the taste of products. The online free coffee baking course can also be a good choice for small scale farmers or companies to improve the coffee tasting.



### 1.3.2 Economic Inequality by Lack of Quality Education

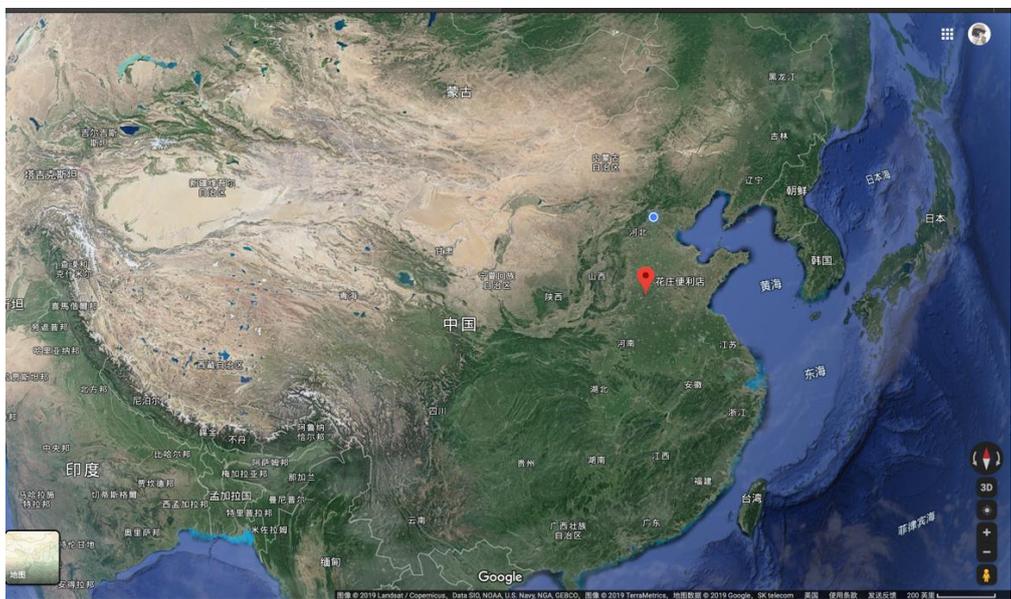
Huazhuang is located in the mainland of China, which is along the Yellow River. Most of residents are with rural background, so their children study in rural schools in China. According to Chinese government policy on compulsory education, every child has to attend school for 9 years. The high school and college tuition pay by individuals instead of covering from government. Henan is one of the most populous province in China with lots of rural poor students. The mission of compulsory education is to eliminate the illiterate rate, but the path to high school cost lots of money since students take extra classes to ensure they can pursue better college for undergraduate study.

In China, the best universities are labeled as “211 school”, which are similarly to Ivy League in the United States and G5 in the United Kingdom. Enrolling in 211 school means the better career future, so students who study in the cities take extra classes to ensure that they have ability to enter the best high school which have the best teaching and feedback. However, rural students don’t have lots of money to spend on taking extra classes. The regional inequality emerges because of the difference of quality teaching among rural areas and urban areas.

Students in Huazhuang complain about their poor teaching resources since professional teachers teach in urban schools for higher wage. They have digital devices but students don’t know how to use for study. Their textbooks are not the latest version, and library only contains few books. The tuition for attending high school is a large family budget,

so parents have to make decisions and call their children back to home to grow crops or become unskilled labors. Since the funding between urban and rural school is completely different, rural poor students cannot succeed in the High School Entrance Exam. The unequal educational chances bring urban students chance to enter good college and bright future, so they can become skilled labor with higher paid. But for the rural poor students, the Hukou system limited their chances to enter urban school with better education. The harsh economic situation makes things worse, so they have to quit school and earn wages to sustain family. The education inequality leads to directly rural-urban economic inequality.

From the educational policy perspective, the governmental goal is to distribute public resources equally. Provincial government should add more funding on improving the quality of education through raising wages for rural teachers to at least equally to the average salary for civil service (governmental employee) level; setting strict standard on selecting teachers especially for ethical portion; improving the professional training process. In the mission to alleviate regional educational inequality, the next path for government is to allocate governmental funding toward rural schools. For students quit schools, government and school official should establish free meal and textbook program for students who are from low income family. Through balancing the urban and rural education, rural students have higher possibility to become skilled labor and succeed in their future career.



### 1.3.3 Economic Inequality by Middlemen

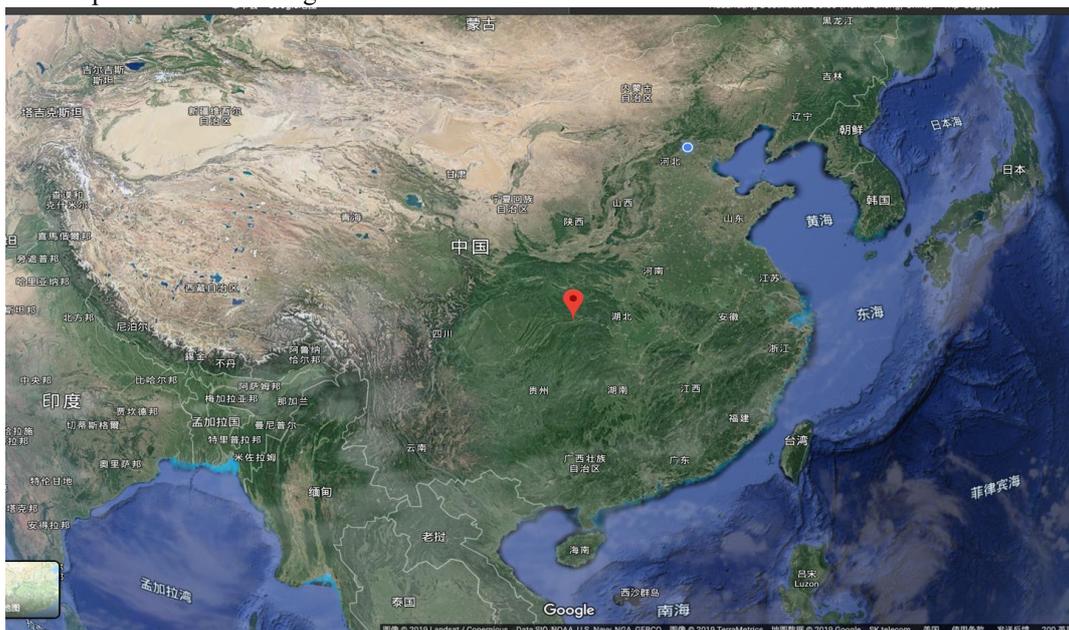
Chongqing posted double-digit percentile growth for more than a decade, until it fell below 10 percent in 2017. Changdang is a small village in Fengjie, which sits the confluence of the Yangtze River and Jialing River. Although Fengjie has the great natural abundance and huge agriculture potential, agribusiness in Fengjie has high evaporation rate risks because of its the city’s location which embedded among sub-tropical mountainous areas. The Fengjie Yangtze River Bridge is the only vehicle that tie to trading and general movement within Fengjie. The inconvenience of transportation widens the problem of economic situation.

Mr. Li is a 100 acre of land owner in Changdang village, who sells tomatoes, eggplants, and other seasonal vegetable to make profits. He sells his goods in a challenging business environment where locals have little or no income because of the existence of middlemen. Most of Li’s are organic vegetable products, which can sell in higher price comparing to normal vegetables with fertilizers. However, the truth is that Li nearly earn little profit. Taking tomatoes as an example, he sold a kilogram of tomatoes in 7 Chinese Yuan (approximately 1 dollars) to the middlemen. The middlemen got his products and sold in the cities for 18 Chinese Yuan (approximately 2.6 dollars). The huge price difference between rural and urban highlights the dilemma of middlemen problem. The middlemen assist farmers, obtain the cheapest price of their vegetable products, and further capacitate their commodities with advertisement to sell

in much higher prices.

Chinese farmers complain about the low profits for agribusiness, but the main problem is the presence of middlemen phenomenon. Just as Hammad Badar described in *The Role of Middlemen in Agricultural Marketing: Myths & Reality*, the failing of agribusiness is attributed by lack of market intelligence, insufficient infrastructure, exaggerated role of middlemen, hoarding and profiteering, and excessive rates of various services. The quote from Hammad Badar emphasizes the negative aspects of middlemen effects. From the socioeconomic perspective, it is necessary to alleviate this phenomenon through building relationship on corporate social responsibility (CSR).

Farmers and companies are targeted: companies buy agricultural or other products from farmers directly instead of the engagement of retailers. The big price differences enable companies to save budget and get good quality of products. Likewise, farmers enable to sell in higher prices and earn more margin in the market. For government, the next step is to build a reliable platform to encourage this CSR trend.

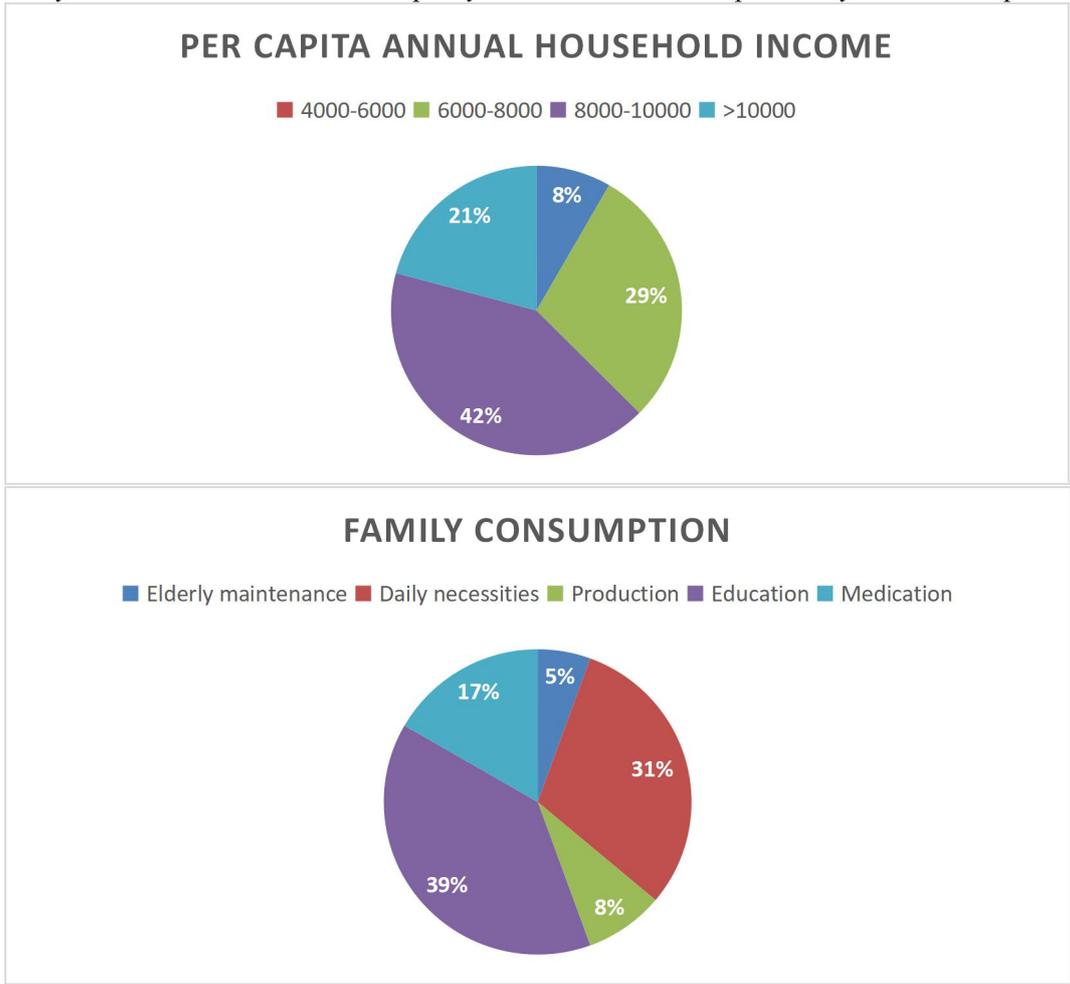


## 2. Data

We concluded the data of the Poverty Reduction in China: National Poverty Line (1978-2016) and Poverty Reduction in China: 1.9 Dollar Poverty Line (1981-2013), which was implemented by International Poverty Reduction Center in China (IPRCC) as an international comprehensive standard with the goal of analyzing the influences among rural and urban families, communities, and the macro social structures. The IPRCC took the overall 1978-2016 years to show the efforts of poverty reduction. Through the economic growth, the income gap between rural and urban becomes larger, but the people who live below the 1.6-dollar poverty line decrease from 877.80 million in 1981 to 25.11 million in 2013. This data and UN report shows that China is the first developing country reaching the poverty reduction goal, and 76% of the achievements made in the global poverty reduction cause come from China. Although China did well in poverty reduction, the rural-urban inequality still exist. In national poverty line, the poverty ratio decreases from 10.2% in 1978 to 4.5% in 2013. The efforts prove that China take great step to pursue poverty reduction goal.

The article also utilized the data by the survey questions I designed to rural farmers to reflect the cause of economic inequality and solutions based on current problems. Their per capita annual household income concentrates below 10,000 Chinese yuan (1445 dollars); medical and educational fee became the largest expense beside daily necessities expense. The low annual income reflects China still need more time and effective policy to develop rural areas by proposing new policy on education and health care. This survey randomly selected rural farmers (live in mainland, broader, southwest) to investigate on the basis of economy from labor units, land, annual income, and

expense to analyze the causes of rural-urban inequality and solutions to develop economy and alleviate poverty.



### 3. Findings

According to the data of survey questions, rural residents who have higher social economic status may have a greater possibility to earn higher wages in cities, experienced better education, and are more likely to pay money on children’s education. On the contrary, rural residents who have low social economic status may also have a greater possibility to stay in below the national poverty line for decades. Not surprisingly, in current China, from an individual’s perspective, there still exists tremendous gaps between rural and urban residents in social capital, educational chances, public resources, and health care. All these inequality contributes to the central government’s attention on development of rural poor villages. Moreover, from researcher’s perspective, the inequality of access and inputs also provided profound insight to investigate the rural-urban economic inequality.

#### 3.1 Inequality of Access and Input

##### 3.1.1 Labor between Rural and Urban Areas

Due to educational degree, urban residents have enrolled in good universities in China and become white collar class after graduation. In contrast, rural residents left schools after 9-year government required compulsory education. Absence of high school even college dilemma allows rural students can only be unskilled labor with low paid. In current China, hierarchical solidification limits chance for rural students to succeed in business.

In 20th century, the college enrollment exam granted few rural students opportunities to leave village and enter

cities for education. Most of them were hard-working students, so their great academic achievements enabled them chance to continue stay in cities and worked for great companies with good paid. But, in current China, even rural students enter universities, they still don't have chance to compete with urban students since their parents don't have enough human capital to help their children on career.

The traditional agricultural business cannot satisfy families' daily expense since the existence of middlemen, limited brand value, and similar products in competitive market. The large supply and small demand make farmers' economic situation worse. For rural family, most of family have at least 2 people serve as labor in the market. They work in agricultural field, and some of them even work outside for higher paid. This norm is common in farming society. Youth serves as blue collar labor in factories, and they would come back to home when harvest or seeding season come. For traditional farming family, their family average annual income usually is below 6,000 Chinese Yuan. Comparing to conventional crops with low profit in highly competitive market, commercial crops, as a readily salable crops produced or gathered primarily for market, have better profits with larger target customers. Coffee, as one of the commercial crop, the Blue Mountain coffee bean can sell 10,000 Chinese Yuan per ton. To improve family annual income, the necessity step is to grow commercial crops and have youth to work outside of their hometown.

### **3.1.2 Competitive Market and Similar Products**

In urban cities, as white collar even gold collar class, people provide service to the society. But for people in rural areas, agriculture still is the main component of the entire economy. Farmers in nearby province produce similar products. For example, in Huazhuang village, since maize is the raw material of flour (key component in dumpling, steamed bun, and other wheaten food), all farmers produce maize. Also, the local climate and soil quality favor the growth of maize and growing maize is low cost for farmers. Therefore, local farmers prefer expanding the maize production other than other grain crops. At the same time, other village can also produce large quantity of maize. Farmers in Huazhuang struggle to sell maize to nearby factories for flour because of competitive market with similar products. The similar products in competitive market widen the gap between villages and villages. The main determination factor is price, since their quality is similar.

This trend is common no matter it is commercial crops or organic food. For high annual income family, they prefer organic food as daily diet. As a rule, growing organic food require more steps and caring than normal crops, so most of organic crops are charged 20%-30% even higher than non-organic crops. Since organic food require specific procedures and more money, poor farmers are unlikely to choose growing this way. There are not potential competitors since most of organic food are small yield and high demand in cities for high economic status families as potential customers.

The preference toward food highlights the income gap between urban class since high economic status families have ability to pursue high quality of food. The preference toward food also highlights the income gap between rural class since growing organic food families usually receive higher paid price. From both of gap between rural and urban classes, it can conclude that it is hard to for business to maintain positive net profit in highly competitive market environment.

### **3.1.3 Location of Residence and Opportunities**

According to the statistical data from China Academy of Social Science (CASS), the relative income gap is highest in the West in both 1995 and 2002 period. This trend highlights the regional economic difference, and national government should invest more on the development of western provinces. The relative income gap rose in the West and Center, but declined in the East between 1995 and 2002. These results demonstrate the severity of poverty in the West and Center. Simultaneously, however, this trend in the eastern provinces, China's most developed region, the urban-rural income gap could stabilize or even narrow.

The central provinces have large population, and the vast plain provides geographical advantages for agribusiness. Due to the many competitors in highly competitive markets, farmers cannot find best way to improve their financial situation. The western provinces only have a few population comparing to eastern and central provinces. The

geographical inconvenience provides limited economic opportunities, so talented youth choose to go to eastern provinces for higher wages. The dry climate is not the best condition for crop growing, so rural areas are very poor and need development. Comparing to central and western provinces, eastern provinces locate nearby ocean. Most of Chinese commercial centers locate along the coast like Shanghai. The mild climate, best educational institutions, and career opportunities enable urban class become richer. The prosperous economic situation indicates that the rural-urban income gap is the widest.

Through the lens of rural-urban economic inequality, reducing the rural-urban income gap is inevitable to amend national funding system and policies toward western provincial development. Narrowing down the disparities between rural and urban income gaps and attracting talented youth work in the hometown should be addressed as a crucial part for policymakers in order to solve economic inequality between rural and urban areas.

REGIONAL DIFFERENCES IN INCOME PER CAPITA AND THE URBAN–RURAL GAP (UNITS: YUAN, RATIOS)

	1995		2002		
	Unadjusted	PPP	Unadjusted	PPP	PPP, 1995 Prices
<i>West</i>	2,105	1,987	4,138	3,864	3,424
Urban	4,963	4,198	8,662	7,498	6,644
Rural	1,167	1,261	2,005	2,150	1,905
Ratio of urban to rural	4.25	3.33	4.32	3.49	3.49
Urban minus rural	3,796	2,937	6,658	5,348	4,739
<i>Center</i>	2,229	2,170	4,550	4,382	3,883
Urban	4,175	3,400	7,995	6,790	6,017
Rural	1,558	1,747	2,644	3,050	2,702
Ratio of urban to rural	2.68	1.95	3.02	2.23	2.23
Urban minus rural	2,617	1,653	5,350	3,740	3,314
<i>East</i>	4,246	3,411	8,480	6,762	5,992
Urban	7,555	5,148	13,029	9,038	8,009
Rural	2,527	2,509	4,520	4,781	4,236
Ratio of urban to rural	2.99	2.05	2.88	1.89	1.89
Urban minus rural	5,028	2,640	8,509	4,258	3,773

## 4. Conclusions and Policy Implications

Contemporary China rural residents were characterized as having low social economic status, poorly educated parents, and insufficient educational and medical supplements. The determination for rural-urban inequality and funding resources allocation are social and human reasons. From the sociopolitical perspective, the existing pressures on rural poor quality of basic education, health care system, and living condition, contributed to further poverty. Modernization and urbanization processes stimulate the explosion of urban life in which large number of floating labors become a popular trend for young rural students to serve as labor in cities. Moreover, the obsolete policies of Hukou system between urban and rural areas as internal factors fundamentally affect the number of migration residents from rural areas. The rural-urban migration highlights the severe economic inequality between cities and countryside, so government has to propose policies to alleviate poverty and promote equality. From the inequality of inputs, comparing to diverse urban local governmental financial supporting, local governmental funding for rural development was insufficient and inadequate to support basic education and health care system in rural areas. Simultaneously, the funding distributions is another problem for rural economic development. For example, for villages near the National Parks or Natural Reserve, the funding distribution on environmental protections and economic growth can be contradicted. Less economic development causes poverty and emerges illegal hunting or smuggling phenomenon. To achieve a balance between environmental and economic value is the next step for Chinese government.

The removal of talented rural residents directly led to the shortage of talented labors in local level and create talent drain phenomenon. To summarize, the asymmetric and dysfunctional public and funding resources distributions were considered as essential factors of rural-urban economic inequality. Inadequate funding support influenced the

development between rural and urban; conservative household register policy hinders the acceleration of urbanization and modernization process and was inherently with sociocultural and sociopolitical aspects of current China.

#### **4.1 Building Sufficient and Effective Governmental Funding System**

Mitigating the rural-urban economic inequality can be done by creating a sufficient and effective governmental funding and regulation system. From the economic development standpoint, insufficient investment returns, which supports equitable public resources allocation and distribution, led to the misallocation of educational resources, infrastructure projects, and health care system. Scholars estimated that this current rural economic circumstance will hinder regional development from education, job opportunities, medical care system, and living standard. In the current economic scenario, huge rural-urban income gap attracts rural labors to work in the cities no matter how much wages they can get. Talented rural residents also choose to stay in cities because of high wages, better living standard, and convenient public system. Insufficient funding system contribute the poverty among rural villages, so talented rural people are unlikely to return back to hometown just for limited career opportunities. Since the labor productivity in agriculture depends on labor intensive, rural-urban migration of unskilled labors contributes to shortage toward the number of farmers. The urbanization and modernization process fascinates rural residents and pursues them to serve as labors in cities; the talented rural residents migration illustrates the necessity of economic balance to ensure rural village have enough talented human capital. Consistency of financial support serves as a key factor to alleviate the pressures of economic inequality. Hence, building a sufficient and effective funding system for educational resources, infrastructure projects, job creation and health care system are the next step for government to promote poverty reduction and avoid inequality of public resources distribution. In this trend, government can set policies to companies to encourage them to recruit certain percent of indigenous residents, even grant qualified poor students scholarship in colleges and future career position in companies.

#### **4.2 Providing Comprehensive Political Support to Labor Mobility**

In Chinese rural village, the key consumption for families come from education and medication. From a sociopolitical viewpoint, rural-urban economic inequality leads to sufficient labor-mobility since it is associated with serious social pressures like higher wages, better life standard, career chances and social welfare. The inadequate economic inequality was prevalent among low income rural residents. Promoting labor mobility and developing an efficient and diverse rural employment system will enormously lead to the improvement of economic situation in rural areas. Improving the welfare system in rural areas, building basic infrastructure projects, and attracting companies to invest in ecotourism projects in rural Chinese village, can create more job opportunities for rural residents to serve as tour guides, hotel managers, factory workers, and so on. Brain drain is described the large scale emigration by talented people. China has experienced the brain drain phenomenon domestically, since working opportunities are mostly in eastern provinces in China or abroad. The next crucial step for government is to attract talented residents to return to their hometown for economic development.

The residential permit system was produced in the process of modernization and urbanization for contemporary China. This Hukou system impedes the rural-urban economic inequality. In order to eradicate the regional economic inequality, the official registration system should be amended and provided an equal platform for rural residents to get access to urban basic education and health care system, facilitate rural-urban migration, and establish equal economic chances for rural poverty reduction.

#### **4.3 Creating Special Insurance for Poor Rural Residents**

From a social entrepreneur viewpoint, philanthropy and impact investing are responsibility to promote sustainable development goal. In China, poor rural residents die by diseases because of expensive medical care tuition; rural students cannot have get nutrition on their school meal plan; huge income gap between urban and rural areas contributes to further economic inequality. Although Chinese government propose Dibao system to allievate poverty by granting

financial aid to families in extreme poverty or poverty level, it is still not efficient to cover medical fee if someone has disease like cancers. Government should promote philanthropy project---government cooperate with insurance company to provide health insurance for rural poor farmers. In Chinese Yibao system, it can cover some medical fee, but it doesn't include expert, operation, and exported medicine fee. For rural farmers, those tuitions that Yibao system cannot cover are highly expensive ---- they cannot afford them even on the circumstance of selling all their houses and cars. The severe dilemma represents a social flaw in the Yibao and welfare system, so the next step for government is to reform these policies by cooperating with insurance company to provide health insurance to poor farmers to cure these diseases.

Different from government donate money to insurance company, government only shows the reliability of this health insurance product. Farmers only need to pay small amount of registration fee (30 Chinese Yuan) and monthly tuition (20 Chinese Yuan), they could get medical supporting (maximum about 500,000 Chinese Yuan) if they have diseases that are hard to cure. Similar to health insurance, the educational insurance is also necessary for rural families. Likewise, farmers only need to pay small amount of registration fee and monthly tuition, they could get educational supporting at maximum of 100,000 Chinese Yuan per village to build a library, buy digital devices, recruit better teachers, and improve facilities.

From sociocultural perspective, improving quality education through installing digital devices, improving facilities, and recruiting professional teachers is necessary to reduce poverty since rural students get chances to enroll in better universities in China and serve as skilled labors. The educational insurance enables this possibility for rural students to experience urban life. From social entrepreneur perspective, health and educational insurance products represent their social responsibility to society on promoting sustainable development of poverty reduction. From socioeconomic perspective, poverty reduction can be achieved through the establishment of health and educational insurance by improving quality education and reducing income gap. To sum, it is significant to reform Yibao system and welfare system through establishing special insurance product for equal economic chances for rural poverty reduction.

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