

The great divide

A new paper finds China more unequal than France but less so than America

Why Chinese citizens seem more tolerant of rising inequality than Westerners

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JUST as China's GDP has converged towards America's, levels of inequality have also been catching up. That is one of the conclusions of research* from five authors, including Thomas Piketty, a French economist famous for his work on wealth and inequality. Their new paper compares the evolution of inequality in China, America and France over four decades.

Inequality has soared since China opened the door to private enterprise and growth took off. In 1978 the highest-earning tenth in China received just over a quarter of overall income before tax, significantly below the proportion in America and France at the time. By 2015, however, those top 10% of Chinese earners were paid two-fifths of total income—above the share in France, but still just below that in America (47%). Wealth, too, is concentrated in fewer hands: the richest 10% own nearly 70% of private wealth in China, up from 40% in 1995 (and not far below the American level of nearly 80%).

Rises at the top mean that the share of pre-tax income going to the poorest half of the Chinese population has shrunk dramatically and is now, at 15%, not much higher than the American equivalent. In both countries, the shares have fallen by nearly half since 1978 (see chart). Compare that with France, where the share is higher and has changed little, buoyed perhaps by labour-market policies, such as a more generous minimum



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Greater disparity between rich and poor in the West may well have driven anti-establishment sentiment. It might seem no less palatable in China, where the government still calls itself communist. But there the pain has been soothed by rapid growth: it has lifted all boats. Income for the poorer half of the population fell by 1% in America between 1978 and 2015. In China it quintupled. Another comfort is that measures suggest that in recent years income inequality has no longer been rising. This form of catch-up growth, at least, is on hold.

* *"Global inequality dynamics: new findings from WID.world"*, by Facundo Alvaredo, Lucas Chancel, Thomas Piketty, Emmanuel Saez and Gabriel Zucman, National Bureau of Economic Research Working Paper 23119.

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