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## **China and Wealth Disparity: the inevitable?**

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## **1. Introduction**

China is home to 1.3 billion<sup>1</sup> people and is regarded as one of the most populous countries in today's world. It shares its borders with fourteen other nations and its sheer size, magnitude and political clout makes China a superpower comparative to the United States and the United Kingdom. China's economy is booming. Just recently, its growth hit 11.4%<sup>2</sup> for the year 2007.

The whole world watches in awe, as people have never before seen a country of this magnitude progress so rapidly right before their eyes. In a space of 40 years, China went from a reclusive communist state to a modern and globalised economic powerhouse. Analysts estimate that China will continue to grow as the government introduces stimulative economic policies. On top of this, an increase in its people's consumption and the 2008 Beijing Olympics will scale China's economy to greater heights. Amidst this economic flourish and prosperity, why is it that the problem of wealth disparity in China still so rampant? Is this disparity inevitable?

### **1.1. Motivation**

China's emergence as a world power has been a major talking point since the turn of the century. Its rise has not only opened up windows of opportunities to the world, it has also brought along feelings of fear and uncertainty towards this awakening dragon. More importantly, this rapid growth does not come without a price.

In a survey conducted by the "State Statistics bureau"<sup>3</sup>, "less than five percent of China's wealthiest hold nearly half of the country's savings deposits of more than 6 trillion<sup>4</sup>". This is definitely a cause for concern as the huge income and wealth gap will not only aggravate the already unstable social situation in China, but also bring about political and economical problems. The globalization of today's world makes it impossible for other nations to simply ignore the problem and classify it as a localized, domestic problem. Globalization has made the world a flatter place economically and a decision or problem a country makes and faces will have repercussions and consequences worldwide.

### **1.2. Scope**

This paper aims to find out the underlying reasons for the widening wealth disparity between the rich and poor classes in China, the political, economical and social impact of the wealth disparity and the actions and policies that the Chinese government has undertaken to solve

this problem. The paper will go on to evaluate the effectiveness of these policies and finally reach a conclusion as to whether the wealth disparity in china is actually an inevitable phase that every developing country has to go through for economic progress.

### **1.3. Research Methodology**

Information will be gathered from articles sourced from the internet, magazines and journals such as “The Economist” and “Time”. A case study between urban and rural Shanghai will also be discussed to understand the implications and extent of wealth disparity found between areas of such close proximity.

### **1.4. Limitations**

The research is limited by the lack of primary data. As the team is based in Singapore, it is virtually impossible to conduct primary data research in China. Another limitation is the tight control the Chinese government has over the mass media. Hence, the secondary information obtained might have been censored by the government. Lastly, due to time constraints, the research carried out might only be the tip of the iceberg.

## **2. Causes for Wealth Disparity in China**

A myriad of reasons are accountable for the presence of wealth disparity in China and the root cause remains highly debatable. Experts have reached a consensus for the main causes which have contributed to a widening wealth gap in China. This part of the paper seeks to highlight these causes.

### **2.1. Imperfect Economic System**

All economic systems found in the world are bound to be plagued by some form of weaknesses or problems. China is no exception. Experts believe that flaws in China’s economic system have aggravated the wealth disparity between the rich and poor, the urban and the rural dwellers.

#### **2.1.1. Monopoly**

A flaw in the economic system is the existence of monopolies in some industries such as power, water and telecommunications in 1978 public sector accounted for 78% of economy<sup>1</sup>(e.g China Telecom, China mobile , Shanghai electric. 40 largest SOEs

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<sup>1</sup> Emerging income inequalities in china-ADB institute-<http://www.adbi.org/conf-seminar->

contribute 1/3 total profit of all enterprises in the country<sup>2</sup>. According to the National Committee of the Chinese People's Political Consultative Conference<sup>5</sup>, the fact that people working in these industries are paid higher as compared to those working in the non-monopolized industries, it has widened the income gap. Wu Jinglian, a renowned economist, mentioned in his speech that monopoly has also created "unequal opportunity"<sup>6</sup>. This growing income gap eventually led to a greater wealth difference in China.

### **2.1.2. Income Tax Collection**

Loopholes(for 1% increase in tax rate will result in 3% of evasion in 1998)<sup>3</sup> in the inadequate personal tax collection system have also been heavily exploited by the wealthy and powerful. This reveals a weakness in the system as it is unable to "control and identify the actual income of the rich because of their diversified income sources."<sup>7</sup> With the wealthy escaping tax and the poor dutifully paying it, the wealth gap will continue to worsen as the primary role of the tax system is to correct income distribution, has been ineffective.

## **2.2. Corruption and Illegal Income(corruption estimated of 13-16% of China GDP)<sup>4</sup>**

Corruption and abuse of power is not new in China. Despite numerous calls by political leaders to fight corruption, this political reform seems to be of no avail and the problem remains pervasive. As public resources were used by various people in power to derive personal gains and elicit benefits, the poor stood to lose the most as they were deprived of much needed public resources. Moreover, being the powerless group in the society, they have no bargaining position and corruption continues.

### **2.3. Deficient Public Policy**

Since the planned economy days, the rural Chinese have struggled with numerous policies which were biased towards the urban dwellers( currently, urban dweller's income is 3.3 times as much as rural residents<sup>5</sup>. Urban residents enjoyed better access to food, education and

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papers/2003/09/29/303.income.distribution.latinamerica/emerging.income.inequalities.in.china/

<sup>2</sup> China's unbalanced business engine- China Business- July 21<sup>st</sup> 2007-  
[http://www.atimes.com/atimes/China\\_Business/IG21Cb02.html](http://www.atimes.com/atimes/China_Business/IG21Cb02.html)

<sup>3</sup> Tax Rates and Tax evasions: Evidence from missing imports from China-Raymond Fisman, Shing-Jin Wei-  
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<sup>4</sup> Corruption and Anti-Corruption Strategies in China-Angang Hu- Centre for China study-Quing Hua University-  
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<sup>5</sup> Urban, rural income disparity keeps growing in China- Staff Writers- Beijing AFP- March 10<sup>th</sup> 2008

various amenities such as healthcare services even before China's economic reform to a market economy. This was a significant reason for the widening income gap as the urban residents had a better head start while the rural Chinese community continued to grapple with difficulties in accessing these amenities.

#### **2.4. Unequal Opportunities**

The inherent skewed nature of the social system in China had made efforts to reduce wealth disparity difficult. This unfairness found in the social system has also resulted in unequal opportunities available for the urban and rural residents. "Inequality of opportunity" was deemed the root cause for the income gap in China according to a renowned Chinese economist, Wu Jinglian<sup>8</sup>. With the rural residents being deprived of opportunities in businesses and jobs, their incomes and prospects remain low compared to an average city man in China.

In addition, the rural people who are less educated(number of senior high school graduates in urban areas is 3.4 times higher than in rural areas)<sup>6</sup> and powerful in the society have no contacts with officials or people in power unlike the urban residents who are capable of gaining wealth through "collusion with officials in power-for-money deals, working in monopoly companies or stolen state assets"<sup>9</sup>. Such social inequality inevitably worsened the wealth disparity in China.

#### **2.5. Transition from a Planned to Market Economy**

Many experts saw the wealth disparity in China intensified since the economic reform period started in the 1980s. Many argued that the primary reason for the widening wealth disparity is a result of China's shift from a centrally planned economy to a market economy. Under such a climate, the competent people will be generously rewarded while less skilled and qualified residents will be paid less. This is a result of market forces at work and hence during such a transitional phase, the wealth gap will widen.

At an interview conducted in 2006, director of the National Economics Research Institute of China Reform Foundation, Fan Gang mentioned that "the income gap is inevitable and will last for five to ten years." As China moves towards liberalizing its economy, it is exposed to market forces and unbalanced growth which ineluctably leads to a growing wealth disparity.

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<sup>6</sup> How big is the gap between rural and urban areas china?- restructured from an interview with Zhang Zhenghe- People daily oversea edition- Nov 21<sup>st</sup> 2001

### 3. A Mini Case Study

If a province has to be selected to represent the progress and modernization of China, there is no better candidate than the city of Shanghai. Shanghai is situated on the banks of the Yangtze River Delta in East China and it is the largest city in China. Widely regarded as the citadel of China's modern economy, it serves as one of the nation's most important cities.

Step into Shanghai and one is often greeted with towering skyscrapers and the sights of ultra modern and posh lifestyles. Shanghai is ranked 26<sup>th</sup> among the world's most expensive cities to live in<sup>10</sup>. Amidst the hustle and bustle of an economic centre, there lies a significant group of people who form the poor in Shanghai.

This section of the paper aims to present findings to show the widening wealth disparity between urban and rural Shanghai. Another aim is also to show that wealth disparity in China is not limited by geographical factors, given the close proximity of these two areas.

#### 3.1. Income

Region	Total Income	Wages & Salaries	Household Operations	Properties	Transfers
Shanghai	\$8,247.77	\$6,159.70	\$774.60	\$457.52	\$855.95
Jiangsu	\$5,276.29	\$2,786.11	\$2,124.97	\$150.44	\$214.76
Zhejiang	\$6,659.95	\$3,238.77	\$2,789.40	\$278.92	\$352.86
Anhui	\$2,640.96	\$1,010.05	\$1,499.25	\$44.91	\$86.75
Fujian	\$4,450.36	\$1,650.65	\$2,365.02	\$98.73	\$335.96
Jiangxi	\$3,128.89	\$1,227.94	\$1,786.41	\$25.78	\$88.76
Shandong	\$3,930.55	\$1,437.57	\$2,258.05	\$102.80	\$132.13

**Table 1: Per Capita Income (Rural)**

Region	Total Income	Wages & Salaries	Household Operations	Properties	Transfers
Shanghai	\$20,602.90	\$14,280.65	\$798.07	\$292.17	\$5,232.00

Jiangsu	\$13,329.95	\$8,397.15	\$1,028.69	\$240.43	\$3,663.68
Zhejiang	\$17,877.36	\$11,941.09	\$1,921.75	\$552.94	\$3,461.58
Anhui	\$9,184.55	\$6,425.54	\$620.71	\$124.59	\$2,013.71
Fujian	\$13,407.60	\$8,791.56	\$839.36	\$447.98	\$3,328.70
Jiangxi	\$9,042.45	\$6,222.55	\$532.56	\$81.19	\$2,206.16
Shandong	\$11,607.82	\$9,026.55	\$492.12	\$151.86	\$1,937.29

**Table 2: Per Capita Income (Urban)**

**Source: National Bureau of Statistics of China**

From tables 1 and 2, the per capita income of Shanghai's urban resident was 2.5 times that of a rural resident. This can be attributed to the huge difference in wages that an urban worker would earn as compared to a rural one. Transfers also attributed to the huge difference as an urban worker could well afford and also understand the importance of insurance and financial plans. As a result, an educated worker is better able to make his or her money work harder.

### 3.2. Savings

(100 million yuan)

	Savings Of Urban Household				Savings Of Rural Household			
	2001	2002	2003	2004	2001	2002	2003	2004
Shanghai	2781.8	3638.9	4789.1	5739.1	220.1	252.6	314.0	376.38
Jiangsu	4217.9	5333.8	6335.1	7622.0	954.9	942.4	1303.1	1241.1
Zhejiang	3178.0	3935.4	4878.6	5558.0	1084.4	1277.3	1573.6	1806.0
Anhui	1322.0	1609.1	1961.4	2355.7	378.5	438.4	514.4	616.7
Fujian	1792.8	2157.1	2578.1	2905.7	238.1	273.4	346.5	416.5
Jiangxi	1157.3	1397.2	1647.2	1906.3	272.2	309.5	368.3	441.4
Shandong	3764.7	4355.2	5121.9	5791.4	1298.7	1448.3	1646.5	1930.1

**Table 3: Savings Deposit of Urban and Rural Household**

**Source: National Bureau of Statistics of China**

Based on table 3, the ratio of savings between urban and rural Shanghai was 12.64, 14.4, 15.25 and 15.25 times in 2001, 2002, 2003 and 2004 respectively. This is an obvious indication of a widening wealth disparity between the people of urban and rural Shanghai.

Based on the findings of 3.1 and 3.2 above, we can thus conclude that there is an increasing wealth disparity between urban and rural Shanghai, a rarity, given the close proximity of the two areas. However, this is a very real problem that is common across provinces in China. The wealth disparity is present; and it is becoming increasingly wide.

#### **4. Impact of Wealth Disparity in China**

This section of the paper discusses the impact of wealth disparity in China. The main areas of focus will be political, economical and social.

##### **4.1. Political**

As long as wealth disparity remains a pressing issue in China today, politically, the Chinese government will stand to lose the most.

Critics of the Chinese government have long since attacked China's policy on extreme poverty and living conditions of the rural poor. According to a World Bank official, the poor in China are getting poorer and harder to reach. A large group of them no longer live in officially designated poor villages, where they can receive help from the government, and hence, it would be harder to reach out to these groups of people. What is worrying is that these groups of poor may fall off the radar and be completely forgotten.

However, the rest of the world is not oblivious to the problem. Journalists and poverty aid groups have been trying to reach out to these groups of people and articulating their plight to the rest of the world. As a result, the Chinese government faces constant pressure from the rest of the world to address these issues. Some of the spillover effects of such negative reporting by the press include a tarnished reputation of the Chinese government and the country. Although China has been granted admission into the WTO, its entry was plagued by disapproval from vetoing nations who feel that more can be done to address these issues. In addition, with the upcoming Beijing Olympics scheduled for this year, the Chinese government has been trying its best to portray its administration in the best light, but still, as long as issues like extreme poverty and wealth disparity are not resolved, the government will have an uphill task of transforming China's reputation from third to first world.

Domestically, the Chinese government faces pressure from the poor for aid. China has a thriving agricultural sector but the peasants, which make up the majority of the sector's workforce and China's poor, earn only US\$300 a year compared to the US\$4000 a year a typical worker working in an urban city earn<sup>11</sup>. This may give rise to political upheavals and



discontent among the people. According to a Forbes article<sup>12</sup>, there has been an increase in the number of unrests and protests concerning poverty in rural China. With close to 745 million people living in rural areas of China, such discontentment and unhappiness does not bode well for the Chinese government. The political implication for the Chinese government is dire. They have to address the problem of wealth disparity or face potential political upheavals and instability. In the long run, the government might even lose the support of these groups of people and face political extinction.

#### **4.2. Economical**

The impact that the wealth disparity have on the economy is enormous. The two areas that were mentioned earlier, political and social all have a profound impact on the economy.

Based on a Forbes article<sup>13</sup>, the rise in wealth disparity poses a “clear and present danger” to sustained growth in China. A wealth gap exacerbates poverty and reduces the impact of a country’s growth. A poor peasant will be constrained from investing in productive opportunities like education or starting a business because his primary need is to put food on the table and make ends meet. Because of that, he will be stuck in a cycle of poverty. Poverty is therefore a vicious cycle that will be passed on to future generations unless something is done to break the cycle. In other words, the poor will get poorer and the government will have to spend more on social welfare. In the long run, government spending goes up and any growth is partially offset by this phenomenon.

As mentioned before under political and later under social, a widening wealth gap will affect a country’s social and political stability. This in turn affects the amount of Foreign Direct Investment (FDI) a country can obtain. FDI has a huge impact in a country’s economy and failing to attract and retain these investments will affect the economy greatly. Although in today’s context, China has been receiving a lot of FDI, all these can change if nothing is done to address the widening wealth disparity.

The increasing number of scandals involving the manufacturing sector in China can also be attributed to the increasing wealth disparity in China today. As the poor find it increasingly difficult to compete with stiffer competition, they may turn to unscrupulous means to cut corners and keep costs low. When the scandal was revealed and reported worldwide, it had a negative impact on the Chinese economy. Consumer confidence worldwide on China-

produced goods was low and these affected exports which in turn affected the Chinese economy.

### **4.3. Social**

Whenever there is wealth disparity, social impact would always be the most evident. The poor would always be much worse off than their counterparts at the other end of the wealth spectrum.

Wealth disparity is evident in all countries but if the current gap exceeds certain limits, the people may become severely psychologically distressed and question the sense of fairness leading to a challenge on domestic stability. The startling figure of 74,000 protests across China in 2004, up from 58,000 the previous year is a testament to that<sup>14</sup>.

In China, poverty is regarded as shameful by the Chinese. The poor shy and hide away, or are told to do so, and many feel “a loss of face” caused by their condition. In the long run, it can create resentment among the poor for being left poor, which in turn can lead to protests, riots and even a push for revolutionary change. As the age old Chinese saying goes, “harmony breeds wealth” if there is domestic turmoil, it is going to lead to bigger problems and have an impact in all areas of China’s progress.

At the other end of the spectrum, the super wealthy elite of China’s rich will use their political clout as a bargaining chip and increase political pressure for market distortion. Market outcomes will be distorted in their favor leaving the poor poorer and the vicious cycle of poverty continues.

The rampant corruption of Chinese officials(among 37 cases of corruption conviction, 5 case amounted for 5 million yaun and no one claimed less than 100,000 yaun in 1990s)<sup>7</sup> erodes the government’s ability to redistribute financial resources to the poorer areas and interior provinces making it hard for the rural poor to receive aid. This breeds resentment among the poor and they will have a reason to protest against the government leading to more domestic instability.

As protests increase and gain momentum, it will eventually lead to rioting, looting and soon after, the entire social structure and stability will collapse. The wealth disparity has also led

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<sup>7</sup> Ten Characteristics of Chinese corruption-Chinese National Conditions Research Center and Tsinghua University- data retrieved from 1990 to 2002

to an increase in organized crime, theft and proliferation of child labor and exploitation of the poor. The cycle continues and will eventually snowball into a huge problem unless measures are taken to solve it.

## **5. Policies Implemented**

Having recognized the severity of wealth disparity in China, the government has stepped up efforts to narrow this ever widening wealth gap. This part of the paper will highlight the measures that the government has undertaken to narrow the inequality and distribution of income.

### **5.1. Taxes**

In an attempt to curb the problem of widening wealth disparity, the Chinese government has promised to implement more stringent measures to prevent the rich from evading taxes. At a news conference, the Chinese tax commissioner, Xie Xuren said that the government will “fight tax evasion by the rich to ensure fairness and social justice to minimize the wealth gap.”<sup>15</sup>

In addition, the Chinese government has also decided to cut taxes on the poor and increase levies on consumption and activities engaged by the wealthy. One instance of this effort was the abolishment of the “2,600-year-old agricultural tax”<sup>16</sup> on the farmers and a sharp increase in sales taxes for the car market (rose by 28.5%)<sup>17</sup> and luxury goods. These policies were aimed at reducing the financial burden of the poor and getting the wealthy to pay more income tax. This balances out the differences and creates a more equal distribution of income.

### **5.2. Government Spending**

To further minimize the widening wealth disparity, the Chinese government continuously invested in projects to develop rural areas. By developing the infrastructure of rural areas and providing aid, such as introducing the peasants to the benefit of technology, it increases agricultural production and income. Training is also given to peasants to harness the power of technology and this increases their competency and competitiveness in the job market. Development of the agricultural sector is crucial as it is the “foundation of the national economy”<sup>18</sup> according to a researcher with the Rural Development Institute, Li Chenggui. The sincere efforts of the government are reflected in the fact that a massive 420 million<sup>19</sup>

Yuan was invested in the development of rural areas. Current budgeting plans have the government setting aside a larger budget of approximately 520 billion<sup>20</sup> to aid the poor. The aim was to steer them out of poverty and at the same time narrow the significant wealth differences.

### **5.3. Improving Literacy Rates and Employment**

One of the causes of the burgeoning disparity in China is the unequal opportunities that the Chinese faced. Much of these inequalities stemmed from the large differences in literacy rates between the rich and the poor. To solve the problem, the government has taken steps to increase literacy rates especially among the rural residents, making them “fit” for the workforce. Some measures taken include the implementation of compulsory education and providing of free textbooks.<sup>21</sup> (educational appropriation from state treasury was about 139,362 billion yuan in 2004)<sup>8</sup>The government gave education reforms a high priority as this would increase the competitiveness of a Chinese worker, which will ultimately result in an increase in their income levels and subsequently a reduction in the wealth imbalance.

### **5.4. Revising Worker Classification**

Previously, the government introduced a form of classification for urban and rural workers. An urban worker had more privileges and access to resources as compared to a rural worker. However, the government has since reviewed the classification and made poor rural residents who possess stable jobs and residences in cities have equal access to the privileges as urban residents. This will result in an improvement in their income, social security, housing and children’s education.<sup>22</sup>

### **5.5. Reinventing and Reallocation of Workforce**

Once a mainstay of China’s centrally-planned economy, state-owned companies have since become increasingly outdated after Deng Xiaoping launched a modernization drive 20 years ago. This has led to millions of workers losing their jobs since the reforming process began accelerating in 1998. To address this issue, the government reallocated displaced workers from state-run companies that were shut down or forced to restructure and distributed incentives like tax breaks for companies who were willing to hire these displaced workers. Tax breaks were also given to workers who decided to strike out on their own and set up their

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<sup>8</sup> Women and Education- Government White Paper- Aug 24<sup>th</sup> 2005

own companies. Retraining was also given to displaced workers so as to make them more relevant and competitive in the workforce.

## **6. Conclusion**

This part of the paper seeks to conclude the findings by evaluating the effectiveness of the policies implemented by the government and also to find out if the wealth disparity is just a transitional phase that every country has to go through for economic progress.

### **6.1. Efforts of the Chinese Government**

The policies implemented by the government included an overhaul of the current tax structure and an increase in aid and social benefits for the poor. In the restructured tax system, the rich will be taxed heavier and the poor, lesser. The penalties for the wealthy who evade taxes were also harsher( death penalty, 1,770 people executed in 2005, real figure thought much higher)<sup>9</sup>. This is a good start; however there will be people who slip through the cracks in the system. As long as rampant corruption remains a problem, there will be wealthy elites who continue to escape the long arm of the law. In addition, rampant corruption through the hierarchies of government offices make governmental aid reaching the grassroots level difficult. The middle income wage earners may also be hit the hardest as they find themselves in a position where they have to pay a higher amount of taxes but receiving little or no government aid.

Other policies introduced by the government included the improvement of literacy rates through compulsory and subsidized education and reinventing and transformation of the workforce. These are the best policies that a government can adopt as it will not only transform the people into a better and more dynamic workforce but it also increases their productivity and capabilities. As the saying goes, “an education is the best gift a man can ever receive” and this will equip a poor rural worker with the necessary skills to break out of the poverty cycle and ultimately reduce the income gap.

### **6.2. Is wealth disparity in China inevitable?**

This brings the paper to the main question of inquiry, is the wealth disparity in China inevitable? Based on the research done, it is to a large extent, inevitable. This problem has been around for a long time and will continue to be a problem for a while. The main reason lies in China’s sheer magnitude in terms of geographical size and a shift from a command to

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<sup>9</sup> China Alters rule on Death Penalty- Audra Ang- Washington Post- Nov 1<sup>st</sup> 2006

a market economy. China's huge geographical area makes it difficult for the government to develop all areas at once and hence, many earlier policies formulated were skewed towards urban development. As a result, when China opened its economy, the urban residents already had a head start. Naturally, foreign investors would choose to invest in the urban areas which are more technologically advanced with the necessary infrastructure and facilities in place. This stimulated further development in the urban region and the residents benefited from the growth and prosperity while the poor rural residents continue to be deprived of opportunities.

In a capitalistic society, the capable and qualified will be duly rewarded. This is another inevitable reason of the widening wealth disparity in China. For a market economy to function freely, demand and supply has to be able to move without intervention. This applies to the demand for workers. There is a demand for capable and qualified workers and these people will be rewarded. On the other side, uneducated and unqualified workers will be left behind. These people are usually uneducated and unqualified because of poverty. That is why the government has to address this issue and provide education to these people so that things can improve.

Over the past twenty-five years, China has successfully lifted 250 million people out of poverty. However, over the same period, the wealth inequality has also doubled. Vice-Minister of Agriculture said, "Farmers are getting rich fairly fast, yet more slowly than urban dwellers."<sup>23</sup> This shows that the wealth gap cannot be easily closed by government policies. Despite the numerous policies that the government had implemented, this trend is still widening. However, this does not mean that the policies implemented are ineffective or should be abandoned by the government.

All countries go through a period of wealth disparity at some point of economic transition, however for the case of China, other factors such as corruption, imperfect tax collection system and the existence of monopolies further intensified the problem. Such weaknesses in the economic system of China caused the wealth disparity to widen further

Narrowing the wealth disparity in China requires time and incessant efforts of the government. Results of these policies can only surface much later in the long run and it is a problem which cannot be solved easily. More importantly, the government should continue to implement policies which are long term solutions and not tackling only the surface of the problem. Policies which work towards social equality (e.g. compulsory education),

development of rural areas and curbing corruption are long term solutions which are deemed beneficial for China and will reduce the wealth disparity.

In conclusion, narrowing the wealth disparity is no mean feat for the government. This is because most of the underlying reasons (e.g. corruption) have existed for a long time and rectifying these problems will be a trying process. China's ability to narrow the wealth disparity in the future will further justify and prove its potential and strength as a formidable economic giant.

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