



“There is Exactly Enough Time Starting Now: Inequality, Poverty and Malnutrition and the Middle Income Trap in China.”

The problem: Despite the recent robust growth, there is concern that as China moves up the income ladder that its high level of inequality may be a breeding ground for future instability. We are not merely talking about the current (today’s) inequality: the 3:1 one urban to rural inequality in per capita income. More importantly, we are concerned about the implications of today’s human capital inequality between China’s cities and its poor rural areas. There are inequality gaps of 30:1 (matriculation into college); and 8:1 (early childhood education gap; and 4:1 (matriculation into fast-tracked academic high schools).

Is this a concern of development economists from the West? Or, is this something in which China’s policy making, academic and business communities are interested. In fact, China’s leaders—including those at the very top—have recently become extremely interested in understanding if anything in the nature of its economy is setting up the country to be headed on a road that could end up in a middle income growth trap.

China knows a lot about its own economy today. There are two questions that are outstanding:

ONE: We are interested in the implications of the human capital gaps on the economy and political stability (*wending* in Chinese) of one to two decades from now.

TWO: Are there lessons from the rest of the world—yesterday, today and tomorrow—that can help formulate policy solutions to potential barriers to rapid and sustained growth?

Goal of presentation: Try to answer these questions and address the concerns of China’s government. Specifically, the presentation will seek to put China’s economic performance and growth-inequality status into perspective. Inequality will be looked at in terms of both the past and present income inequality and in terms of human capital (which is arguably a proxy for future inequality). The presentation will also be comparative and look at the experiences of other countries that have attained, successfully and not successfully, middle income status and examine that nature of economic and social forces that have allowed them to continue to grow in a healthy manner or that has contributed to a growth slowdown.