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China

China income inequality among world's worst



A man rides a bicycle past a Gianni Versace luxury clothing store in Beijing, China. © Bloomberg

JANUARY 14, 2016 by: **Gabriel Wildau** in Shanghai and **Tom Mitchell** in Beijing

Communist [China \(http://www.ft.com/world/asia-pacific/china\)](http://www.ft.com/world/asia-pacific/china) has one of the world's highest levels of income inequality, with the richest 1 per cent of households owning a third of the country's wealth, a report from Peking University has found.

The poorest 25 per cent of Chinese households own just 1 per cent of the country's total wealth, the study found.

China's Gini coefficient for income, a widely used measure of [inequality \(http://next.ft.com/content/e8bca4ec-bf29-11e3-a4af-00144feabdco\)](http://next.ft.com/content/e8bca4ec-bf29-11e3-a4af-00144feabdco), was 0.49 in 2012, according to the report. The World Bank considers a coefficient above 0.40 to represent severe income inequality.

Among the world's 25 largest countries by population for which the World Bank tracks Gini data, only South Africa and Brazil are higher at 0.63 and 0.53, respectively. The figure for the US is 0.41, while Germany is 0.3.

The study from the university's Institute of Social Science Survey is likely to bolster calls for more progressive taxation and increased social welfare spending in the nominally communist country. The Gini coefficient has risen from roughly 0.3 in the 1980s.

There's no doubt that the income gap is getting larger and larger," said Zhou Xiaozheng, a sociology professor at Renmin University in Beijing. "To put it simply, the poor are getting poorer and the rich are getting richer."

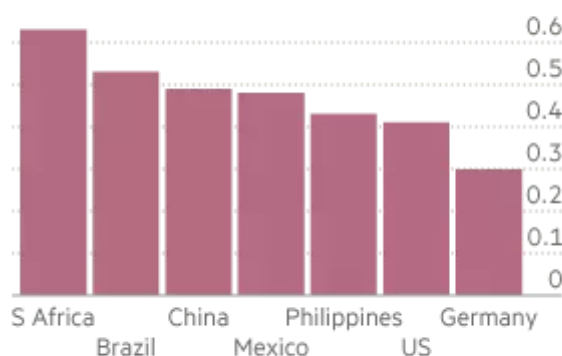
"You don't need a report to know that," added Prof Zhou, who was not involved in the research.

While China's income inequality is more severe than other large countries, wealth inequality is worse in the US. The wealthiest 1 per cent of US households owned 42 per cent of all US wealth in 2012, according to [research \(http://gabriel-zucman.eu/files/SaezZucman2014.pdf\)](http://gabriel-zucman.eu/files/SaezZucman2014.pdf) led by Emmanuel Saez, economist at University of California Berkeley.

Rampant corruption and unreported income presents challenges for estimating income and wealth levels in China.

Gini income coefficients

For latest year available



Sources: For China, Peking University Institute for Social Science Survey; Others, World Bank

FT

The figures are notably higher than official estimates. China's statistics bureau said last year that the country's Gini coefficient had fallen slightly to 0.469 in 2014 from 0.477 in 2011.

An other estimate by widely respected economists at the Southwest University of Finance and Economics in Chengdu put the Gini coefficient at 0.61 in 2010. The latest report is based on a survey of nearly 15,000 households in 25 different provinces.

Separately, the Hurun Report said on Thursday that the number of dollar millionaires in China had risen 8 per cent over the past year to 3.14m. According to Hurun's 2015 [China Rich List \(http://next.ft.com/content/ad2e228e-72fb-11e5-bdb1-e6e4767162cc\)](http://next.ft.com/content/ad2e228e-72fb-11e5-bdb1-e6e4767162cc), the country is home to 596 dollar billionaires, more than the US.

China's leadership has pledged to address inequality. "We want to continuously enlarge the pie, while also making sure we divide the pie correctly. Chinese society has long held the value of 'Don't worry about the amount, worry that all have the same amount'," Xi Jinping wrote in People's Daily, a government mouthpiece, in 2014.

Additional reporting by Ma Nan and Wan Li

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