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**Worlds Apart: A Multi-Faceted Examination of
China's Urban-Rural Dichotomies and Their Implications**

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Abstract

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By Spencer W. Brielmaier

This work examines the multi-faceted economic and social disparities that currently exist along urban/rural parameters in the People's Republic of China. The specific focus is the extent to which inequality exists in many forms, the history and policies that enabled such disparate conditions and the surrounding implications. By analyzing specific macro data, past, current and future policy, scholarly opinion and societal trends, this work aims to broaden the knowledge and academic dialogue of this issue. In spite of national improvements in nearly all areas pertaining to quality of life, certain regions/provinces/spheres in China have benefitted far more greatly than others and such disparities are largely the result of government policy and are becoming increasingly unsustainable. Inequalities pertaining to healthcare, per capita income, technological penetration, and education are examined in great detail; the findings of which are extrapolated upon in order to advance the general understanding of the phenomena of China's urban/rural dichotomies. In various areas of economic development the government has concentrated its financial resources toward those regions with the highest economic growth while relatively neglecting those with less immediate growth potential and actualized economic substance. The resulting urban/rural dichotomy continues to expand as does the potential for inequality related social unrest and subsequent national instability. As China becomes an increasingly vital component of the 21st century's interdependent world economy and emerges as a geopolitical power, it challenges the status quo of global hegemony on a variety of levels. Simultaneously those internal challenges that affect Chinese prosperity have quickly become issues of international importance. This work was written in order to assess the implications of China's internal struggle with a vast urban/rural divide, while reinforcing the importance of a perceived domestic issue as being one with international ramifications and repercussions in an ever more globalizing world.

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Introduction

Over the past three decades the People's Republic of China has embarked on an immense reform effort to convert itself from an isolated agrarian state marred by poverty and underdevelopment into a dominant, market-oriented force in modernity's interdependent and globalized world economy. The transformation has encompassed one of the largest and most sustained growth patterns in the history of nation-states; the economic achievements realized since reforms began in 1978 are nothing short of extraordinary. Of course, this ascent to geoeconomic and geopolitical prominence has not come without costs. As a result of its remarkably rapid growth, China finds itself today on uneven footing. A burgeoning middle class, made up largely of coastal residents clustered in China's massive and bustling urban centers, has enjoyed the benefits associated with new economic growth where previously economic malaise and stagnation dominated. A majority of Chinese, however, the vast rural population of China's inner provinces, have seen their economic fortunes change at a dramatically slower pace than those of their urban counterparts. Today a chasm of disparity separates two China's, the line drawn starkly along urban and rural boundaries. A wealth of studies have found that there is a significant gap between the two societal and geographic spheres on a number of different levels. Scholarly debate generally surrounds disagreement over the extent to which such inequality exists, whom it affects, what forms of data best depict the gap, and the severity to which such inequality presents a problem for both the Chinese people and the Chinese nation-state. The purpose of this work is not to empirically prove or disprove the existence or extent of inequality in China, provide original empirical data, or argue any facet of the debate which surrounds China's current geographic and society based

income dichotomy. Rather, this work strives to explain the events and policy that created the current reality, extol the gravity of the situation on a macro scale, present the proposals put forth and those already implemented aimed toward lessening inequality, and to extrapolate upon each section so as to provide a thorough and nuanced understanding of the situation as it was, is, and will be moving forward.

Assessing any nation's economics, societal trends, and most importantly for this work, income and lifestyle equality requires examination on a variety of levels and a multi-faceted approach. For such an analysis to be accurate it must also assume the unique characteristics, laws, demographics, and social environments pertaining to an individual country. In the case of China we find strict laws governing domestic migration and effectively restricting relocation en-masse to China's urban centers, creating a uniquely measurable situation along rural/urban parameters. Because China's economic policies during the first thirty years of the reform era have been almost exclusively focused on immediately economically viable urban areas and coastal regions, and Chinese laws have maintained a barrier to movement between these areas and the countryside, two starkly different economic and social zones have emerged. As China develops into a global force in the 21st century, it is essential that we understand the challenges such a domestic dichotomy creates and the transformative changes presently being implemented to rectify the situation. This work examines the inequality through four major concentrations, the first being China's overall per capita income and wage disparity as defined by rural and urban residency. Secondly, China's healthcare quality and access are assessed along the same division, as healthcare represents an important

measure of modernization in any developing nation. Third, this work similarly explores urban/rural disparities in the area of education, both quality of and access to, in order to highlight the perpetuating effects inequality in education can affect on national growth and societal success. Finally, in recognition of the ever-globalizing nature of the modern world, this work discusses the advent of Information and Communication Technologies (ICTs) in China with special attention to internet growth and penetration within and across the urban and rural boundaries. In each of these areas disparities exist between coastal/urban and inland/rural residents, and in every case these differences stem largely from a foundation of geographically preferential policy implemented by the Chinese Communist Party (CCP) since the inception of the reform era in 1978. While more recent policies affecting the post-2004 trend toward rural economic growth and advancement are discussed, the premise that the original cause of these disparities was the initial reform consensus, directed almost exclusively at coastal areas susceptible to immediate trade, growth and development, remains this study's primary focus.

The domestic implications for China as a nation-state and the CCP as a hegemonic political power are immense given the propensity of inequality between segments of society to foster social unrest. The potential negative ramifications of Chinese instability, however, reach far beyond China's borders. It is a common mistake to assume that those domestic issues affecting China's internal politics are of interest and consequence only to the PRC. While this was largely true pre-reform, many of China's troubling internal challenges present potentially disastrous outcomes for many actors in modernity's interdependent globalized world economy and political theater. Issues surrounding China's environmental degradation, domestic energy production, political

evolution, and most importantly, social stability, possess the potential for global repercussions. As China has become an essential component of the 21st century world economy and the current reality finds the United States financially beholden to China in an ever-expanding fashion, those nations with a concern for the maintenance of global economic prosperity inherently maintain a vested interest in China's domestic stability. With Chinese social instability comes economic and political uncertainty, the potential for CCP collapse, and an uncertain future for the Chinese nation-state. While this scenario may seem exacerbated in its gravity to some, the trend of growing social unrest, most strongly precipitated by urban/rural inequality, ethnic/minority oppression and government corruption, remains a reality. The reform era dislocation of China's rural sphere from overall economic progression has created a significant threat to stability inside the single most important emerging nation on the planet and its struggles with domestic challenges continue to expand. The CCP relies upon three key components to maintain its uncontested political position, namely, unabated rapid economic growth, outright control of news dissemination and political passivity on the part of the populace. Should any one of those three components be negated, the political viability and future of the CCP will be immediately called into question. One need only look to history, specifically the nearly instantaneous and phenomenal collapse of the Japanese economic juggernaut during the 1980's to understand the fallibility of rapid-rise nation-states. China is no exception. Those nation-states which participate in the modern world economy and positively view continued relative stability in the Asian sphere, the United States being first a foremost in both respects, require that China retain the social status quo of limited social upheaval. It cannot be stressed enough that inequality in China is by no means

solely a Chinese issue, it is one of global importance and the world's vested interest in internal Chinese stability has never been higher.

Sinologists and economists largely point toward the same specific circumstances as fundamental to the creation of China's current rural/urban inequality, specifically the assumption that CCP reform era policy is the largest underlying cause. In particular, experts note that the CCP's geographically targeted market reforms and staunch domestic migration policies contributed to the growth of rural/urban disparity. In their book, *Inequality and Poverty in China in the Age of Globalization* Carl Riskin and Azizur Khan discuss the CCP policies' inherent effects on inequality, "China's substantial urban/rural inequality was due largely in part to policies discriminatory against the rural sector...Strict control of migration from rural to urban areas, on the other hand, deprived the rural population of the relief that migration affords in many developing societies in the form of income remittances and reduced demographic pressure."¹ Indeed, most scholars agree that the limited migration, as ensured by China's *hukou* (户口) system (household registration system), has played a significant role in creating the stark divide between the urban and rural spheres. While the *hukou* system regulated movement amongst China's domestic population, it also affects areas of individual rights beyond permanent residence, including healthcare, burial rights, educations, etc. Riskin and Khan note that in spite of the omnipresence of income and lifestyle inequality found in developing nations, China's is especially noteworthy, not only because it affects 1/6 of the world's population, but also because of the level that China's inequality has reached through the reform era. The reform era has seen a consistently high rate of inequality

¹ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 125.

since shortly after its inception, "...urban/rural inequality in China was already extremely high in 1988...By 1995, the urban/rural inequality in per capita income, at constant purchasing power, had become slightly lower than in 1988, though still remaining extremely high by international standards."² Many Sinologists share the assessment by Riskin and Khan of China's extreme levels of inequality and the pivotal role Chinese Communist Party policy played in their creation. It is the mutual agreement surrounding the severity of China's inequality issues and their inherently global implications which necessitates this work and other comparable analyses.

More recently, David Dollar, China Country Director for the World Bank, produced an analysis of China's poverty, inequality and social disparities during the reform era. Dollar notes the incredible strides China has made economically, specifically China's vast economic growth and the resulting removal of 500 million people from the ranks of the impoverished in the span of a single generation. He also, however, comments extensively on the gaping wealth disparity as well as income and lifestyle inequality between urban and rural areas. Like Khan and Riskin, Dollar touches on government policy as being a key component in the formation of the current living standard dichotomy. He observes that, "To some extent this rise in inequality is the natural result of the market forces that have generated the strong growth; but to some extent it is 'artificial' in the sense that various government policies exacerbate the tendencies toward higher inequality, rather than mitigate them."³ He continues, "Increasing inequality could

² Ibid. 45.

³ Dollar, David. "Poverty, Inequality and Social Disparities during China's Economic Reform." Issue brief. http://china.usc.edu/App_Images/Dollar.pdf (accessed November 26, 2009). 2.

be halted, even reversed, by changing some of these policies."⁴ It is imperative to note that market forces play an important role and the very nature of capitalism, no matter how regulated, implies that inequality will exist amongst those who subscribe to the system. Nobel-prize-winning economist Sir Arthur Lewis noted that, "Development must be inegalitarian because it does not start in every part of the economy at the same time."⁵ While this is certainly the case, in China we find a urban/rural income gap of 3 to 1, much higher than other developing Asian countries, all of which have ratios of 1.8 to 1 or less with the single exception of the Philippines (2.2 to 1), making China's inequality extreme by regional standards.⁶ Dollar specifically cites government policies pertaining to domestic migration (rural to urban), local government corruption, a decentralized fiscal system, and land policies for creating "One of the largest rural-urban income divides in the world."⁷ Like others, he feels that in order to mitigate or reverse this disturbing trend the CCP will need to make a concerted effort aimed at easing policy barriers and restrictions which currently negatively affect the ability of rural Chinese to take full advantage of China's continued breakneck growth.

In his 2008 analysis, Bjorn Gustafsson, a Professor at the Department of Social Work at Göteborg University in Sweden, in large part agrees with the findings of Khan and Riskin and in fact uses portions of their empirical data in his work. Gustafsson's analysis, however, is a more recent work which examines trends up through the first years of the 21st century and provides for a more nuanced understanding of inequality's

⁴ Ibid. 8.

⁵ Ibid. 9.

⁶ Ibid. 11.

⁷ Ibid. 2.

place within the context of China's rapid socioeconomic growth. Gustafsson's analysis in this area is invaluable and his contribution to the contextualization of China's unequal reality is pertinent to this work:

"Inequality is not necessarily a problem. Most would agree that past policies in China had excessively compressed personal income differentials, so some increase was expected. Inequality reflecting differences in effort, experience, skills, investments, and risk can be justifiable from economic and social standpoints. Concerns arise, however, when incomes differ excessively in ways that reduce efficiency or violate accepted views of fairness and justice. In such situations inequality can erode social cohesion, generate social and political instability, and hinder economic growth. Concerns also arise if segments of the population are left behind with insufficient resources to meet basic needs or entitlements."⁸

It is this essential contextual understanding of inequality which provides that inequality does exist in the developing world and it is an argument that China uses proficiently in defending its record of regionally uneven economic growth. Regrettably, the level which urban/rural disparity has reached in China implies that government policy has in fact had a much larger impact than market forces on inequality and may in fact have exacerbated any natural market force-induced dichotomy. The reality remains that China's inequality far exceeds that of nations in comparable stages of development and according to Gustafsson, "Income inequality has risen from a relatively low level in the early 1980's to a level that is now considered high by international standards. Although increased inequality often goes hand-in-hand with economic growth and development, in China the speed with which the increase has occurred, and the level to which inequality has risen, is

⁸ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and Public Policy in China*. Cambridge: Cambridge University Press, 2008. 1.

striking."⁹ Riskin and Khan concur with this analysis, noting that, "By 1995, China had become one of the more unequal of the Asian developing countries. Inequality in income distribution is now greater in China than in countries like India, Pakistan, and Indonesia..." (Riskin 49). It is this, the very severity of the urban/rural gap that demands examination and nuanced understanding, particularly when one considers the nature of the 21st century economy and the breadth and pace at which China has been integrated into the ever more interdependent global marketplace.

It is absolutely critical that any individual seeking to understand the economic, social, and political state of China in modernity and its evolution over the past three decades, frame the discussion by first appreciating the bleak reality previously gripping the nation at the end of the Mao-era. One can not fully recognize the extent to which China has progressed without comprehending the sobering history of the country as an impoverished, isolated, and failing entity, resembling more closely the 21st century's North Korea than the vaunted 19th century power from which China evolved. Few are unaware that China under former Chairman Mao Zedong was a nation-state existing beneath a blanket of overt communist ideology and strict socialist policy, and that throughout that period the majority of Chinese people suffered immensely. By the beginning of the reform era the "Middle Kingdom" had literally and figuratively fallen from grace, into a destitute state which encompassed upwards of 20 percent of the world's population. The People's Republic of China was at the precipice of collapse following self-inflicted wound after self-inflicted wound, the country had defeated itself under the leadership of Mao and the creed of egalitarian socialism. While the Mao era certainly saw

⁹ Ibid.

periods of positive advancement and the formation of the Chinese nation-state following decades of war and occupation, the better part of the period proved disastrous for a majority of the Chinese people.

On October 1st, 1949 Mao Zedong was pronounced Chairman of the People's Republic of China, coinciding with the country's establishment following two decades of war including the extensive Chinese Civil War that ultimately saw Chiang Kai-Shek and the anti-communist Nationalists flee to Formosa (Taiwan). Through his policies, particularly those which fell under the umbrella of the Cultural Revolution and its predecessor, the Great Leap Forward, Mao resigned hundreds of millions of Chinese to destitute poverty, what amounted essentially to agricultural servitude overseen by the commune system. The Great Leap Forward alone is estimated to have caused the deaths of 30 million people in only three years, largely due to starvation.¹⁰ Through extreme policy-induced famine, genocidal campaigns against those not in lock step with the CCP agenda or who represented the "old ways," unchecked Red Guards, and forced labor camps, tens of millions of people lost their lives under the guise of Maoist leadership. According to World Bank estimates in 1981, before substantial reform-era policies took effect, the aftermath of the Mao-era had left 64 percent of the Chinese people living in poverty on an income equal to or less than U.S.\$1 per day.¹¹ With a poverty rate of 64 percent China could hardly be considered a viable nation-state in any longevity-based

¹⁰ Lingis, Alphonso. "To Die with Others." *Diacritics* 30, no. 3, Post-Mortem: The State of Death as a Modern Construct (Autumn 2000): 106-13. <http://www.jstor.org/stable/1566346> (accessed April 13, 2010).

¹¹ Dollar, David. "Poverty, Inequality and Social Disparities during China's Economic Reform." Issue brief. http://china.usc.edu/App_Images/Dollar.pdf (accessed November 26, 2009). 8.

context, and from this fact alone the reform area was both uniquely justified and tragically overdue.

The disarray and dismay of the Mao years saw the atrocities of forced labor camps, death by starvation and overworking, cannibalism and genocide, all the direct result of improper and misguided policies which were implemented and carried out under the authority of the Communist Party. One such example of the policies which inevitably devastated China's food stores was the Four Pests Campaign, under which the citizens were to systematically eradicate all mice, flies, mosquitoes and sparrows, the latter because they ate grain. Unfortunately, once the sparrow populations were decimated locust swarms ballooned and destroyed huge portions of China's grain crops, the country's staple product. Additionally, regardless of negative weather conditions (flooding of the Yangtze, drought, etc.) affecting the success of the crops in a given year, during the Great Leap Forward Mao insisted on excessive grain exports. This was done in order to save face and provide evidence of socialist success to the international community, at the expense of the rural peasantry who were left to starve. These problems were compounded by local government corruption with officials consistently overstating their province's grain production to the central government. Mao also shifted much of the peasantry's efforts away from grain and rice production with his insistence upon a rapid increase in steel production as a means for economic growth. He encouraged all communes to melt their scrap metal such as spoons and pans in small furnaces and forge steel to be exported and utilized for building domestically. Unfortunately, he was unaware that such steel not made in large industrial steel plants is of extremely low

quality and of negligible economic value, almost all of which was necessarily discarded. These and other similarly misguided policies implemented for the purposes of applying socialist economics and egalitarian idealism cost China and its people dearly, many of whom paid for and suffered with their dignity, individuality, and ultimately, their lives. The historical record of the 19th and 20th centuries is replete with examples of failed dictatorships and socialist policies (The Mao-era could be said to have represented both), decimating livelihoods in search of an ideal of egalitarian equality. In China's case, the tragic circumstances which resulted from the policies implemented under Mao must be understood and utilized as the framing context inside which reforms began, as well as to measure the magnitude of the transformation which has taken place since their inception.

In light of the tragic and devastating circumstances from which China initiated reforms in 1978, the transformation witnessed over the past three decades is all the more remarkable. The gleaming skyscrapers of dozens of massive urban centers, huge government budget surpluses, an exploding middle class, and China's newly found global economic and political reach are all the direct result of reform era policies which have catapulted China's economy and society into the 21st century. When the reform era began, policy initially focused on rural agriculture, "Prior to the mid-1980's, China's growth and reform were focused principally on agriculture and the rural economy."¹² Soon, however, the CCP shifted focus to coastal areas more suited for rapid modernized growth within an ever more interdependent world economy. This shift marked the first and most significant step toward initiating income inequality. As Khan and Riskin point

¹² Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 4.

out, "The shift to a 'coastal development strategy in the mid-1980's, which connected China more closely with the world economy and attracted huge amounts of foreign direct investment, was also an important cause of the profound change in the relation of economic growth to income distribution and poverty."¹³ As a direct result of this strategy per capita income was divided along urban and rural lines as household registration policies prevented mass domestic movement to economically viable areas. As the broad-based associated effects of per capita income and wage distribution on broader societal areas of disparity and personal wealth are the globally assumed basis to determine living standards and livelihood, I begin this work with an examination of income inequality and its rise in reform era China.

¹³ Ibid. 144.

CHAPTER 1: Income Inequality

The most obvious way to examine inequality is in its base form, the underlying disparity of wealth which perpetrates and promotes disparities in other areas of society. In China, income inequality is not only a baseline cause for broader social inequality, but it is one of the most unequal comparisons that can be drawn, and the line of income variation is defined starkly along urban/rural parameters. Because income inequality and personal wealth are generally considered to be a major determinant in the average quality of material life, education, and healthcare in most countries, it is essential that efforts to reign in inequality in these areas and throughout the broader social spectrum of Chinese disparity, be first and foremost focused on narrowing the general income gap. The income gap between china's rural poor and relatively better-off urbanites exploded during the 1980's and 1990's following economic reforms specifically targeted toward economic growth in coastal manufacturing and export regions. As noted by Dwayne Benjamin, et al., "It should come as no surprise that inequality rose as China moved from an ostensibly egalitarian socialist economy to a more market-oriented one. What is striking is how high inequality has become."¹⁴ The creation of Special Economic Zones (SEZs) ensured that initial growth was localized and subsequent development zones have continued to ensure that the vast majority of higher economic activity revolves around coastal urban centers. The trend has continued in this direction, with attempts by the central government to

¹⁴ Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. "Income Inequality During China's Economic Transition." University of Toronto, Canada.
<http://www.chass.utoronto.ca/~benjamin/BBGW.pdf> (accessed February 26, 2010). 5.

implement programs directed at improving the economic viability of rural inland areas, ultimately doing little or nothing to stem the tide of geographically disproportionate economic advancement¹⁵ Today, the rural/urban per capita income and wage gaps continue to expand in spite of government intervention and the result is increasing frustration and potentially politically destabilizing unrest in rural provinces. The failure of the government to correct its malfeasant creation of an economic dichotomy within one nation has potentially disastrous consequences for a political party which relies on stability and general political passivity on the part of the populace to maintain hegemonic control. This chapter examines the income disparities in China from a macroeconomic standpoint, discussing and contrasting the broader urban/rural spheres as opposed to case studies and direct city to village or region-to-region comparisons. Specifically discussed here are trends in the Gini coefficient (the most widely used indicator of population inequality), inter-urban/rural and cross-urban/rural representative percentages of national inequality, and per capita income and wage comparisons. As the per capita income gap continues to rise and the subsequent exacerbation of education, healthcare, and material living condition inequality continues, the CCP faces daunting questions without simple answers, but they are challenges that must be addressed immediately if the ultimate goal is continued national growth and a maintenance of the political and societal status-quos.

The nature of income disparity should be contextualized. Income inequality in and of itself is not a problem unique to China, or for that matter, unexpected in a large nation like China as it works to shift from an agrarian to market-based economy. While this is a trend one would expect to see during such a transitory period in which the entire

¹⁵ See Appendix Material 1.

economic fabric of the country is being rebuilt, (recently the Soviet Union and Eastern Europe), past examples indicate that such a trend should eventually reverse.¹⁶ China, however, has witnessed a progressive worsening of the situation over the course of the modern reform era and the essential indicators of per capita income disparity show little sign of reversing in the immediate future. As a result of these perpetuating trends, a basic understanding of China's income duality is essential for explaining the overall rural/urban disparity.

Examining Relative Per Capita Income

There are those who argue that theories of vast income inequality in China are overblown yet prominent because the concept of the countryside being left behind fits within the conventional wisdom surrounding China's economic reforms. Some, such as Benjamin, et al. argue that rural advancements are discounted due to reclassification of "rural" areas to "urban" areas once certain barometers are reached, leaving the "stagnant" rural areas to be measured against those which are termed urbanized. Of course reclassified rural areas which reach a level of infrastructure modernization to be classified as "urban," bring down the income statistics of the urban sphere which originally did not include previously rural areas. Their statistical findings show that for both fixed and evolving definitions of "rural" and "urban," the income growth has been relatively consistent in both spheres since the inception of economic reforms and that, in fact, "People living in rural areas are keeping up with those living in cities, though they

¹⁶ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and Public Policy in China*. Cambridge: Cambridge University Press, 2008. 35.

undoubtedly remain poorer."¹⁷ This analysis is troubling in that it suggests that rural/urban inequality is neither serious nor particularly prevalent. However, in a later piece by Dwayne Benjamin, "The Evolution of Income Inequality in China," he finds that nearly half of the rural population was not much better off in 1999 than in 1987.¹⁸ Unfortunately, even relatively synchronized income growth is not in fact demonstrative of any concerted effort to narrow the income disparity, only that the urban sector initially shot ahead in terms of income at the initiation of market reforms/industrialization and subsequently the status quo has remained.

Extrapolating past 2000, the last year for which the study utilizes data, we find that any such status quo has been lost with 2009 seeing the rural population's income fall farther behind than ever before. 2009 data shows that, "The average wealth gap has now reached 11,100 Yuan or U.S.\$1,620, U.S.\$200 more than it was in 2007. In 2008, the average income for a worker in rural China was around U.S.\$690 - while those in the cities earned U.S.\$2,290 on average. Wages in big cities like Shanghai and Beijing are even higher."¹⁹ Official statistics from China's agricultural ministry have shown that as of 2009, city dwellers earned 3.36 times more than those in the country, greatly surpassing those results found in the Benjamin et al. data²⁰ and in 2008 the National Bureau of Statistics reported that from 1997 to 2007 the ratio of rural to urban incomes grew from

¹⁷ Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. "Income Inequality During China's Economic Transition." University of Toronto, Canada.

<http://www.chass.utoronto.ca/~benjamin/BBGW.pdf> (accessed February 26, 2010). 22.

¹⁸ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and Institutions*. London: Routledge, 2009. Print. 173.

¹⁹ Chen, Shirong. "China Rural-urban Wage Gap Widens." *BBC News U.K.* Web. 20 Feb. 2010. <<http://news.bbc.co.uk/2/hi/7833779.stm>>.

²⁰ Ibid.

2.47 to 3.33.²¹ These basic comparisons of per capita income are further supported by a Gini coefficient that according to the comprehensive study, *A Review of the Chinese Gini Coefficient from 1978-2005* performed by Jiandong Chen et al. and released in 2008, saw the Chinese Gini coefficient rise from 0.3022 in 1978 (initiation of reform era) to 0.4383 in 2005.²² Even if inequality has remained at constant levels during the reform era, which these statistics imply it has not, the basic fact that inequality exists on a massive level is undeniable and increasingly unsustainable.

Examining The Gini Coefficient

To most accurately examine income inequality in China one must use an indicator that limits variability errors encountered with averages such as per capita income which accurately represents few exact people, and is ultimately the simple combination of the whole. The most broadly accepted calculation to examine national inequality is the Gini Coefficient which utilizes a ratio analysis. This measure is particularly relevant in this work as it allows one to examine inequality nationally or within sub-populations such as urban or between urban and rural populations. The index is calculated from the Lorenz curve, in which cumulative family income is plotted against the number of families arranged from the poorest to the richest.

The index is a ratio of (a) the area between a country's Lorenz curve and the 45-degree line to (b) the entire triangular area under the 45-degree line. The more nearly

²¹ Subler, Jason. "China Urban-rural Income Gap Continues to Widen | Reuters." *Reuters*. Web. 20 Nov. 2009. <<http://in.reuters.com/article/asiaCompanyAndMarkets/idINPEK1715020080124>>.

²² Chen, Jiandong, Wenxuan Hou, and Shenwu Jin. *A Review of the Chinese Gini Coefficient from 1978 to 2005*. Tech. Chengdu: School of Public Finance and Taxation, Southwestern University of Finance and Economics, 2008. Print.

equal a country's income distribution, the closer its Lorenz curve to the 45 degree line and the lower its Gini index...."^{23,24} If a nation has a high level of inequality a higher result is registered on the Gini Coefficient's 0-1 scale, (0=a perfectly equal country in which each household earns exactly the same, while 1 implies that a single household represents all of a nation's wealth accumulation. As of 2007, China's Gini Coefficient ranked 0.415, on par with other developing nations such as Russia which recorded 0.423 in 2008. While this is a relatively high coefficient which indicates an inherently large level of inequality, it should be noted that China's Gini index ranked lower than the United States which during the same year (2007) saw an index of 0.45, while high taxation/wealth-sharing nations in Scandinavia consistently rank the most equal in terms of Gini figures.²⁵

While China's Gini Coefficient shows high levels of income disparity, it is easy to negate the severity of the Gini figure given its approximate equal relationship to that of the United States. Though the index rates the two nations as having similar inequality ratios, one must remember that the two countries are in actuality extremely different. Comparing China's rural poor to the American lower class is a disservice to the often harsh and nearly impoverished living conditions faced by many Chinese. The wage differences between all but the most extreme (the ultra-wealthy and the unemployed) are simply not comparable between China and the U.S. due to their various social and economic differences and as such their Gini Coefficients cannot effectively be cross-referenced. Moreover, the very fact that China has a Gini Coefficient in the same range as

²³ United States of America. Central Intelligence Agency. The World Factbook: Distribution of Family Income-Gini Index. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html> (accessed January 22, 2010).

²⁴ See Appendix Material 2.

²⁵ Ibid.

the world's most capitalist country presents problems of legitimacy for Chinese claims of socialist governance. The unfortunate reality is that China continues to maintain a high level of inequality as measured by the Gini Coefficient, the major source of which remains the still widening rural/urban income divide.

Comparing Inequality on a Percentage Basis

Telling results of the urban/rural divide over the course of the reform era's progression can be found in a comparison by Gustafsson, et al. measuring the rural inequality, urban inequality, and urban/rural inequality as a percentage of overall national inequality.²⁶ They found that in 1988 36.5 percent of inequality was due to rural/urban inequality while 53.8 percent was the result of inequality within rural areas. Completing this one finds only 9.7 percent of China's national inequality being the result of disparity within the urban sphere. Moving ahead to 2002 one finds marked shifts in these trends, particularly the lowering of rural inequality to 36.1 percent of the national total, and an increase of urban inequality's share to 17.8 percent. Most striking, however, is the trend of increased rural/urban inequality which rose from 36.5 percent to 46.1 percent during the 14-year period. According to Gustafsson et al. the underlying numbers reflect regional variability, specifically that in predominantly rural Western China the rates of rural/urban inequality are highest, "...where in 2002 it contributed as much as three-fifths of within-region income inequality. Contribution is lowest (although not trivial) in the eastern region, where in 2002 it stands at two-fifths of regional income inequality."²⁷

Inequality within rural areas is in large part tied to the disequalizing role of certain forms

²⁶ See Appendix Material 3.

²⁷ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and Public Policy in China*. Cambridge: Cambridge University Press, 2008. 54.

of agricultural income and laggard growth of farming income which began in the mid-1990s.²⁸ Contrarily, urban inequality can in many ways be attributed to declining entitlements, increasing wage disparity, inequality due to labor reform, and the restructuring of state owned enterprises (SOEs).²⁹ These numbers highlight two key factors in addressing China's income disparity issues, specifically that urban/rural income represents a huge portion of China's overall income disparity and that the western region, i.e. those areas that are furthest removed from original eastern SEZs, manufacturing, trade, and globalized industry, have benefitted the least from China's advancement thus far.

Contextualizing the Per Capita Income Divide

Whether one examines trends in the Gini coefficient, urban/rural representative percentages of national poverty, or per capita income and wages, the take away from the statistics presented here remains that China experiences levels of inequality which are high by international standards, and that inequality has been and remains largely drawn along rural/urban parameters. The questions that naturally follow pertain to the nature of this inequality, and more specifically, its initial and perpetuating causes. First, we must remember that in absolute terms China's reform era policies have in fact improved the incomes and subsequently the living standards of almost all Chinese people, including those in even the poorest rural sectors. To place these accomplishments in context, China reduced its poverty rate as a percentage of the population from 53 percent to 8 percent

²⁸ Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. "Income Inequality During China's Economic Transition." University of Toronto, Canada.

<http://www.chass.utoronto.ca/~benjamin/BBGW.pdf> (accessed February 26, 2010). 32.

²⁹ Ibid. 32.

from 1981-2001.³⁰ This work does not seek to discount the incredible accomplishments achieved toward improving the individual quality of life and per capita income in a remarkably short period of time. There is near-universal consensus on the improvements seen throughout the country during the last three decades. As scholars point out, "Data from the World Bank, the Asian Development Bank, and the United Nations point to three decades of extraordinary increases in income and consumption, vast reductions in poverty rates in both rural and urban areas, and improvements in adult literacy, infant mortality, and adult life expectancy."³¹ What this work does seek to explore and explain is that in spite of national improvements in nearly all areas pertaining to quality of life, certain regions/provinces/spheres have benefitted far more greatly than others and that such disparities are both largely the result of government policy and are becoming increasingly unsustainable. It is because of this lack of sustainability and the CCP's direct and unique ability to effect needed change in the immediate and near future that this paper and a subsequently improved academic understanding of the broad issues surrounding rural/urban inequality are both pertinent and prudent at present.

Of secondary importance, when examining rural/urban inequality one cannot ignore the increasing levels of inequality within the urban, and to a lesser extent within the rural spheres as well as regional inequality. Specifically, it is worth noting that rural and urban residents in wealthier (mostly coastal) provinces fare better than their counterparts in poorer (mostly central/western) provinces and one must always incorporate a cost of living context into wage comparisons. But ultimately, if one

³⁰ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and institutions*. London: Routledge, 2009. 49.

³¹ Candelaria, Christopher, Mary Daly, and Galina Hale. FRBSF Economic Letter: Interprovincial Inequality in China. Issue brief. Pacific Basin Notes. San Francisco: Federal Reserve Bank of San Francisco: Center for Pacific Basin Studies, 2010.

compares income inequality on a more micro basis (e.g. compare rural and urban residents within a single province) disparities remain high and when examining the issue from the extrapolated macro context of the nation as a whole, basic overall indicators demonstrate real and distinct levels of inequality between rural and urban areas in both instances. The ratio of median incomes in both inland and coastal urban centers remains more or less constant in the reform era, demonstrating that the failure of incomes in the interior to keep up with those of coastal regions is almost entirely a rural phenomenon.³²

History and Causes of Income Inequality

As previously mentioned, the causes of China's rural/urban inequality stem largely from government policies enacted during the reform era which have given preferential treatment to those regions with immediate economic potential. Prior to the mid-1980's the Chinese government's reform focus was geared heavily toward the agricultural and rural sectors. Initial changes to economic policy in the rural sphere included "...a complete change in the system of ownership and incentives, and a sharp improvement in agriculture's terms of trade, brought about by a rise in procurement prices."³³ During this period economic successes emerged throughout the rural sector which at that point accounted for the vast majority of the Chinese population and subsequently said success spilled into other areas of what was then a very limited economy. The rural economic reforms were so effective that the urban/rural income gap

³² Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. "Income Inequality During China's Economic Transition." University of Toronto, Canada.

<http://www.chass.utoronto.ca/~benjamin/BBGW.pdf> (accessed February 26, 2010). 23.

³³ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 4.

dropped from urban wages being 2.37 times those of rural inhabitants in 1978 to 1.70 in 1983.³⁴ These rural gains were short lived, however, and in 1985 the government's focus turned to economic market reforms and a concerted effort to move towards a manufacturing import/export system. This effort was intended to eventually fully integrate China with the broader globalizing and increasingly interdependent world economy. Though official rhetoric from a government not willing to admit it ever discontinued focus on rural inhabitants is almost nonexistent, scholars theorize that, "China must have been convinced that its ability to maintain rapid growth over the long-term future called for a source of growth other than agriculture, and the globalizing world economy presented it with a clear opportunity that needed to be grasped."³⁵ China's entrenched position in today's global economy and the accompanying growth have certainly justified this shift in focus, however, doing so while not maintaining economic responsibility for rural areas has resulted in deeply negative repercussive disparities that are only now being addressed.

During the initial stages of reform the CCP decided to test Western industrial and market-economy practices on a micro scale so as to examine the effects, outcomes, and ultimately, the implementation possibilities of such policies on a national macro scale. Four economically viable urban areas were selected to be designated Special Economic Zones (SEZs), they were the coastal cities of Shenzhen (深圳), Zhuhai (珠海), Shantou (汕头), and Xiamen (廈門). The major differences found in the SEZ areas were liberal administrative oversight and economic growth-oriented tax incentives. Within the SEZs

³⁴ Ibid. 4.

³⁵ Ibid. 6.

economic administration and regulation was relaxed compared to the rest of China in which businesses were restrained by government in their choice and quantity of products. In the production process, moreover, suppliers and customers outside of the SEZs were designated, enterprises could not enter into contracts with parties other than those assigned to them to buy raw materials or sell finished products, and management of the labor force was likewise controlled.³⁶ Additionally, prior to reform era policy implementation, employment was guaranteed regardless of performance or overall workforce efficiency, capital investment was controlled by central government boards, prices were controlled and determined by the government, and any profits derived by economically viable SOEs were taken by the government and funneled to those which were failing.³⁷ These constricting and backwards economic policies, all of which fall in line with Marxist concepts of industry, (i.e. the general nationalization of industry) were by and large the reason for China's economic malaise and stagnation prior to reform.

The hopes of the Chinese government lay mostly in the idea that by encouraging foreign investment and joint ventures, foreign technology, training, and capital would flow into the SEZs and that ultimately this could be replicated broadly to modernize and economically improve the nation as a whole. Under the umbrella of relaxed government oversight, SEZ policies granted SOEs within them the right to choose their own board of trustees, contractually hire employees based upon qualification and retain them at their discretion based on performance, and pay workers floating wages. In order to promote maximum amounts of foreign investment in these areas, the government also promised

³⁶ Chu, David K. W. "China's Special Economic Zone: Expectations and Reality." *Asian Affairs* 14, no. 2 (Summer 1987): 77-89. <http://www.jstor.org/stable/30172035> (accessed November 12, 2009). 77.

³⁷ *Ibid.* 78.

minimal interference in daily enterprise operations, simplified entry and exit procedures for foreign businessmen, exempted custom duties on those goods necessary for production, significantly lowered corporate tax rates on joint ventures, and gradually introduced a largely market-regulated system of pricing.³⁸ Other benefits included the ability of joint venture corporations to sell goods on the domestic Chinese market and special tax incentives for those companies who invest significant amounts in what the government considered "advanced technology fields."³⁹ The market-economy nature of these policies was instrumental in establishing growing foreign economic investment and improving industry in the SEZs which eventually became the blueprint for broader implementation elsewhere.

The four areas selected for implementation of SEZ policy saw almost immediate changes in economic and industrial advancement. As the most infrastructure ready SEZ, combined with its attractive proximity to Hong Kong, Shenzhen saw the most immediate economic growth and foreign investment. From 1979 (year in which SEZs were formed) to 1984, "Shenzhen had reportedly accumulated a total of 3,310 contracts worth U.S.\$2.3 billion...In 1984 alone the reported industrial output of U.S.\$562 million represented a twenty-nine fold increase over comparable output of 1979."⁴⁰ Additionally, as the fortunes of industrial enterprises in Shenzhen increased, so did those of its workers, with the average monthly take-home pay rising to about three times that of workers in other parts of China by 1981, two years after SEZ status implementation.⁴¹

³⁸ Ibid. 78-79.

³⁹ Ibid. 79.

⁴⁰ Ibid. 81.

⁴¹ Ibid. 81.

Following the initial success of these four SEZs the Chinese government chose to open 14 other economic zones in 1984, all of which lie along China's coast, Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai. These were followed in 1985 with the coastal areas of Liaodong Peninsula, Hebei Province, Shandong Peninsula, the Yangtze River delta, the Xiamen-Zhangzhou-Quanzhou Triangle, the Pearl River Delta, and Guangxi. Further expansion did not come until 1990. Again focusing on the urban coastal region, the CCP opened Shanghai's Pudong area and additional cities in the Yangtze River Valley. It was not until 1992, 13 years after the first SEZs were established, that the government opened inland provincial capitals and secondary cities to market-economy policies. The result was an average growth rate in the coastal region of 11.4 percent from 1984 to 1993 while the western inland region grew at 8.9 percent.⁴² This blatant preference for coastal industrialization, modernization, economic growth, and globalization over inland rural areas unquestionably played a role in initially leaving rural and western urban areas at an inherent and important disadvantage.

In addition to the government's evident preference for coastal growth during the initial period of economic policy reform, another government policy has played a key role in creating and perpetuating continued income disparity, the *hukou* system. The *hukou* system is, in short, a household registration system by which individuals are prevented from freely relocating and working throughout the country. Its specific intent is

⁴² Sun, Haishun, and Dilip Dutta. "China's Economic Growth during 1984-93: A Case of Regional Dualism." *Third World Quarterly* 18, no. 5 (December 1997): 843-64. <http://www.jstor.org/stable/3993103> (accessed November 15, 2009). 83.

to prevent sudden mass migration from the rural sphere into new and economically successful urban areas which in many instances are already over capacity due to their infrastructure constraints. The system has prevented most of the rural population from moving to urban centers and has instead relegated rural residents to living and working in less economically viable/successful inland rural areas. While there is certainly social and regional mobility within China given the large migrant population (estimates are uncertain but there are likely upwards of 120 million migrant workers in China), the effects of the *hukou* system on income disparity for rural/urban individuals is significant.⁴³ Recently the government has loosened the *hukou* system on a very limited basis, largely for small towns and villages where individual opportunity for wealth accumulation remains all but impossible, but today the overall *hukou* structure remains firmly in place. Gustafsson et al. noted in 2008 that, "...China's restrictions on household mobility embodied in the *hukou* system and related policies remain a root cause of income inequality," and, moreover, "From a policy perspective, then, the pace and nature of further reforms in the *hukou* system will be key to the evolution of inequality."⁴⁴

Conclusions on Income Inequality

One must understand that while the divide in rural/urban incomes and wealth was almost entirely created by the geographically specific policy preferences for development on the part of the CCP, the current pace of increasing disparity cannot be solely attributed to government action. Specifically, rural farmers have seen their incomes drop as the

⁴³ Ramzy, Austin. "Migrant Workers Suddenly Idle in China." TIME-World. <http://www.time.com/time/world/article/0,8599,1868667,00.html> (accessed January 28, 2010).

⁴⁴ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and Public Policy in China*. Cambridge: Cambridge University Press, 2008. 24.

price of agricultural products such as fruits, rice, and vegetables have fallen during the past decade. Additionally, the current worldwide economic crisis has greatly decreased demand for Chinese manufactured goods, causing mass lay-offs of rural migrant workers who have left the cities to return to their rural hometowns.⁴⁵ These contributing factors must be considered in the broader context of the overall problem, however, they do little more than underscore the inability of the CCP to effectively prepare and encourage economic development in rural regions or provide sufficient protection to the already suffering rural population. Ultimately, these factors have only served to increase and stoke rural unrest and the CCP "Is under new pressure to change approach to avoid more [disparity induced] rural unrest and riots which threaten China's fragile social stability."⁴⁶

The Chinese Communist Party's reform policies are certainly the leading cause for the creation and perpetuation of rural/urban income inequality post-1984. The conscious decision of the party to maintain and encourage the *hukou* system as a form of population mobility control tightly restricted the ability of individuals residing in the countryside to take advantage of the economic success taking place in the country's urban centers. The methodological implementation of SEZs and free trade zones solely in the coastal region for the first 13 years of market-reforms gave those regions an incalculable advantage for economic success over those rural and inland areas which retained socialist economic models. While these realities paint a picture of rural neglect on the part of the CCP one point must be made; that it is a very real possibility that these policies were not only instrumental, but also necessary for any sort of effective and efficient large-scale

⁴⁵ Chen, Shirong. "China Rural-urban Wage Gap Widens." *BBC News U.K.* Web. 20 Feb. 2010. <<http://news.bbc.co.uk/2/hi/7833779.stm>>.

⁴⁶ *Ibid.*

economic growth to take place. The reality is of course that China has a population 1 billion people larger than that of the United States and the sheer concept of bringing economic success to roughly 20 percent of the world's population is staggering. The fact that the CCP has managed to the extent that it has and did so in such an incredibly brief period of time is nothing short of remarkable. It would have been virtually impossible for any governmental system to blanket the entire country in new, locally untested economic policy without at the very least mass confusion and at most total economic collapse. Additionally, if the entire country's population were permitted to move at will to China's urban centers, all of which are still evolving and many of which lack the infrastructure to handle those populations they already support, those urban centers would most certainly face inundation, chaos, and collapse. This work does not attempt to find those reform-era choices made by the CCP affecting rural/urban disparity as a consciously malicious acts, but rather seeks only to demonstrate that these policies are in fact the reasons underlying current disparity along urban/rural lines.

CHAPTER 2: Education Inequality

One of the best indicators of equality in virtually any social system is the availability of and access to education and the relative quality of the education provided at the public level. Education, like healthcare, political involvement, industry, etc. cannot be examined on a cross-national level. Comparing the differences in education access and standards between countries, even countries similar in size, resources, and development, is not useful for determining the quality and equality of a nation's domestic public education system as it pertains to the nation's respective population. In the case of China we must explore the dividing lines of education equality, specifically the prevailing urban/rural disparity trend, and determine what can be extrapolated from these findings that leads to the discussion and understanding of broader inequality between these spheres. In the case of China, education disparity (whether access to or quality of) does not simply apply to the education experience and knowledge learned by students in specific circumstances or areas. While the academic experience of the student is certainly a main concern, perhaps of even greater consequence is the broader negative effects of unequal education on society. As Gustafsson, et al. point out, "Education has emerged as an important factor underlying inequality."⁴⁷ That is to say, as one would expect and as is demonstrated in societies with significant levels of higher education, the quality of one's education ultimately is likely to directly affect one's social status and income and all those variables which are directly associated with and affected by those factors.

Ultimately, the quality of an individual's education can be an effective indicator of future

⁴⁷ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and Public Policy in China*. Cambridge: Cambridge UP, 2008. Print.

success, opportunity, and lifestyle. In the realm of higher education, competition for placement and matriculation are natural and necessary, however, in an ideal system individuals attending public lower education schools would be provided with the same quality of instruction, facilities, and opportunities as their peers regardless of income, geographic location, or familial status. The ideal inherently presumes all schools being equal with the few exceptions of those institutions specifically designed to educate demonstrably gifted and special needs children. The idea of an equal education which provides the necessary opportunity for individual success is of course an ideal which is not realized in most education systems across the globe and is certainly not pertinent when describing either the American or Chinese systems. China, however, largely does not face the racial tensions, interest groups, political variables, or unions that often dominate discussions of the U.S. education system. The hegemony of the CCP and its proven ability to swiftly and effectively implement policy, as well as China's national monetary surplus, certainly provide its leadership with the opportunity to implement changes necessary to begin equalizing the education system where resources are currently so disproportionately applied. The question that remains is, given the perceived circumstantial ability of the CCP to initiate change in the area of education with relative ease, why has it failed to do so up to this point and what are the proposed changes being discussed or presently implemented in order to rectify this dimorphic sector of China's social and economic livelihood?

Contextualizing The Challenges of Education

Inequality of education is not a problem relegated to the 3rd and developing world, but is seen across the development spectrum including many Western and first world countries. The most natural example of course being the United States (given its place at the apex of the current world order) where debate has surrounded the public education system on the subjects of access to quality schools, unequal district funding, racial integration, affirmative action, charter and voucher programs, etc. Examples include recent test results for the National Assessment of Education Progress showed that children in the Detroit Public School System garnered the worst results in the test's 40-year history and that in fact the, "Scores on the prestigious test are in the same range as would be expected from children who never attended school and simply guessed at the answers...."⁴⁸ Additionally, segregation is on the rise in the United States, as of 2009, "Blacks and Hispanics are more separate from white students than at any time since the civil rights movement and many of the schools they attend are struggling."⁴⁹ Also this year, debate over voucher programs in the District of Columbia has caused large levels of controversy and courted national attention. At issue is "A spending law signed by [President] Obama last month which will end a program that gives low-income parents tuition vouchers of as much as U.S.\$7,500 a year to send their children to private schools."⁵⁰ All of these controversies currently affect the United States education system and point to disparity and inequality in a nation founded upon principles of equal access

⁴⁸ Lynch, Jim. "DPS kids score record lows on national test." The Detroit News. <http://detnews.com/article/20091209/SCHOOLS/912090371/Detroit-kids-score-record-lows-on-NAEP-test> (accessed December 20, 2010).

⁴⁹ Bigg, Matthew. "U.S. school segregation on the rise: report." Reuters. <http://www.reuters.com/article/idUSTRE50D7CY20090114> (accessed November 5, 2009).

⁵⁰ Peterson, Molly. "Obama Stance Against School Vouchers Fuels Close-to-Home Debate." Bloomberg. http://www.bloomberg.com/apps/news?sid=aagk5hr_wShs&pid=20601103 (accessed March 26, 2010)

to opportunity, and underscore the difficulty of forming a vast education system which equally serves each of those individuals it educates. China is by no means alone and it would be hypocritical to insinuate that the Chinese government has failed in its mission to provide quality education across the geographic and socioeconomic boards, but education remains a pertinent point of discussion and an undeniable example of China's broader struggles with urban/rural inequality.

Education in the People's Republic of China

In China, the CCP has certain drawbacks as well as certain advantages in reforming education when placed in comparison to the United States and/or many other developed/developing nations. The CCP largely does not have to consider partisan political agendas, strong lobbyists, unions, special interest groups, or issues of segregation, etc., though minimal or micro-level instances of these reform obstacles do exist. China, however, is also essentially building a curriculum and public education system from scratch, updating and harmonizing education with the new world realities of globalization, interdependence, geopolitics, and the swiftly changing fabric of Chinese society. Prior to the reform era, the Chinese education system under Mao's overt communist regime was little more than a propaganda factory seeking to indoctrinate the populace with proletariat ideals and the cult like pseudo-religion of Mao's teachings. This system provided very little in the way of a foundation upon which reform-era leaders could construct an effective system suited for the context of the 21st century. As such they have faced difficulties which, when coupled with the sheer task of providing sufficient education to the world's most populous country, have in part led to the

disparity we see in the Chinese system today. The reform era has seen recognition of the failure of the former education system and curriculum and has worked to fundamentally alter nation-wide scholastic programs. In their 2007 work, *Education in the Reform Era*, Emily Hannum, et al. note the ideological changes, stating that, "Since the end of the Cultural Revolution in the late 1970's, the leaders have moved educational policies in an economically pragmatic direction that supports and reflects marketization, and away from a radical socialist agenda."⁵¹ It is their finding that these changes have taken place in three key areas, namely, improving the quality of education so as to serve the needs of the labor market, placing a high priority on the efficient use of education resources, and a new tolerance for system disparity for the purpose of improving education. The differences between the pre and post-reform era education policies are perhaps best expressed in the words of the leaders of the respective eras, Mao's teachings stated that, "Our educational policy must enable everyone who receives an education to develop morally, intellectually and physically and become a worker with both socialist consciousness and culture."⁵² This is in stark contrast to reform era founder Deng Xiaoping who stated in 1978, the first year of the reform movement, that "The basis for training science and technology talent rests in education."

China, like most countries, has an immense number of inherent difficulties and choices which need to be addressed with regard to its basic organization of the education system. The most important of which is curriculum and specifically what areas the

⁵¹ Hannum, Emily C., Jere Behrman, Meiyan Wang, and Jihong Liu. *Education in the Reform Era*. China's Great Economic Transformation. Ed. Loren Brandt and Thomas Rawski. Cambridge: Cambridge University Press, 2008. 1.

⁵² Doughty, James J. "China: Education and Society." *Theory In Practice* 17.5 (1978): 375-82. Print.

majority of basic education should be focused toward. The debate between teaching "basic" academic skills such as reading, writing, and arithmetic and teaching more complex and specialized topics is one seen in any system. Today in the United States, for example, it is not uncommon for people to wonder why we continue to insist on teaching students trigonometry but the same students graduate high school without the ability to balance a checkbook. The questions of practicality and necessity are certainly applicable in the formation of any education system and the curriculum should naturally reflect that which will best prepare the students. Vocational versus theoretical skills, the number of years a student should be required to attend to reach degree level, and when, within that timeframe, should students branch into more specialized courses attune to their needs and future, are additional questions which fundamentally shape the formation of any system.

Reform Era Education Policy

In their efforts to reshape and reform the education system, reform leaders took a number of steps to rebuild and remake the system from the ashes of China's torched pre-Mao education pedagogy. Policy reforms revolved around perceptions that education quality was a serious problem at all levels, vocational and technical training was insufficient, and central administration was too rigid.⁵³ The reforms which were put into place during the mid-1980's focused on linking education reform with economic reform and set standards for compulsory education. Additionally, reforms worked to improve the quantity and quality of teachers, decentralize finance and management oversight, and fundamentally increase the breadth and effectiveness of technical and vocational

⁵³ Lewin, Keith. "Educational Innovation in China: Tracing the Impact of the 1985 Reforms." Harlow, Essex, England: Longman, 1994. 19.

training.⁵⁴ Furthermore, reforms were carried out which included the shuttering of underperforming institutions and the revitalization of higher education, "Shutdowns of low quality rural junior secondary schools occurred as part of the upgrade in the early reform years. Higher education, shut down for six years at the start of the Cultural Revolution, was reinvigorated, in recognition of its critical role in supplying the high-level personnel and scientific expertise needed for national development.⁵⁵ These systematic, structural, and directional changes were instrumental in reversing the failing course of China's education and represent the foundation upon which reform era politicians have continued to construct a continuously improving public education system.

On April 12th, 1986 the CCP approved China's first "Compulsory Education Law of the People's Republic of China" which was officially adopted as the law governing the ways and means by which public education would be established and conducted on July 1st of the same year. Most importantly, the law dictates that "The state shall institute a system of nine-year compulsory education," and that "All children who have reached the age of six shall enroll in school and receive compulsory education...regardless of sex, nationality, or race..."⁵⁶ Furthermore, "Compulsory education shall be divided into two stages, primary and junior middle school education," and "Appropriate facilities...must be

⁵⁴ Hawkins, John N. "Centralization, Decentralization, Recentralization: Education Reform in China." *Journal of Educational Administration* 38, no. 5 (2000). 442-455.

⁵⁵ Hannum, Emily C., Jere Behrman, Meiyan Wang, and Jihong Liu. *Education in the Reform Era. China's Great Economic Transformation*. Ed. Loren Brandt and Thomas Rawski. Cambridge: Cambridge University Press, 2008. 8.

⁵⁶ People's Republic of China. Ministry of Education. Compulsory Education Law of the People's Republic of China. <http://www.moe.edu.cn/edoas/en/level3.jsp?tablename=1242700726117393&infoid=1248314859053682&title=Compulsory%20Education%20Law%20of%20the%20People%20A1%AFs%20Republic%20of%20China> (accessed January 22, 2010).

included in plans for construction and development [in] both urban and rural areas."⁵⁷

These decisions gave China the structural context within which to build a positive and effective curriculum moving forward and the compulsory education requirement of nine years remains in place today. Of particular interest is Article 14 of the Compulsory Education Law which states the official stance of the government and the state toward educators. Article 14 places teachers in high esteem and indicates that future measures would be taken to improve the social status of educators at all levels, "Teachers should be respected by the public. The state shall safeguard the teachers' lawful rights and interests, and take measures to raise their social status..."⁵⁸ This is significant given the ridicule and relegation to the lowest rungs of societal respect suffered by teachers during the Cultural Revolution, in which educators were seen as representative of the "old" and of those beliefs which led China into and through the well documented "Century of Humiliation." (Mid-1800's to 1949).

The 1986 Compulsory Education Law remained unedited until 1995 when the assembly passed a more extensive and thorough law which included and expanded upon those provisions initially drafted in 1986. One interesting addition is Article 3 of the updated law which states that "In developing the socialist educational undertakings, the state shall uphold Marxism-Leninism, Mao Zedong thought and the theories of constructing socialism with Chinese characteristics as directives and comply with the basic principles of the Constitution."⁵⁹ Such a broad statement with no specific

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ People's Republic of China. Ministry of Education. "People's Republic of China Education Law: 1995." <http://www.moe.edu.cn/edoas/en/level3.jsp?tablename=1242700726117393&infoid=1243301486969194&>

interpretation and the caveat of "Chinese characteristics" allowing for divergence, can clearly have little legal impact over the structuring of the education system beyond that which is specifically required by the state. This allows the Chinese to recognize the socialist doctrine (and Mao) while moving forward with the lessening of socialist ideology and increased globalization in the reform era. Additionally, the original 1986 law did not once mention the term science or any derivation thereof, while the 1995 document mentions the term eight separate times. Article 19 states "The state shall encourage the development of adult education in various forms and make sure that citizens receive proper forms of education in politics, economy, culture, science, technology, profession and whole life education as well" as part of the state's adoption of vocational and "adult" education.⁶⁰

The changes found in the 1995 revision of the original law indicate that the Chinese education system, as well as the CCP's understanding of what was required of an effective national education system in modernity, were evolving and adjusting effectively and with purpose. Even at this early stage, however, nine years after the initial law was passed, the disparity between the education available to urban and rural residents was evident and expanding, as indicated by Article 56 which states that "The State Council and the local people's governments at the county level or above shall establish specific funds for education to be used mainly for assisting outlying and poverty-stricken areas and areas inhabited by minority ethnic groups in enforcing compulsory education

title=Education%20Law%20of%20the%20People%A1%AFs%20Republic%20of%20China (accessed January 22, 2010).

⁶⁰ Ibid.

there."⁶¹ This early, if indirect, acknowledgment of education inequality between urban and rural areas demonstrates that the central government was aware of the disparities by the middle of the last decade. Unfortunately, these pledges of monetary assistance for rural education remain largely unfulfilled through the first years of the 21st century.

Post-Reform Inequality

To determine the extent to which inequality exists between the rural and urban spheres, the basis upon which quality is to be determined must be defined. Regrettably, there is no single indicator which empirically proves cross-geographical inequality in the classroom, rather factors can indicate that a disparity may (and often does) exist. Taking one measure, class size, for example, clear obstacles arise when one considers that an urban classrooms, if for no other reason than the population density of the area served, attract much higher numbers of students than a rural classroom. Meanwhile, the per pupil expenditure, facilities, and quality of teacher is likely to be higher in the urban setting, making class size ineffective in determining education disparity. Instead, we examine the core financial resources available to districts, schools, and students along urban/rural parameters the result is a more accurate, though by no means perfect, assessment of education equality.

One of the goals of decentralizing the financial and management systems that govern the education system was to more effectively raise and appropriate funds not directly provided by the central government. According to Hannum et al.'s findings, "In

⁶¹ Ibid.

1986 constant prices, government budgeted funds for education increased from 26.50 billion Yuan in 1986 to 48.63 billion Yuan in 1997, translating to an average annual real growth rate of 5.7 percent. In the same period, extra budgetary funds grew much faster, from 8.13 billion Yuan in 1986 to 40.25 billion Yuan in 1997, translating to an average annual real growth rate of 15.7 percent.”⁶² This is deceiving, however, for between 1991 and 2004 the *percentage* of school funding which came directly from the government decreased heavily even as direct government appropriations continued to increase, “Government appropriations for education dropped precipitously from 84.46 percent in 1991 to 61.66 percent in 2004.”⁶³ Ultimately, “The decentralization of China's fiscal system that has occurred during the transition period has made localities increasingly dependent on their own resource bases to finance current and capital expenditures.”⁶⁴ While this can generally be viewed positively as more monetary funds enter the overall education system, the inescapable fact that it is significantly easier to raise more and larger sums of private funding in wealthier and more densely populated urban areas almost ensures unequal resources between urban and rural districts. As noted by Hannum et al., when one, “...compares total educational expenditures per student with provincial per capita GDP in 1990 and 1997, the dispersion of both variables is greater in 1997 than in 1990. More to the point, the link between the two is stronger...”⁶⁵ The plight of education in the rural sphere is in many ways the direct result of these decentralization

⁶² Hannum, Emily C., Jere Behrman, Meiyang Wang, and Jihong Liu. *Education in the Reform Era*. China's Great Economic Transformation. Ed. Loren Brandt and Thomas Rawski. Cambridge: Cambridge University Press, 2008. 11.

⁶³ Ibid.

⁶⁴ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 87.

⁶⁵ Hannum, Emily C., Jere Behrman, Meiyang Wang, and Jihong Liu. *Education in the Reform Era*. China's Great Economic Transformation. Ed. Loren Brandt and Thomas Rawski. Cambridge: Cambridge University Press, 2008. 12.

policies which have failed to secure a safety net of essential funding for more remote and economically less viable regions. As Khan and Riskin point out, "Especially in poorer areas, local governments have had to resort to imposing surtaxes and charging a variety of user fees for access to public services, including primary education," and "A result has been to make education so expensive that some rural residents have kept their children out of school...."⁶⁶ Ultimately, it is China's unique fiscal system created during the reform era, which relies heavily on local government support for education and healthcare, that results in many households in poor localities being unable to fund these services and the resulting disparity that ensues.

While not the purpose of this study, it is worth noting that the realm of education does not escape the overarching patriarchal nature of Chinese society and that throughout the reform era boys have been proportionally more likely to attend school and for longer periods of time. In 1995 (mid-reform era and immediately before the implementation of changes to China's national education policy), men in rural areas over the age of 15 averaged 6.6 years of schooling while women of the same age reported having an average of 4.9 years.⁶⁷ While this statistic is unfortunate, the inequality between the sexes is a topic for another paper entirely. What is of significance, however, is that boys and girls in the same study who were raised in urban areas reported having on average 10.7 and 9.8 years of schooling respectively.⁶⁸ These numbers were well above the national average and underscore the significant disconnect of access to education. Whether due to a lack of

⁶⁶ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 97.

⁶⁷ Ibid. 89.

⁶⁸ Ibid. 89.

funds on the part of the districts and/or families, or a lack of education infrastructure in the rural sphere, they demonstrate that these issues have not been sufficiently addressed. Furthermore, the problem of inequality cannot be attributed to a lack of recognition for the importance of education in rural areas. In fact, "Before the Cultural Revolution, sons of peasant families at Beijing and Qinghua University averaged some 70 percent of the total number of students," but today that number has fallen to roughly 30 percent.⁶⁹ Today in China there is an intense awareness of the benefits of education and a desire on the part of parents and children alike to complete compulsory requirements if not attain higher degrees. The issues of familial necessity, affordability, quality, and equal access, however, continue to plague rural student matriculation and graduation rates.

Another issue in the area of China's education for rural students is the problem of migrant workers who temporarily relocate to urban centers in order to find work. While admitting that the *hukou* system plays a vital role in regulating movement amongst China's domestic population, it also affects areas of individual rights beyond permanent residence. Depending on an individual's *hukou* status they are entitled to various levels of healthcare, burial rights, property ownership, education, etc., and this has a profoundly negative effect on the average living and lifestyle conditions of migrant workers in Chinese cities.

While efforts are underway to reform the *hukou* system's effect on education, many children are still prevented from attending urban public schools and are instead forced to

⁶⁹ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and Institutions*. London: Routledge, 2009. 26.

pay relatively steep fees in order to attend private schools designated for migrant children. As of March 2010, "Fifty-eight million children [were] left behind in the countryside by parents who hope that relatives will raise them...Another 19 million remain in the cities – where they are, in effect, second-class citizens. Both groups have poorer academic performance and more behavioral problems than their peers."⁷⁰ Officially, state schools receive no funding for migrant pupils, and as a result will often claim to be full in order to avoid incurring the cost of educating additional students without funding. Others charge "donations" which reportedly reach as much as 6,000 Yuan per term. Certain migrant workers who do not possess official employment contracts such as street vendors, do not qualify to send their children to state schools under any condition. These individuals (amounting to a third of migrant workers in Beijing and much higher percentages in other urban areas) are left with no choice but to enroll their children in private schools which charge on average 600 Yuan per term.⁷¹ The *hukou* system perpetuates entrenched disparities based upon rural or urban resident status and serves to compound the difficulties faced by rural students and parents in attempting to find and provide quality education in an inherently unequal system.

Inequality in Chinese education, like healthcare, income, and lifestyle disparities, exists largely along the rural/urban societal border and, in fact, education is about as unevenly distributed as other types of consumption.⁷² The divide's origin extends from a

⁷⁰ Branigan, Tania. "Millions of Chinese rural migrants denied education for their children." Guardian News and Media U.K. <http://www.guardian.co.uk/world/2010/mar/15/china-migrant-workers-children-education> (accessed March 17, 2010).

⁷¹ Ibid.

⁷² Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and Institutions*. London: Routledge, 2009. 268.

variety of causes, most notably, "Due to uneven possibilities of parents to finance their children's schooling, and the uneven financial resources across local communities to offer high-quality education..."⁷³ It is unsurprising that monetary access is the leading cause of disparity in access to and quality of schooling much as it is in the United States and elsewhere, but this fact intricately ties educational differences into the broader picture of wealth and lifestyle disparity in China. In his work, "Economic-Social Interaction in China," Assar Lindbeck noted in 2008 that "China has, in fact, developed into a 'multi-track' education system -- in terms of years of schooling as well as quality" and that this reality, "...threatens to create a highly polarized distribution of school achievement -- across geographical areas as well as among individual households."⁷⁴ As China has worked to implement a standardized system pertinent within the context of globalized modernity, the process has been at best uneven, and unfortunately, as with most aspects of Chinese society, the rural sphere has been subjected to the brunt of inequalities' repercussions.

Conclusions on Education Reform

As previously noted, one cannot ignore the inherent difficulty of simultaneously providing a quality education to the world's largest populace and in many cases the policies implemented were likely done so on the basis of necessity rather than a desire on the part of the CCP to create a dimorphic system. The Chinese Communist Party may be responsible for those specific policies which engender inequality, the presence of which in modern day China is of no dispute, but as we examine the processes by which such a

⁷³ Ibid. 264.

⁷⁴ Ibid. 264.

system was established we must also look ahead toward the solutions which can rectify the current disparities and which must be implemented in order for China to move forward. Indeed there has been significant progress in terms of acknowledging the value of formal education on the part of the people and the economic benefits of ensuring a literate and educated populace on the part of the government. As a result, by 2002 the link between education and higher returns on income had increased dramatically but during the same period, and for that very reason, disparity in education levels became a major contributor to growing inequality in other areas. Consequently, "even if the distribution of education in China had remained unchanged, the distribution of income derived from education would have become more unequal."⁷⁵

Though the education system is improving and increasing attendance (numbers of students and years of education), most gains are concentrated solely in the urban spheres as result of lack of access to funds in rural counties following system finance deregulation in concurrence with the rise of a strong and direct correlation between education levels and returns on education. This has served to increase the quality of education and the results for those urban students while widening the disparity between them and their rural counterparts and ultimately fostering broader inequality in China. The proposals and policies which have been submitted as the ways and means by which to address education inequality are discussed in the final chapter of this work, but it is clear that in moving forward it is essential that the government and all interested parties work toward curbing rather than expanding current rural education achievement,

⁷⁵ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and public policy in China*. Cambridge: Cambridge University Press, 2008. 112.

infrastructure, funding, staff, and quality deficits. Through the implementation of revised policy and a renewed effort specifically geared towards rectifying the failing system present in the large parts of rural China, the government can ensure that broader inequality perpetuation as a result of unequal education is mitigated and eventually removed.

CHAPTER 3: Urban/Rural Healthcare Disparity

Like education, healthcare in China varies widely from region to region in terms of both quality and access to emergent and non-emergent medical services. In concert with most other major forms of inequality in China, the line of healthcare disparity is most significantly drawn along rural and urban parameters. China has seen exemplary improvement in the overall quality of health for its citizenry since the conclusion of the Mao era, including positive trends of basic statistics utilized in the assessment of cross-national healthcare quality comparisons. These include increasing life expectancy, child immunization rates, and decreasing infant mortality rates.⁷⁶ Naturally, much of this can be attributed to the overall improving lifestyle and living condition variables that play into individual health, such as sanitation, nutrition, knowledge of communicable diseases and basic first aid treatment, etc. These fundamental variables, sufficient levels of which are by no means guaranteed in poor and developing countries, greatly affect the overall health of a nation and their presence, or lack thereof, are reflected in the basic indicators of national health mentioned above. While China has made immense strides in each of these areas since the inception of the reform era, levels of such variables still remain below those of developed nations and continued inefficiencies demonstrate the transitory period which China is currently experiencing. Certainly improvements in these critical areas which affect the entire population are commendable and should be acknowledged for their positive transformational effects on the overall health of the Chinese people.

⁷⁶ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford UP, 2001. Print.

These general improvements in broad-based health statistics in the PRC, however, fail to demonstrate glaring deficiencies, inefficiencies, and inequalities in the means which underlie these ends. The disparities between urban and rural in China's healthcare system throughout the reform era are immense and represent unequal policy and funding commitments on the part of the CCP. A biased healthcare implementation sequence has resulted in a healthcare system dichotomy representative of the overall two-world reality of reform era China.

While on the surface the improvements in China's national health statistics are certainly noteworthy and worth recognition, we must contextualize them within the broader improvements realized during the reform era. It must be remembered that prior to the improvements in infant mortality levels and life expectancy (i.e. during the Mao era), the Chinese people endured extended and widespread famine, low education, pitiful sanitation, and generally harsh working conditions, all of which contributed to low national health statistics. The current life expectancy in China as of 2006 is 72 and 75 for men and women respectively, while overall life expectancy in 1960 was 44 years and at the beginning of the reform era in 1980 was 65 years.⁷⁷ The simple differences of having access to cleaner water and enough food to prevent oneself from starving to death (as many tens of millions did during the Mao era) inherently drastically improve life expectancy and infant mortality rates as do the increasingly widespread presence of basic sanitation and child immunization. Within this context we must realize that while China has made significant strides, the bar from which improvements were measured was

⁷⁷ "WHO | China." World Health Organization. <http://www.who.int/countries/chn/en/> (accessed January 22, 2010).

deceivingly and unfortunately low, making said improvements much more marginal than they otherwise would be.

Before going further it is important to understand the nature of the Chinese healthcare system and the means by which it has reached its current state. Since the formation of the PRC, Chinese healthcare has seen three specific and distinct periods. The first period spanned the years 1950-1958 at the beginning of the collective movement and during which government healthcare spending was much higher in urban than in rural areas. Beginning in 1959 and lasting until 1980, however, China saw a change in the focus of healthcare funding with the creation of The Cooperative Medical Systems (CMSs). The CMSs were established in rural areas and served as collective funding mechanisms within the broader socialist collective. During this second period new hospitals were built at the county and township levels and new clinics established at the village level. Additionally, some villagers became "barefoot doctors" who were able to treat simple ailments following basic training and were available to care for rural residents on a widespread basis. Simone Brant, et al. describe the barefoot doctor program as "Doctors focused on grassroots public health interventions that prevented common infectious diseases such as schistosomiasis and malaria." They also point out that "These simple interventions had a substantial impact on rural health."⁷⁸

Simultaneously, in urban China during this period all employees of state and collective-owned enterprises/institutions were covered by medical insurance systems backed by the

⁷⁸ Brant, Simone, Michael Garris, Edward Okeke, and Josh Rosenfeld. "Access to Care in Rural China: A Policy Discussion." University of Michigan-Ann Arbor. [http://www.umich.edu/~ipolicy/china/1\)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf](http://www.umich.edu/~ipolicy/china/1)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf) (accessed February 20, 2010). 3.

central government. During the third period from 1980 to the present, however, the CMSs essentially collapsed and rural coverage dropped precipitously, leaving rural residents to carry the burden of healthcare expenses through personal income. The urban sphere on the other hand saw many of its government insurance systems remain intact. While recently many urban medical expenses have been paid out of pocket, the government rate of subsidies and reimbursements remains substantially higher in urban areas, leaving those residents in the rural sphere, in many ways, without assistance in contrast to their urban peers.

Healthcare Inequality During the Reform Era

Basic deficiencies in China's healthcare system today vary widely from region to region but are starkly drawn along rural and urban lines. In 1997, twenty years after the inception of the reform era, infant mortality rates in rural areas for children under five were three times as high as those in urban areas, while in some of the poorest rural communities the under-five infant mortality rate approached ten-percent.⁷⁹ Additionally, "World Bank analyses indicate that the national under-five mortality rate, regarded by UNICEF as the single best indicator of social development because it encompasses so many other indicators, stopped declining in the early 1980's and stagnated until 1991, and that the percentage of rural children with very low height for age (a key indicator of malnutrition in children) increased from 1987 to 1992."⁸⁰ Moreover, according to a new 2010 study by researchers from the Johns Hopkins Bloomberg School of Public Health's

⁷⁹ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 95.

⁸⁰ Ibid. 95-96.

Center for Injury Research and Policy, rural males of all ages were 47 percent more likely to die from injuries than urban males, and the overall rate in rural females was 33 percent higher than in urban females.⁸¹ Ultimately, "Life expectancy is higher in urban than in rural areas, and urbanites have a lower prevalence of certain diseases and fewer physical functional limitations and disabilities."⁸² What these figures reveal is that there are stark disparities between China's rural and urban populations in terms of healthcare, what is not certain are the reasons behind the statistics. Which of the underlying variables, disparity in quality of care, unequal access to health services, different levels of sanitation, pollution, nutrition, immunization, clean water, etc., has caused the current inequality or is it a broad-based amalgamation of multiple exacerbating factors? Why do we continue to see these unresolved inequalities present today when there was sufficient evidence of their existence one and two decades prior, and why has the central government not done more to mitigate such disparity on an issue as pertinent to national well being, productivity, lifestyle, and economic prosperity as healthcare?

The answer appears to largely stem from a combination of factors which, in concert, have created the lagging reality of the rural sphere in terms of quality of health and healthcare services. As previously mentioned, these include lack of basic sanitation infrastructure, lower levels of education (addressed in the previous section), lack of access, lower quality of healthcare, high pollution rates, access to clean water, etc. There is, however, a single underlying cause which directly or indirectly plays a role in the

⁸¹ "Significant Urban-rural Disparities in Injury Mortality Seen in China." *Science Daily: News & Articles in Science, Health, Environment & Technology*. Web. 25 Jan. 2010. <<http://www.sciencedaily.com/releases/2010/01/100112122425.htm>>.

⁸² Zimmer, Zachary, Toshiko Kaneda, and Laura Spess. *Urban Versus Rural Mortality Among Older Adults in China*. Rep. no. 214. New York: Population Council, 2006. Print.

creation of these factors and is the single largest perpetuating force for rural/urban healthcare inequality. Specifically, the unequal spending on the part of the CCP in the rural and urban spheres on direct health funding and those areas which indirectly affect general health. Most simply put by the World Bank in 1997, after two decades of conscious reform on the part of the CCP, "Government spending on health has not been effective in reaching China's poorest residents...An analysis of public expenditure over eleven years shows that the allocation of public expenditure is skewed toward richer regions and, within regions, to the provinces growing fastest."⁸³ As with economic development, education, etc., the national government has concentrated its financial resources on those regions with the highest economic growth while relatively neglecting those with less immediate growth potential and actualized economic substance.

In a country which is largely perceived by foreigners as being socialist/communist and thereby as a country which provides socialized medicine for its people, it is easy to overlook the significant changes in healthcare which have shifted healthcare away from a purely government supported system toward a private-fund based system. The healthcare system has become much more reliant on private income since the inception of reform era policy and is no longer fully subsidized by the Communist Party. This of course, as with education, skews capital toward urban spheres where monetary funds are more readily available and easily raised, in addition to the government's blatant record of providing said urban areas with more subsidized funding than poorer rural areas. As noted by Assar Lindbeck, "The basic problem is...that the public sector has reduced, and

⁸³ Ibid. 96.

decentralized, its responsibility for the financing of health care."⁸⁴ Where collective communes had long provided coverage for at least the most minimum of healthcare services to the vast majority of rural residents, there is now a financing gap with no government sponsored entity to fill the monetary void and little private wealth to cover even emergent medical expenses.

The shift from government provided healthcare toward a more public sector funded system has certainly done much to improve the quality of specialized and advanced care available to those who can afford and have access to such services. By contrast, the fallout has been less preventative medicine and a much lower standard of quality and more limited access in predominantly rural areas. Khan and Riskin noted that midway through the reform era the most basic change has been, "...the rapid shift in China's healthcare delivery system from a public health system oriented primarily toward disease prevention to a fee-for-service system emphasizing treatment." Moreover, they found that the CMS, "...covered more than 80% of the rural population and accounted for 20% of national health care spending at its peak. It rapidly disappeared with the collapse of the rural communes, reaching a low of only about 2% coverage in 1987."⁸⁵ The relative demise of this system, despite pledges by the government to increase its coverage of the rural population, demonstrates that the social, risk-sharing funding that the CMS provided has largely disappeared and has been replaced by individual, out-of-pocket payment for health services. The result is a situation which clearly favors those

⁸⁴ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and institutions*. London: Routledge, 2009. 264.

⁸⁵ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 96.

individuals residing in wealthier and more economically viable urban areas. The shift in spending is evident when one considers that "The government share of the total spending decreased from 36.4% in 1980 to 15.5% in 1998. During that time period, the private share of total spending increased from 23.2% to 57.8%"⁸⁶ Ultimately, as of 1995, the continuing shift in funding from the public to the private sector detrimentally and disproportionately affected the rural sphere and, "Thus, as it does for other aspects of human development in China, the urban-rural divide looms large as the most basic cause of inequitable distribution of healthcare."⁸⁷ The pre-reform era system ensured that communes almost exclusively provided subsidized healthcare for their members and local "barefoot doctors" were available to members for treatment and prevention education. The shift to a private sector oriented operating system left much of the rural population without the financial ability or access to quality or even sufficient health care by the middle of the reform era, and despite government promises to address the direct and surrounding issues, the gap remains prominent a decade into the 21st century.

Today the rural/urban divide in terms of, quality, access to and utilization of healthcare, remains stark. The government has attempted to make good on promises made to rural residents improving the situation by exponentially increasing healthcare funding nationwide, but thus far these efforts remain inadequate to sufficiently address the healthcare dichotomy. Lindbeck notes, "Despite the fact that China has recently (in

⁸⁶ Brant, Simone, Michael Garris, Edward Okeke, and Josh Rosenfeld. "Access to Care in Rural China: A Policy Discussion." University of Michigan-Ann Arbor. <http://www.umich.edu/~ipolicy/china/1/%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf> (accessed February 20, 2010). 11.

⁸⁷ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 100.

2004) spent as much as 5.6 percent of GDP on health care (Ministry of Health 2006), the deficiencies of the services are huge and well documented -- a result of both inefficiencies and an uneven distribution of services...One indication of both inefficiencies and the inequalities is that about 80 percent of the health spending in recent years has been concentrated [in] large and medium-sized cities."⁸⁸ The country's move further away from full public subsidization toward private pay-for-service funding has resulted in problems of moral hazard in the sector, including excessive medical examinations and unnecessary surgery. There has also been a shift of resources from simple treatment to more advanced and specialized procedures on the part of providers where the rewards are higher due to controlled low prices on certain basic treatments. Other emerging issues including oversubscription and drug price gouging have presented themselves as examples of inefficiencies within the new system framework.⁸⁹ These problems are significant and work to affect unequal access and quality between the rural and urban areas, and all of which have resulted from the largely uncontrolled and mismanaged CCP designed policy shift from public to private sector funding.

Indeed, the financing of China's healthcare system has been so poorly managed that in 2000 the World Health Organization released a report ranking healthcare systems in 191 countries according to fairness in financial contributions, China ranked almost dead last at 188.⁹⁰ In their 2008 study Bjorn Gustafsson and Wei Zhong found that

⁸⁸ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and institutions*. London: Routledge, 2009. 264.

⁸⁹ *Ibid.* 265.

⁹⁰ Gustafsson, Björn, Shi Li, and Terry Sicular, eds. *Inequality and public policy in China*. Cambridge: Cambridge University Press, 2008.

funding remains highly unequal, noting that "Public subsidies for health care in China are geographically concentrated in urban areas...The urban population has considerably higher income than the rural population, which receives almost no subsidies for health care expenditures."^{91, 92} Clearly the promises on the part of the government to rectify the acknowledged disparities in urban/rural healthcare funding have yet to be met and in fact the gaps have only continued to grow as the reform era has progressed into the 21st century.

Consequences and Concerns of Unequal Healthcare Funding

While the unequal funding and subsidization on the part of the government is well documented, the most important aspect of such policies is the fallout, effects, and consequences of such continued policies on the population. Examples of rural/urban inequality are abound once one begins to delve into the specifics of unequal healthcare directly resulting from disproportional central government funding. One simple indicator of healthcare availability is the presence of hospital beds, which from around 1970 to 1989 was higher in rural areas, however, since 1989 the number of hospital beds has significantly increased in urban areas while declining in the rural sphere. In 2001 the number of hospital beds in the urban sphere totaled approximately 190 million, while the rural equivalent declined to just over 100 million (in spite of China's rural populations remaining significantly larger).^{93, 94} Examining another more substantial indicator of healthcare access, individual household healthcare expenditures, we find that the

⁹¹ Ibid. 205.

⁹² See Appendix Material 4.

⁹³ Ibid. 206.

⁹⁴ See Appendix Material 5.

urban/rural divide remains extremely significant.⁹⁵ In their study Gustafsson and Zhong found that overall average household per capita expenditures on health care in China were 347 Yuan in 2002. Within this, urban households averaged per capita expenditures of 726 Yuan compared to only 118 Yuan in rural households, or a ratio of 1 to slightly more than 6 along the urban/rural divide. Furthermore, this figure is significantly higher than the corresponding ratio for total per capita income which is closer to 1:3.⁹⁶ When one then examines data analysis results from decomposing inequality in health finance in China's three major regions, east, central, and west, one finds that the highest expenditures per household are found in the wealthy eastern region and that per capita household healthcare expenditures in the east are approximately three times those in the west. This is primarily a result of higher government healthcare subsidies to those more economically prosperous and urbanized areas, almost all of which are exclusively located along China's eastern seaboard.⁹⁷ The subsidy differences are extreme and urban residents in the eastern region receive as much as 2.5 times more healthcare subsidies than those living in *urban* central China, and ultimately “[Overall] average household per capita health expenditures in the rich, urban East are as much as 11 times larger than in the poor, rural West.”⁹⁸ In total, “During the 1990s, only 20% of the government’s public health spending went to the rural health system that served 70% of the Chinese population.”⁹⁹ Fundamentally, higher incomes and subsidization rates for healthcare expenses for urban residents allow for higher household per capita healthcare

⁹⁵ See Appendix Material 6.

⁹⁶ Ibid. 213.

⁹⁷ Ibid. 215.

⁹⁸ Ibid. 216.

⁹⁹ Brant, Simone, Michael Garris, Edward Okeke, and Josh Rosenfeld. “Access to Care in Rural China: A Policy Discussion.” University of Michigan-Ann Arbor. [http://www.umich.edu/~ipolicy/china/1\)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf](http://www.umich.edu/~ipolicy/china/1)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf) (accessed February 20, 2010). 12.

expenditures and subsequently improved access to and quality of care in comparison to their rural counterparts with lesser incomes and subsidized support.

Affordability is a major factor preventing rural populations from accessing healthcare and government assistance via subsidization is heavily targeted toward urban residents. Moreover, with the shift from fully government (commune) subsidized healthcare China has seen a leveling off of government funding as a percentage of GDP. With the reform era's re-creation of China's financial system, the country has seen its GDP skyrocket, but during the 14 year period between 1997 and 2001 the percentage of GDP spent on healthcare remained virtually stagnant.¹⁰⁰ In many cases this has necessitated the individual's acquisition of insurance, which is currently mandatory in cities while remaining voluntary in rural areas. Overall the current reality of healthcare insurance in China following the collapse of the CMS programs finds over 90 percent of rural residents without any form of health insurance who are subsequently forced to pay all medical expenses out of pocket.¹⁰¹ Unfortunately, purely as a result of cost deterrence, many rural Chinese avoid medical treatment entirely, to the detriment of their health. Poor physician training and underfunded hospitals in rural areas as a result of compounding these costs produce a net result of large numbers of patients failing to receive quality care even after paying high fees. These and other aggravating factors contribute to a situation where individuals avoid health services as much as possible and in some cases, all together.¹⁰² The reality is that since decentralization the system relies heavily on local government funding but, "Local governments have virtually no fiscal

¹⁰⁰ Ibid. 6.

¹⁰¹ Ibid. 6.

¹⁰² Ibid. 6.

autonomy and no taxing power... To raise revenue to cover the expenditures, local governments have adopted numerous 'non-taxation,' 'extra-budgetary' measures such as collecting administrative service 'fees.'"¹⁰³ These fees only serve to additionally burden the rural poor and further their inability to pay out-of-pocket for medical expenses. The numbers are quite staggering, with as many as 41 percent of individuals who are referred to hospitals for treatment not seeking said treatment due to cost constraints, while a 2002 Ministry of Health survey found that a third of farmers receive no medical treatment whatsoever.¹⁰⁴ Meanwhile, in the urban sphere, insurance is mandatory and residents contribute approximately 25 percent of the premium, while peasants in rural areas (where insurance is voluntary) contribute as much as 80 percent of premium costs, a statistic which demonstrates the government's unequal healthcare contributions.¹⁰⁵ In 2005 the government attempted to create an updated version of the CMS and made it voluntarily available to the rural sector. This effort has largely failed due to inadequate risk pools, a lack of administrative expertise in managing the insurance pool, and issues of adverse selection, and has ultimately led to, "...declining health indicators and poorer health outcomes."¹⁰⁶ The 90 percent uninsured rate underscores the ineffectiveness of prior government attempts to remedy the insurance situation and today the vast majority of rural residents remain without means to pay for often necessary medical treatment and this has resulted in substantially worse medical statistics in rural areas *vis-à-vis* their rural counterparts.

¹⁰³ Liu, Yuanli. "Development of the rural health insurance system in China." Publication. 3rd ed. Vol. 19. Health Policy and Planning. Boston: Harvard School of Public Health, 2004. 156-165. 163.

¹⁰⁴ Brant, Simone, Michael Garris, Edward Okeke, and Josh Rosenfeld. "Access to Care in Rural China: A Policy Discussion." University of Michigan-Ann Arbor. [http://www.umich.edu/~ipolicy/china/1\)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf](http://www.umich.edu/~ipolicy/china/1)%20Access%20to%20Health%20Care%20in%20Rural%20China,%20A%20Policy%20Discussion.pdf) (accessed February 20, 2010). 6.

¹⁰⁵ Ibid. 8.

¹⁰⁶ Ibid. 8.

Conclusions on Reform Era Healthcare

With any form of effective insurance system largely confined to urban cities, insufficient government spending, urban focused subsidy programs, high costs, and issues with access to quality medical services, rural residents have suffered with sharply lower health statistics and the implications of these are many. They include the previously mentioned statistics describing widely varied infant mortality, life expectancy, and immunization rates between urban and rural areas. Additionally, healthcare is a major contributor to rural poverty with illness being the second greatest generator of poverty in the rural sphere after lack of labor, and in total three percentage points of rural poverty (overall 7.22%) are directly attributable to healthcare expenses.¹⁰⁷ These levels have led to increasing and widespread incidents of rural public unrest though these are generally contained at the local level. The government is currently working to implement spending programs designed to improve the current rural healthcare situation (discussed later in this work) but these have yet to take hold and current frustrations on the part of the rural population continue. The blatant disparity between rural and urban healthcare conditions including access, government assistance, insurance levels, and the overall quality of care is blatant and unresolved. Since the inception of the reform era, healthcare has demonstrably remained a glaring example of government created urban/rural inequality and today serves to underscore the continuing challenges faced by the CCP in a variety of areas in its efforts to bring the prosperity of the urban sphere to the rest of the Chinese people.

¹⁰⁷ Ibid. 12.

CHAPTER 4: Technology Inequality

With the advent of China's amalgamation into modernity's interdependent and globalized economy has come the adaptation on the part of the Chinese of the 21st century's "global culture." That is to say, the Chinese people now interact with both one another and the rest of the world by means of modern technology, through which entertainment, news, art, social interaction, and policy are both created and disseminated. Large portions of the Chinese population now utilize and rely upon cellular technology, the internet, social networking, television, etc. as the means by which they conduct their everyday lives and connect with people and groups within their immediate social circle and across the globe. These ICTs (Information and Communication Technologies) have a propensity to contribute to economic growth and improve general quality of life. Examples include these technologies enhancing productivity, improving competitiveness for businesses and individuals and being deployed to facilitate integration of value chains with and among firms, industries, and economic sectors.¹⁰⁸ Like other developing and developed countries, China has embraced ICTs and accepted their various formats as integral in China's continued national advancement. Many Chinese today take advantage of cell phones, internet blogs, social networking forums, ever expanding television options, and global news and information technologies in their everyday lives, ways not dissimilar to those of the broader developed world which has become all but totally dependent on ICTs. In China's case, technology, as with most aspects of government,

¹⁰⁸ Fong, Michelle W.L. "Digital Divide Between Urban and Rural Regions in China." Victoria University, Melbourne, Australia. <http://www.ejisdc.org/ojs2/index.php/ejisdc/article/viewFile/532/268> (accessed February 28, 2010). 1.

society, economy, and life, there are caveats unique to the Chinese experience. China's broad and largely impermeable censorship of technology in its various forms both changes and limits certain abilities synonymous with the modern technological experience, most notably the ability to freely access and disseminate news on either a local or global scale. The Chinese government's strict monitoring of social media and news outlets (across all formats), while severely limiting the ability of the Chinese population to assess national, and internationally pertinent information in a timely and accurate matter, does not detract from the interest in or use of modern technology on the part of the average Chinese citizen. Today, usage rates of modern technology are skyrocketing in tandem with the growth of the nation's economy and this important and intrinsic aspect of Chinese life serves to vividly portray the lifestyle disparities that exist along urban and rural parameters.

Technology use is often a less concrete but telling way of determining levels of disparity between groups, given the natural relationship between personal income and education levels and one's ability to access and use modern technological devices. It stands to reason that individuals who can afford to purchase and operate their own computers, cellular phones, televisions, pagers, fax machines, etc., have greater access to these technologies and as such utilize them on a more consistent basis. Additionally, those individuals who are more highly educated, particularly those who graduate from high school and/or university level institutions, have greater access and need for technology both during their school years and afterwards when they are more likely to secure jobs which utilize modern technology in a variety of ways. Just as education levels

and personal income are known to have high correlations between them, so do these variables and an individual's use of technology. The relationship between technology and education, and technology and income is of course a mutually beneficial one in that those corporations which take effective advantage of modern technology are often more productive, efficient, and profitable. Similarly, education standards are generally higher in education systems where technology plays a significant role. Individuals who use technology today are also generally more informed and connected with the world-at-large, all of which leaves little room to argue that there is not an inherent disadvantage placed upon those individuals who cannot, for whatever reason, access and utilize technology to the extent that others can in virtually any context.

Technology Growth in China

Use of technology in China has grown throughout the country over the past three decades, however, like education, income, and healthcare, which have all seen improvements nationwide, the rate of technology use has risen much more slowly in rural areas. By examining arguably the most influential and multi-faceted form of modern technology, the internet, one can begin to gauge rising technology usage levels and the disparities associated with them. Because the internet represents one of the most modern wide-spread technologies and is utilized within a variety of contexts and for a multitude of uses--entertainment, work, social, purchasing/trade, and information capabilities--this work assumes that results stemming from its examination can be extrapolated to determine the rural/urban usage rates of most forms of modern technology nationwide with a sufficient degree of accuracy. While outright ownership of modern technological

devices is important, one must also account for the extensive use of outside facilities such as internet cafe's, places of employment, and usage of family or friend's devices, all of which this study considers.

Today China is the world's largest online community, with more internet users than the total population of the United States. The country's internet penetration rate, or what percentage of its population uses the internet, however, lags far behind the U.S. and other developed nations. As of June 2009 China officially reported having 338 million internet users which represents a 25.5 percent penetration rate.¹⁰⁹ In the prior 6 months alone, China saw 40 million new internet users, underscoring the rapid pace of penetration growth.¹¹⁰ By the end of 2009 Chinese internet use had spiked to by a third (89 million) and total users reached 384 million people, bringing the penetration rate to 29 percent. By contrast the internet penetration rate in the United States for 2009 reached 74 percent while the rate was even higher (77 percent) in China's neighboring South Korea and the world average for the same year reached 23.8 percent.^{111, 112} These numbers reflect both the relatively low overall usage rate in China, but also the extensive and rapid growth taking place, growth which is especially remarkable when one considers that in 2002 only 59 million Chinese used the internet. To properly contextualize China's internet development, however, it is best compared to India's, which is a similarly developing nation and boasts a population only slightly smaller than

¹⁰⁹ People's Republic of China. China Internet Network Information Center. Statistical Report on Internet Development in China. Vol. 24. Beijing: China Internet Network Information Center, 2009.

¹¹⁰ See Appendix Material 7.

¹¹¹ Ibid.

¹¹² See Appendix Material 8.

the PRC, but as of 2009 had an internet penetration rate of only 7.1 percent.^{113,114} For a nation with a majority non-urban populace and an extremely recent adoption of widespread internet technology, China's penetration rate is relatively high and if current growth trends continue, China is poised to boast a penetration rate significantly higher than the global average within the first half of this decade.

Mass internet use in China is a newer phenomenon than in developed nations where internet has been widely used for over a decade. China, however, saw only 8.5 percent of its total population using the internet as recently as December of 2005.¹¹⁵ In China broadband internet use makes up for 94.3 percent of all internet usage, however the average speed of Chinese broadband internet is substantially slower than in developed nations.¹¹⁶ In addition to improved incomes and education levels driving higher access to and use of internet services in China, the Chinese government has played an important role in facilitating internet growth. Two government policies, specifically, the "National Strategy for Information Development from 2006 to 2020" and the "Eleventh Five-Year Plan for Informatization of National Economy and Social Development" have provided large amounts of funding for internet technologies at various levels. The 2009 report, "The Statistical Report on Internet Development in China," developed by the government controlled China Internet Network Information Center, reports that Internet and other digital forms of technology are playing an increasingly important role in Chinese society.

¹¹³ Ibid.

¹¹⁴ Buckley, Chris. "China Internet population hits 384 million." Reuters. <http://www.reuters.com/article/idUSTOE60E06S20100115> (accessed February 26, 2010).

¹¹⁵ People's Republic of China. China Internet Network Information Center. "Statistical Report on Internet Development in China. Vol. 24." Beijing: China Internet Network Information Center, 2009.

¹¹⁶ Ibid.

The report finds that "After material needs are satisfied to some extent, social communication and information acquisition have been critical...Modern interpersonal communication is more indirect, and the internet, as a media and communications means, fills the gap in people's information and social communication in daily life."¹¹⁷ In addition to government policy, the availability of cellular phone internet access has played an important role in increasing overall internet usage rates in China. On January 1, 2009 the CCP State Council adopted a resolution to begin the issuance of 3G licenses and China's major carriers responded by lowering internet data fees. Within the first six months of 2009 mobile internet use increased 32.1 percent to 155 million users nationwide.¹¹⁸

Use of other ICTs has similarly expanded in China including cell phone use which has also burgeoned with official statistics placing the number of cell phone users at 703 million as of July 2009. That number represents a 61.41 million user increase from the beginning of the year which coincided with a drop in fixed line telephone use of 12.42 million to 328 million users.¹¹⁹ The striking reality is that China's cell phone usage boasts a number over twice as large as the total population of the United States, making it easily the largest cell phone-using nation in the world based solely on user numbers. By the end of 2009, "Mobile phone users numbered 747.38 million with 106.14 million new subscribers in the year. In total, the number of fixed and mobile phone users reached 1,061.07 million, an increase of 79.47 million as compared with the end of 2008 and total

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

phone coverage of 79.9 sets per 100 persons."¹²⁰ Because cell phones are more easily and cheaply purchased and accessed by the general public, the rural/urban gap in mobile phone usage, while high, is more easily surmounted than similar disparities in internet use between the two spheres. In 2007 the cell phone penetration rate in China reached 41.6 percent, expanding 6.3 percent from 2006.¹²¹ In spite of this, however, it was found that the average urban to rural cell phone penetration rate during the same year was a staggering 7:1 in spite of the relatively cheap expense of mobile phones compared to other ICTs.¹²² In spite of moderate but growing rates of ICT use in rural areas, the vast majority of rural Chinese (84.7 percent) still primarily receives information from Chinese television broadcasting, a rate high enough to signify a lack of accessible alternative sources within China's rural communities.¹²³

User Demographics

Like most countries, China has seen the vast majority of its internet use take place among younger generations. In July 2009 the number of Chinese teenage users was 175 million, up 5 percent within six months and accounting for 51.8 percent of all Internet

¹²⁰ People's Republic of China. National Bureau of Statistics of China. "Statistical Communiqué of the People's Republic of China on the 2009 National Economic and Social Development." http://www.stats.gov.cn/was40/gjtjj_en_detail.jsp?searchword=phone&channelid=9528&record=1 (accessed February 28, 2010).

¹²¹ Zhang, Guoliang, and Jianguo Deng. ".Cn China." Digital Review of Asia Pacific. http://www.digital-review.org/uploads/files/pdf/2009-2010/chap-19_china.pdf?93d8e68695e76f3bf28837adbeb3725c=99681f2891c9a73789d005847ceb0531 (accessed February 23, 2010).

¹²² Fong, Michelle W.L. "Digital Divide Between Urban and Rural Regions in China." Victoria University, Melbourne, Australia. <http://www.ejsdc.org/ojs2/index.php/ejsdc/article/viewFile/532/268> (accessed February 28, 2010). 6.

¹²³ Zhang, Guoliang, and Jianguo Deng. ".Cn China." Digital Review of Asia Pacific. http://www.digital-review.org/uploads/files/pdf/2009-2010/chap-19_china.pdf?93d8e68695e76f3bf28837adbeb3725c=99681f2891c9a73789d005847ceb0531 (accessed February 23, 2010).

users.¹²⁴ One unique aspect of China's internet use is its appeal to individuals who report lesser incomes, with 28.6 percent of internet users reporting incomes of less than 500 Yuan/month (including those individuals who report no income). While this may seem unusual, it is in large part the result of China's internet being used by students (pre-primary education to post-bachelor) who would be expected to have little to no income. In 2009 students represented 31.7 percent of total internet users while "common corporate staff" came in a distant second with 13.9 percent.^{125, 126} Unfortunately, while individuals with little to no income represent a significant portion of China's internet using population, this does not correlate with significant levels of internet use outside of urban areas.

Urban/Rural ICT use Inequality

Rural internet use in China, while on the rise, significantly trails urban usage rates. As of June 2009 official statistics placed the number of rural users at 95.65 million people.¹²⁷ This seems like a significant number given that it represents roughly 28 percent of the total internet users in the country. However, when placed in the context of overall population the disparity becomes evident, as this represents only a 28.3 percent penetration rate of China's rural residents while urban penetration rates for the same period had reached 71.7 percent.^{128, 129} The rural numbers represent an 11.05 million person, or 13.1 percent increase from late 2008, certainly a significant increase for such a

¹²⁴ People's Republic of China. China Internet Network Information Center. "Statistical Report on Internet Development in China. Vol. 24." Beijing: China Internet Network Information Center, 2009.

¹²⁵ Ibid.

¹²⁶ See Appendix Material 9.

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ See Appendix Material 10.

brief period, but this growth was slightly lower than the national increase of 13.4 percent over the same period in spite of the rural population representing 57 percent of the nation's total population.¹³⁰ Government censored news outlets admit that even these numbers hide pitifully low internet usage rates in some of China's poorest rural areas. One example is Ping'an County, in western Qinghai Province, only 4,145 of the county's population of 120,000, (3.4 percent) are internet users according to official local documents.¹³¹ The evident conclusion is that ITC penetration and development in rural areas significantly lags urban centers and that despite a relatively healthy overall growth rate, certain provinces remain almost entirely without generally accessible information communication technologies.

One of the two most important factors preventing rural residents from going online is internet literacy, or an inability to use and navigate the internet and its functions, largely as a result of unfamiliarity and lack of general ICT exposure. The second major factor being that as recently as 2005, the average number of computers was 2.7 per 100 households in the rural areas, far lower than the 47.2 PCs per 100 urban households.¹³² And while there have been efforts to bring ICTs to rural areas, these have fallen short of closing the technological chasm in any substantial way. At the end of 2006 over 55 percent of rural internet users utilized internet cafes for internet access compared with 27.6 percent of urban residents. Similarly 36.4 percent of urban workers utilized the

¹³⁰ Ibid.

¹³¹ Dingdu, Yang, and Qian Rong. "Rural Chinese Children Still in World without Internet." Xinhua News Agency. http://news.xinhuanet.com/english/2009-11/10/content_12426127.htm (accessed November 22, 2009).

¹³² Zhang, Guoliang, and Jianguo Deng. ".Cn China." Digital Review of Asia Pacific. http://www.digital-review.org/uploads/files/pdf/2009-2010/chap-19_china.pdf?93d8e68695e76f3bf28837adbeb3725c=99681f2891c9a73789d005847ceb0531 (accessed February 23, 2010). 175.

internet at work, while only 18.4 percent of rural users used internet services at their place of employment.¹³³ When one considers another aspect of internet use, the registration rates of internet domain names, one finds a definitive correlation between urban and rural provinces throughout China. Some of China's most rural provinces account for less than half of one percent of China's overall domain registration; Gansu (0.2%), Xinjiang (0.3%), Inner Mongolia (0.3%), and Tibet, Qinghai, and Ningxia all with 0.1% of total internet domain registrations. To place this in context, the cities of Beijing and Shanghai combine to account for 34.8 percent of total domain registrations.¹³⁴

As previously noted, the CCP has implemented funding programs in an attempt to narrow the ICT gap between the rural and urban spheres, but these policies have done little to change the overall disparity. One example is the 2003 pledge made by the CCP to invest 200 million Yuan (US\$24.2 million) specifically to curb the growing digital gap between western and eastern (read rural and urban) provinces.¹³⁵ But as 2009 statistics show, these programs have served as little more than Band-Aids on broken bones and the problem has perpetuated unabated. While the government of the world's most populous nation can certainly not be expected to provide internet access and training to each of its citizens, a notion that by its very gravity defies consideration, the Chinese government has certainly perpetuated lower rates of internet use through its directly and indirectly

¹³³ People's Republic of China. China Internet Network Information Center. "Statistical Report on Internet Development in China. Vol. 23." Beijing: China Internet Network Information Center, 2007.

¹³⁴ People's Republic of China. China Internet Network Information Center. "Statistical Report on Internet Development in China. Vol. 24." Beijing: China Internet Network Information Center, 2009.

¹³⁵ Fong, Michelle "Digital Divide Between Urban and Rural Regions in China." Victoria University, Melbourne, Australia. <http://www.ejisdc.org/ojs2/index.php/ejisdc/article/viewFile/532/268> (accessed February 28, 2010). 2.

related policies. Policies which have helped to form education funding inequality between rural and urban spheres has prevented a majority of rural schools from providing computer access to students. Those government policies which have promoted urban economic growth at the expense of rural areas and have simultaneously created disproportionate levels of per capita income, prevent many individuals and households from obtaining personal computers or utilizing fee-based internet cafes. Likewise, CCP policies centering foreign investment and capital in specified zones and coastal regions has a detrimental effect on the ability of rural areas to attract and retain technology related businesses and jobs, resulting in a lower instance of employment based internet and high-technology use. The common denominator is monetary wealth, whether public or private. Specifically, the direct correlation between developed, wealthy, and tech-savvy households, cities, and regions having more and better access to modern technology, and throughout the reform era the CCP has favored spatially preferential policies directly allocating and maneuvering said wealth.

Conclusions on ICT Growth and Disparity

The Chinese internet boom is certainly just beginning, with less than one-third of the countries more than 1.3 billion residents currently utilizing the technology. In spite of this limited penetration rate, approximately on par with global averages, China already boasts the world's largest and fastest growing internet population. Information and Communication Technology devices represent a new and exponentially expanding market with the constantly growing Chinese middle class demanding ever more technologically advanced and globally utilized products. The materialistic nature which accompanies rapid globalization, economic

growth and the advent of instant gratification where such phenomena was previously nonexistent, is pushing China toward an ever more tech-savvy and tech-hungry marketplace. This rapid grasp of first world communication and the vast variety of mediums through which we disseminate modern information, experience entertainment, transact business, and connect as a global society, is at the very least commendable and humbling in its pace. The reality remains, however, that as the nation progresses it does so in two parts, the same dichotomy which splits education, income, healthcare, and array of other aspects of individual livelihood dislocates China's urban sphere from the national trend toward technological modernity. The effects are multiple and great, from hindering the ability to learn in chalkboard-only classrooms, to the limiting effects on business and infrastructure, the lack of technology in China's rural provinces is serving to perpetuate rural China's second rate standing within the broader nation. The establishment of government efforts intended to rectify the worsening situation have proved all but ineffective and the key goal of bringing technology to rural residents has not sufficiently materialized. Technology is a key component to any economy, national, regional or local in the 21st century and central government policies must reflect the absolute and undeniable need to narrow the gap between the urban and rural spheres on this essential and fundamental issue moving forward.

CHAPER 5: Policy Moving Forward

In 2010 China has reached a pivotal point at which effective policy must be enacted to curb the growing urban/rural divide which government policies have manifested throughout the now three decade old reform period. One cannot state more simply that in the immediate future the multi-faceted and multi-level rift threatens to unhinge China's relatively complacent populace by fostering and encouraging social unrest in rural areas. The reality that small and localized demonstrations of public discord could expand beyond their easily confined present limits into any form of national movement, cohesive and organized or not, is in many ways a frightening prospect to those concerned with China's continued stability and growth. A semi-socialist nation with a single-party government and an increasingly market-oriented economy makes for one of the most vulnerable political situations in modernity. Giving the people no voice or control over the direction of their country, but instead imposing what the government deems appropriate and necessary is a system which can certainly be maintained, so long as the government remains strong, the country free of social unrest, and the people lack the sense of entitlement in their nation's decision making processes that one finds in democratic nation-states. Unfortunately, if one of these elements is negated, the system faces the possibility of total instability or in extreme cases, collapse. Added to this scenario is the fact that China is not any nation under single-party rule, but is a nation of over 1.3 billion people under single-party rule, a population which no government, no matter how strong, could counter if something were to wake the proverbial sleeping dragon.

The CCP, by ensuring the maintenance of growing economic prosperity, a strict censorship/propaganda system controlling news dissemination, and quelling social unrest in its early stages (and often with an iron fist), has maintained relative national social stability to a nearly incredible degree. As Chinese officials admit, however, this is becoming a more difficult task as economic growth slows, growing technology use and simultaneous global awareness are rising, and religious and ethnic conflicts remain. China's Academy of Social Sciences detailed in its latest report that China saw more conflict in 2009 than ever before, citing incidents in central China in June involving tens of thousands of people, taxi strikes, and four other large-scale protests in the analysis.¹³⁶ Reasons given include unfair treatment and power abuses by government officials at various levels and the income gap. Shirong Chen notes that "The urban-rural income gap...has become even bigger and the country's phenomenal GDP growth has been achieved at the expense of the rural population, the environment, and overall social cohesion."¹³⁷ The report did not include ethnic unrest in northwest Xinjiang province in July during which nearly 200 people were killed. The current trend of rising unrest is at a minimum, unsettling for a government which justifies political hegemony and which relies on the complacency of the people to remain in power. This paper does not seek to condemn the system of government in place in China today. The accomplishments achieved under CCP rule, as previously discussed, are remarkable by any standard. While the human rights abuses, censorship, environmental policy, foreign policy, and in many

¹³⁶ Chen, Shirong. "BBC News - Social unrest 'on the rise' in China." BBC NEWS <http://news.bbc.co.uk/2/hi/8425119.stm> (accessed January 26, 2010).

¹³⁷ Chen, Shirong. "China rural-urban wage gap widens." BBC News U.K. <http://news.bbc.co.uk/2/hi/7833779.stm> (accessed February 20, 2010).

cases oppressive Party control are certainly areas in need of discussion, they are not the focus of this work. Rather, it is the purpose of this section to discuss the possibility of political collapse as a result of social unrest directly related to the urban/rural divides which threaten the nation's fragile and essential political stability and those steps being taken to prevent such an outcome.

The possibility of political collapse and resulting chaos (for no system, democratic or otherwise, could theoretically be implemented immediately in the wake of a sudden political vacuum in the PRC) is not a scenario lost on the current CCP government and it is a political reality they are committed to ensuring does not materialize. Currently, the Chinese government is crafting and implementing policy designed to hasten economic and social advancement in rural areas on a variety of levels, including reforms targeted towards those areas discussed in this work: education, healthcare, income, and technology penetration. In China, unlike in other developing nations, inequality is largely not the result of structural and institutional factors such as unequal land distribution and productive assets and in fact equality of the distribution of land in China has prevented further compounding China's rural poverty and inequality. As Riskin and Khan point out, "Much of the cause of increased inequality and reduced poverty alleviation has resided in public policies related to such issues as macroeconomic management, fiscal system, enterprise reform, regional balance, and migration."¹³⁸ In many cases these policies were enacted to facilitate China's transition from an egalitarian agricultural economy towards integration with the global economy. Khan and Riskin note, "Although such integration was essential for China's growth and efficiency, it was

¹³⁸ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 120.

not accompanied by appropriate countervailing policies and actions to protect Chinese society from the disequalizing effects that the process of integration unleashed."¹³⁹ The result has been regionally specific modernization/global integration and realization of the associated benefits, resulting in a disparate transition discerned along regional boundaries and precipitating a widening of urban/rural inequality.

Social discontent on the part of rural residents can be hard to understand given the overall increase in per capita incomes and general lifestyle improvements, but it is in fact the lack of income increases *relative* to urban residents and the resulting tenuous social imbalance which generates rural indignation. Compounding the problem is the government's perceived mistreatment of rural policy including providing fewer welfare benefits to rural residents (ex. healthcare and education subsidies), discrimination under the *hukou* system, less infrastructure investment in rural areas, and procurement policies of agricultural products which do not respect market pricing and affect farming incomes.¹⁴⁰ Additionally, corruption and abuse of power on the part of local officials is generally considered to be widespread in rural China, specific incidents of which often spawn localized anti-government demonstrations.

Realizing the seriousness and potentially devastating consequences of continuing neglectful rural policies, the CCP has taken steps to introduce new legislation designed to begin rectifying the urban/rural divide. There has been much discussion within the government concerning the growing income disparity and the potential political

¹³⁹ Ibid.

¹⁴⁰ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and Institutions*. London: Routledge, 2009. 234.

implications of continued neglect. As Khan and Riskin point out, "Political stability, which is the government's more important general goal, is seen to be potentially threatened by excessive regional polarization. Therefore there have been efforts to encourage a greater flow of investment resources to the poorer western provinces."¹⁴¹ In February of 2004, the State Council announced a set of policies specifically proposed to improve rural living conditions including; supporting development of agricultural production in grain-producing areas, developing industrial and service industries in rural areas, easing rural to urban residency transitions, establishing a marketing mechanism for the distribution of grain, improving rural infrastructure, reforming the rural tax system, and continue and improve poverty reduction programs.¹⁴² In 2005 the government took the step of eliminating all taxes on farmers based on a cost-benefit analysis showing that such taxes accounted for approximately 1 percent of total government revenues.¹⁴³ These initial steps demonstrated a new willingness on the part of the CCP to address the problem of urban/rural disparity and were the beginning of further related incremental policy changes.

In February 2006 the State Council and the Central Committee issued the third of what it deems the "Number 1 Document," more detailed than the previous two, the document addressed the subject of agriculture, farmers, and countryside development. It detailed efforts to increase central government spending on rural provinces and a 2005 spending increase of over 300 billion Yuan (U.S.\$37.5 billion) to support rural

¹⁴¹ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001.122.

¹⁴² Ibid. 238.

¹⁴³ Ibid. 238.

development, a figure that represented a 50 percent increase in central government funding from fiscal year 2002. The document discusses intended improvements in rural infrastructure, particularly safe drinking water systems, a national support system for agriculture which included direct subsidies, facilitated migration, increased funding for rural compulsory education, additional funding for the new rural cooperative healthcare system, technical training programs, and financial reform for local financial institutions and practices. The document also laid out policies to improve local environmental practices and a streamlining of the functions of China's multi-level government system so as to better serve the needs of rural and local constituents.¹⁴⁴ Additionally, beginning in January 2006 the government abolished the agricultural tax which in 2005 had resulted in tax revenues of \$2.75 billion.¹⁴⁵ The National People's Congress incorporated these policy proposals into the 11th Five-Year Plan in March of 2006 and as noted by Kanbur, et al., "In summary, the policies of the central government aim mainly at redirecting economic resources to the rural areas and also at streamlining the structure of local governments."¹⁴⁶ These policies represent essential and important incremental steps in the government's effort to combat rising inequality between the urban and rural spheres. Those policies which increase direct funding and call for the improvement of rural infrastructure will have the most tangible and immediate effects for China's rural residents.

In January 2007 the central government released the fourth Number 1 Directive with specific steps towards "Proactively Building a New Socialist Rural China." In this

¹⁴⁴ Ibid. 239-240.

¹⁴⁵ Ibid. 239.

¹⁴⁶ Ibid. 240.

version of the document the government specifically dealt with the issue of technology penetration (or lack thereof) in rural areas and set forth initiatives to improve the absence of widespread rural technology access and awareness. The plan called for the construction of rural ICT infrastructure, improved agricultural information services, and information literacy incentives for rural residents through both online and offline training. Moreover, "Cultivation of an informatization-friendly environment by increasing investment, breaking information monopolies and blockades, cracking down on agricultural disinformation and misinformation, regulating information services, and offering inexpensive quality services."¹⁴⁷

The 2010 Number 1 Directive, released December 31st, 2009, affirms the government's commitment to bringing the economic benefits of reform to the countryside. The report highlights extensive progress in rural infrastructure implementations, specifically clean water, power, and gas supplies and road and housing construction. Furthermore, the report states that central government efforts to improve rural education, health services, and the social security system continue, resulting in positive improvements for rural livelihoods.¹⁴⁸ The directive also finds that there is a significant amount of work yet to be done, stating that, we must keep the "three rural issues" as "first top priority among others" in the Party's work, and stabilize and improve the [CCP's] basic policies in rural areas." The "Three Rural Issues" or "San Nong Wenti"

¹⁴⁷ Zhang, Guoliang, and Jianguo Deng. ".Cn China." Digital Review of Asia Pacific. http://www.digital-review.org/uploads/files/pdf/2009-2010/chap-19_china.pdf?93d8e68695e76f3bf28837adbeb3725c=99681f2891c9a73789d005847ceb0531 (accessed February 23, 2010). 177.

¹⁴⁸ Beckman, Chanda. "Peoples Republic of China 2010 Agriculture Policy Directive." Global Agricultural Information Network. http://gain.fas.usda.gov/Recent%20GAIN%20Publications/2010%20Agriculture%20Policy%20Directive_Beijing_China%20-%20Peoples%20Republic%20of_2-11-2010.pdf (accessed February 25, 2010). 2.

(三农问题) are a reference to agriculture, farmers, and rural areas and are the focal points of central government reform policy in the rural sphere. In particular, the report finds that government efforts must “Give particular attention to strengthening the infrastructure for agriculture and rural development, establish and improve market-based services for agriculture...strengthen rural organizations centered by the Party organization, build a solid foundation for rural and agricultural development, and promote coordinated industrialization, urbanization and agricultural modernization.”¹⁴⁹ The ultimate goal of these reforms is to bridge the economic gap between the urban and rural spheres, “...so as to achieve integrated economic and social development in urban and rural areas.”¹⁵⁰ In January of 2010 the CCP and the Central Committee released an additional policy document stressing that “Budget expenditure should first support development of the agriculture and rural area, and fixed-asset investment first be channeled into agricultural-related infrastructure and projects in relation to rural livelihood.”¹⁵¹ Specific policy pledges included basic banking services in all villages within three years, additional crop-specific subsidies, improvement of financial loan and insurance services in rural areas, tax breaks for rural enterprises which establish rural welfare foundations, and requiring major financial institutions to expand credit loans for agriculture and long-term credit for rural infrastructure.¹⁵² The 2010 Number 1 directive calls for the continuation of centrally funded improvements in a variety of these areas, including but not limited to farming and agriculture. In addition to concerted efforts to improve farming technology, soil and

¹⁴⁹ Ibid. 3.

¹⁵⁰ Ibid. 3.

¹⁵¹ Tang, Anne. "Consecutive No. 1 central documents target rural issues." Xinhua News Agency. http://news.xinhuanet.com/english2010/china/2010-02/01/c_13158948.htm (accessed February 15, 2010).

¹⁵² Ibid.

water quality, and implement market pricing on agricultural products, the plan calls for continued funding to improve farmer employment through non-agriculture based vocation-training programs. Additionally, steps facilitating the simplification of legislation to allow rural residents to become entrepreneurial, enhanced rights for migrant and rural workers, and improved social security and work injury compensation programs were included.¹⁵³ These policies will, in theory, work to expand general employment opportunities for rural residents allowing them a greater variety of employable assets as well as decreasing the overall rural population's high dependence on inconsistently priced agriculture production.

In terms of education the 2010 Number 1 Directive calls for the continued "consolidation" and "improvement" of the rural compulsory education system. Means to this end include subsidizing children of migrant workers in public schools under certain circumstances, developing secondary school level vocational training and improving school nutrition and safety.¹⁵⁴ More specifically, the Chinese Ministry of Education released its latest long-term plan for reforming the Chinese education system on February 28, 2010. The "National Outline for Medium and Long-term Education Reform and Development" (国家中长期教育改革和发展规划纲要) outlines a number of policy changes aimed at improving the quality and accessibility of compulsory education for students nationwide, including specific programs and reforms aimed directly at assisting rural residents. The program specifically calls for expanded funding and facilities for pre-

¹⁵³ Beckman, Chanda. "Peoples Republic of China 2010 Agriculture Policy Directive." Global Agricultural Information Network.

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/2010%20Agriculture%20Policy%20Directive_Beijing_China%20-%20Peoples%20Republic%20of_2-11-2010.pdf (accessed February 25, 2010). 9.

¹⁵⁴ Ibid. 9.

school education, efforts to build boarding schools for abandoned children, financial assistance programs for poor families, improved student nutrition in impoverished regions and vigorous calls for the development of vocational training as a response to the "three rural issues." (加快发展面向农村的职业教)¹⁵⁵ Perhaps most importantly the proposal calls for improving the quality of rural education by implementing central government funded teacher training programs and incentive pay programs to attract quality teachers to positions in rural Chinese schools. (提高教师业务水平)¹⁵⁶ These reforms are certainly important to ensure that the quality of rural education is shored up in the near to medium-term and are prudent building blocks for a foundation upon which a permanent system of rural education can be formed at quality and accessibility levels equivalent to those found in urban areas.

In terms of healthcare improvements the CCP issued an aggressive plan in the fall of 2009 to precipitate the gradual eradication of healthcare access and quality disparities between urban and rural residents. The U.S.\$124 billion plan calls for a 3 year overhaul of the healthcare system which includes building a clinic in each of the countries 700,000+ villages, expanding medical insurance and medical insurance assistance, and capping prices on hundreds of prescription drugs.¹⁵⁷ The goal, according to government officials is to provide, "...safe, effective, convenient, and affordable health services to all

¹⁵⁵ "国家中长期教育改革和发展规划纲要." Chinese Ministry of Education. http://www.moe.gov.cn/edoas/website18/zhuanti/2010zqyj/zqyjg.htm#_Toc254687644 (accessed February 26, 2010).

¹⁵⁶ Ibid.

¹⁵⁷ MacLeod, Calum. "Chinese health care reformers aim to help rural areas." USATODAY. http://www.usatoday.com/money/world/2009-05-06-china-health-care-reform_N.htm (accessed November 20, 2009).

of China's 1.3 billion people by 2020."¹⁵⁸ Initially the plan calls for a vast expansion of health insurance aimed at giving 90 percent of the population some sort of health insurance by 2011, in addition to increasing insurance subsidies for farmers and unemployed urban residents by 33 percent this year.¹⁵⁹

In spite of the central government taking important and necessary steps, in many cases scholars agree that more or different approaches are needed and an examination of current and proposed policy is essential for understanding these areas of disparity in the transient reality of China's rural/urban divide. While the current reforms are certainly positive examples of government action, they do not necessary represent a realization of the across-the-board policy change suggested by Khan and Riskin in 2001. They found that "What is needed is a carefully formulated set of policies and actions to offset the adverse distributional consequences of integration with the world economy."

Specifically:

"China should put a decisive end to its vacillation toward the rural sector by adopting a package of policies in which the following should be major elements: (1) allow the terms of trade of the sector to be determined by economic forces without depressive public intervention; (2) improve the rural sector's share of public resources, including resources for healthcare and education; (3) promote rural non-farm activities; and (4) further liberalize control of population movement so as to permit a freer flow of people in search of economic and social opportunity."¹⁶⁰

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Khan, Azizur R., and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. New York: Oxford University Press, 2001. 126.

On the surface the reforms which began in significant fashion in 2006, seem to directly address the concerns and suggestions presented by Khan and Riskin, but close analysis demonstrates continued deficiencies in the government's approach to tackling the urban/rural divide. Efforts similar to those currently being proposed or implemented by the CCP have been attempted before, and often have been met with marginal, if any, success. As Xiwen Chen of the Office of the Central Leading Group on Rural Work in China, notes, "...all levels of governments participated in the new cooperative medical treatment subsidy...but in overall terms, rural medical services and public health still fall far behind the city and are not coordinated with overall economic and social development."¹⁶¹ As has been discussed throughout this paper, the income disparity between rural and urban residents today is higher than ever before and what improvements have been made in the areas of rural education and healthcare have been met with largely marginal results. In terms of technology penetration there remain serious policy gaps in spite of government-implemented efforts to improve technology use and awareness in the rural sector. As Zhang and Deng point out, there is no concrete model for technology implementation in rural areas and at present there are at least four separate models for expanding internet use in China's western rural areas (government-led, enterprise-sponsored, laissez-faire, and a mixed-development model). Additionally, there are no overarching laws directing informatization and, "Most current ICT rules and regulations concentrate on developed areas of the country. Where ICTs need most development, the laws are insufficient."¹⁶²

¹⁶¹ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and Institutions*. London: Routledge, 2009. 26.

¹⁶² Zhang, Guoliang, and Jianguo Deng. "Cn China." *Digital Review of Asia Pacific*.

Another grievance on the part of some scholars is that, in spite of the broad-based reforms found in current policy proposals, these programs are insufficient and, in fact, do not go far enough in their scope to target certain key challenges. One example is the failure of currently proposed legislation to sufficiently address the need for tax reform and a broader social safety net to ensure expansive equality. At issue is the idea that “China will have to adopt and implement more features of a ‘social safety net,’ as even universal education will not be enough to generate a ‘poverty-free’ income distribution...China will need to adopt a redistributive taxation system...and allow the broader society to share in the obvious wealth being generated by the top part of the income distribution.”¹⁶³

Still other scholars have pointed out that China is still not reforming at an even pace and that current economic policy proposals fail to address the essential problems hindering rural economic advancement. Jiwei Lou, Chairman of the China Investment Corporation, found that “[China] must speedily realize pricing freedom in things such as interest rates, exchange rates and commodities, and freedom of market entry, the lag in some reforms is considerable and, apart from problems of efficiency of resource allocation, there may also be many to do with income distribution.”¹⁶⁴ Others argue that

http://www.digital-review.org/uploads/files/pdf/2009-2010/chap-19_china.pdf?93d8e68695e76f3bf28837adbeb3725c=99681f2891c9a73789d005847ceb0531 (accessed February 23, 2010). 177.

¹⁶³ Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. “Income Inequality During China’s Economic Transition.” University of Toronto, Canada.

<http://www.chass.utoronto.ca/~benjamin/BBGW.pdf> (accessed February 26, 2010). 33.

¹⁶⁴ Kanbur, S. M. Ravi., and Xiaobo Zhang. *Governing Rapid Growth in China: Equity and institutions*. London: Routledge, 2009. 33.

the programs proposed by the central government have theoretical flaws in their implementation proposals. One of two issues pointed out by Gregory Chow, economics professor at Princeton University, is the realistic feasibility of simplifying/eliminating tax structures and with them entire entrenched levels of local government. The second issue being the government's lack of response for the third portion of the “three rural problems,” specifically the inability of the government to actually protect the rights of farmers and rural residents from long present trends of illegal taxation and coercion on the part of local officials, a major contributor to rural social unrest and discontent.¹⁶⁵ These represent only a fraction of the perceived problems which potentially exist within proposed legislation directed toward rural economic and social reform. However, there is a point at which one must realize the overarching positive and apparently genuine intent on the part of the government to begin to truly deal with those fundamental and underlying issues preventing the rural sphere from effectively and totally engaging in the economic success of its urban counterpart.

¹⁶⁵ Ibid. 241.

Conclusion

One cannot expect the problems persisting in China's rural areas to be solved in any immediate fashion, and indeed those reforms which are currently being proposed and those already in the implementation process are, at least in theory, capable of making a significant difference for the rural sphere. Unfortunately, it remains far too early to judge the effectiveness of the new government efforts and any attempt to do so would be premature. The CCP has a permanent history of pledging assistance to the rural population while under-delivering through improper policy (See Mao Era) or essentially ignoring the rural sphere entirely, to the contrary of official rhetoric (See the reform Era 1984-2000). The single most important difference in modernity and the fact which should give us (and more importantly the Chinese people) reason and cause to believe that the CCP intends to make good on its promises of policy reform and rapid implementation, is the new political necessity of ensuring complacency on the part of an increasingly restless lower class. Should the CCP fail to sufficiently enact its most recent pledges, outlined in the Number 1 Directives of 2004-2010, it risks a backlash measuring in excess of 500 million people and the possible, if not probable, collapse of political stability and one-party communist control in the PRC. The notion that the status quo of coastal/urban/eastern affluence and economic success while the interior languishes a decade behind on a majority of fronts, can survive another ten years is at best, highly unlikely.

The current trend of increased social awareness, increasing social unrest, widespread local government corruption, and effectively second-rate citizenship for rural residents cannot be sustained indefinitely. Adding to the immediacy of the problem is the recent reminder of China's vulnerability to global economic trends as was demonstrated with slowing GDP growth, spiking unemployment, and large drops in exports during the international financial crisis. The single most important element which has allowed the CCP to maintain social harmony while limiting rights and creating widespread disparity has been its ability to maintain rapid, unabated, economic growth (to a varying extent) nationwide. Any interruption in this growth pattern could be the catalyst for sudden and widespread social upheaval and impossible demands of a government that has justified its hegemonic existence on crediting itself with the ability to ensure economic prosperity for the people. While the government does control all aspects of news and information dissemination, one can hardly imagine that the general tact of blaming the United States and other Western economic powers for financial hiccups can be sustained for any extended period of time. As previously noted one need only look to the nearly rapid and phenomenal collapse of the Japanese economic juggernaut during the 1980's to understand the fallibility of rapid-rise nation-states. Unfortunately for the Chinese nation-state and the CCP, the government has no collateral, no backup plan upon which to fall should economic woes present themselves. This bet-the-house strategy has ensured that the more rapidly and acutely the government tackles economic, education, technological, healthcare, and lifestyle disparities, the better its chances for political survival. Whether the Chinese economy falls to earth in two years or twenty, the best chance to maintain political stability and subsequently avoid national chaos resulting from a political vacuum

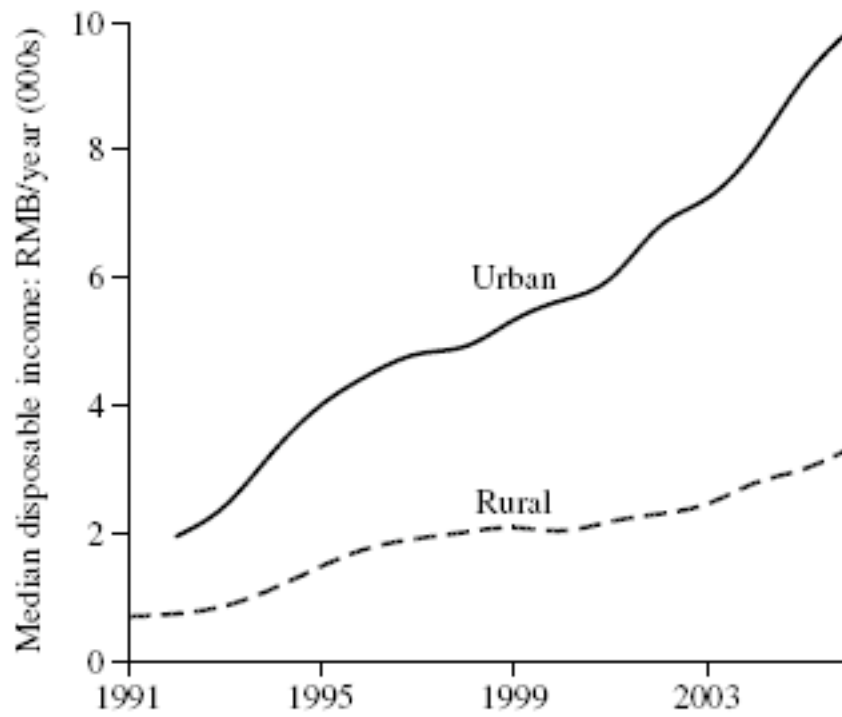
is to ensure that such a crisis is met by a country on equal footing and with an educated, multi-talented, non-impooverished, healthy rural majority.

The inequality that exists between China's rural and urban spheres on a multitude of levels is not a new phenomenon, having existed for over two decades and in large part remaining today. As the country moves forward it is all but essential that the disparities be marginalized to ensure the continuance of China as a prosperous, politically viable, rising world power. The single largest hindrances to China ascending to the top-tier of global nations are the internal conflicts it faces, the largest and most pressing of which being the rural/urban dichotomies. As China has entered the 21st century openly acknowledging the pressing challenges it faces and presenting the first legitimate and concerted across-the-board efforts to rectify them, we find hope. Hope that effective policy and prudent use of the country's immense financial resources can transform a second and third world country into a first world country by directing its most aggressive reform efforts to those regions most in need of central government leadership, while simultaneously managing its controlled rise on the global stage. The policies which the CCP has outlined are at a minimum an excellent foundation from which to build a vibrant, economically successful, educated, and healthy rural sector and subsequently a solidified country. Naturally, as with any major policy there are areas in need of improvement, goals that will not be met, and desired outcomes which are not realized, but, if properly enacted, the prudent and multi-faceted policies proposed will bring positive transformational change to the vast majority of Chinese people. Moving forward it is essential that continued study be placed on the transition of the rural sector and the

accelerated and continued lifestyle improvement of 20 percent of the global population. As China has emerged as an Asian, and likely soon, truly global power, the world has a vested interest in its success and continued prosperity. China is the single most important emerging nation on the planet and the success of its struggle with internal challenges affects all countries in the globalized 21st century economy and when placed in the interdependent and intricately connected geo context, the stakes could not be higher.

APPENDIX MATERIAL

APPENDIX 1:

Figure 1. Increasing income inequality in China

Candelaria et al. (2009, Figure 1)

APPENDIX 2:

2. 1. National Gini Coefficient

$$\begin{aligned}
G &= 1 - 2[0.5I_1P_1 + I_1P_2 + 0.5I_2P_2 + \dots + 0.5I_nP_n + (I_1 + I_2 + \dots + I_{n-1})P_n] \\
&= 1 - [I_1P_1 + 2I_1P_2 + I_2P_2 + \dots + I_nP_n + 2(I_1 + I_2 + \dots + I_{n-1})P_n] \\
&= (I_1 + I_2 + \dots + I_n)(P_1 + P_2 + \dots + P_n) - [I_1P_1 + 2I_1P_2 + I_2P_2 + \dots + I_nP_n + 2(I_1 + I_2 + \dots + I_{n-1})P_n] \\
&= (I_1P_1 + I_1P_2 + \dots + I_1P_n + I_2P_1 + I_2P_2 + \dots + I_2P_n + \dots + I_nP_1 + I_nP_2 + \dots + I_nP_n) - [I_1P_1 + 2I_1P_2 + I_2P_2 + \dots + I_nP_n + 2(I_1 + I_2 + \dots + I_{n-1})P_n] \\
&= (I_1P_1 + I_1P_2 + \dots + I_1P_n + I_2P_1 + I_2P_2 + \dots + I_2P_n + \dots + I_nP_1 + I_nP_2 + \dots + I_nP_n) - \\
&\quad (I_1P_1 + 2I_1P_2 + I_2P_2 + \dots + I_nP_n + 2I_1P_n + 2I_2P_n + \dots + 2I_{n-1}P_n) \\
&= (I_2P_1 + I_3P_1 + I_3P_2 + \dots + I_nP_1 + I_nP_2 + \dots + I_nP_{n-1}) - (I_1P_2 + I_1P_3 + \dots + I_1P_n + \dots + I_2P_3 + I_2P_4 + \dots + I_2P_n + \dots + I_{n-2}P_{n-1} + I_{n-2}P_{n-1} + I_{n-1}P_n) \\
&= \sum_{i=2}^n [I_i(\sum_{k=1}^i P_k - P_k)] - \sum_{i=2}^n [P_i(\sum_{k=1}^i I_k - I_k)] \\
&= \left\{ \sum_{i=2}^m [I_i(\sum_{k=1}^i P_k - P_k)] + \sum_{i=m+2}^n [I_i(\sum_{k=m+1}^i P_k - P_k)] + I_uP_r \right\} - \left\{ \sum_{i=2}^m [P_i(\sum_{k=1}^i I_k - I_k)] + \sum_{i=m+2}^n [P_i(\sum_{k=m+1}^i I_k - I_k)] + I_rP_u \right\}
\end{aligned}$$

2. 2. Gini Coefficient between Urban and Rural Areas

$$\begin{aligned}
G_{ur} &= 2[0.5 - (0.5I_rP_r + I_rP_u + 0.5I_uP_u)] \\
&= 1 - (I_rP_r + 2I_rP_u + I_uP_u) \\
&= (I_r + I_u)(P_r + P_u) - (I_rP_r + 2I_rP_u + I_uP_u) \\
&= (I_rP_r + I_rP_u + I_uP_r + I_uP_u) - (I_rP_r + 2I_rP_u + I_uP_u) \\
&= I_uP_r - I_rP_u
\end{aligned}$$

Derivation and Decomposition of Gini Coefficients

Chen, J. (2008)

APPENDIX 3:

Table 2.8. *Decomposition of income inequality in China along the urban-rural dimension, 1988, 1995, and 2002, using the MLD index*

Contributor to proportion of national income inequality	1988	1995	2002
Rural inequality (%)	53.8	43.7	36.1
Urban inequality (%)	9.7	15.3	17.8
Inequality between urban and rural areas (%)	36.5	41.0	46.1
Total (%)	100	100	100
National MLD index	0.274	0.363	0.377
Proportion of income inequality within regions due to inequality between urban and rural areas			
West (%)	50	62	63
Central (%)	40	48	52
East (%)	33	37	41
West MLD index	0.279	0.512	0.389
Central MLD index	0.198	0.225	0.283
East MLD index	0.241	0.374	0.309

Gustafsson et al. (2008, Table 2.8)

APPENDIX 4:

Table 8.2. *Average per capita health care expenditure for various inhabitants of China, 2002 (yuan)*

Region	Sample size	Total household health care expenditure	Unreimbursed out-of-pocket health care expenditures	Subsidies	Subsidies as percentage of total household health care expenditures
Nationwide	54, 235	347.22	235.46	111.76	32.19
Urban	20, 433	725.92	429.27	296.65	40.87
Rural	33, 802	118.30	118.30	0.00	0.00

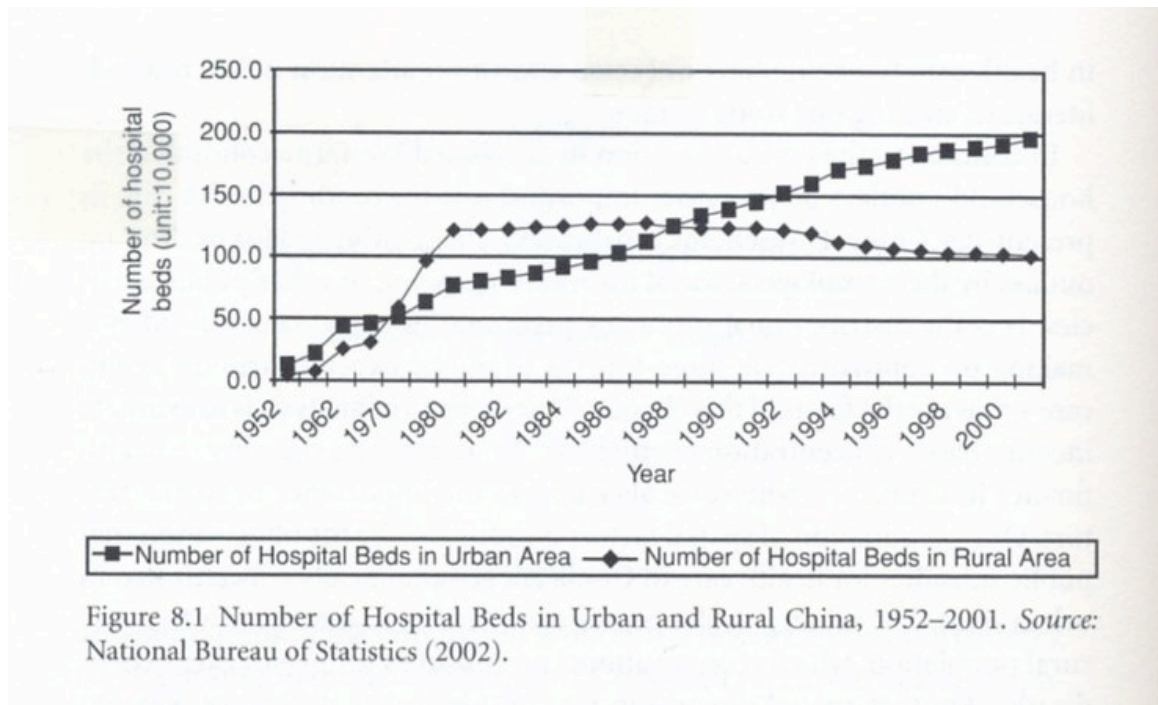
Note: Based on individuals as unit of analysis.

Table 8.3. *Concentration coefficients of per capita health care expenditure, 2002 (%)*

Region	Total household health care expenditures	Unreimbursed out-of-pocket expenditures	Subsidies
Nationwide	48.33	37.32	71.52
Urban	25.35	16.31	38.43
Rural	22.30	22.30	0.00

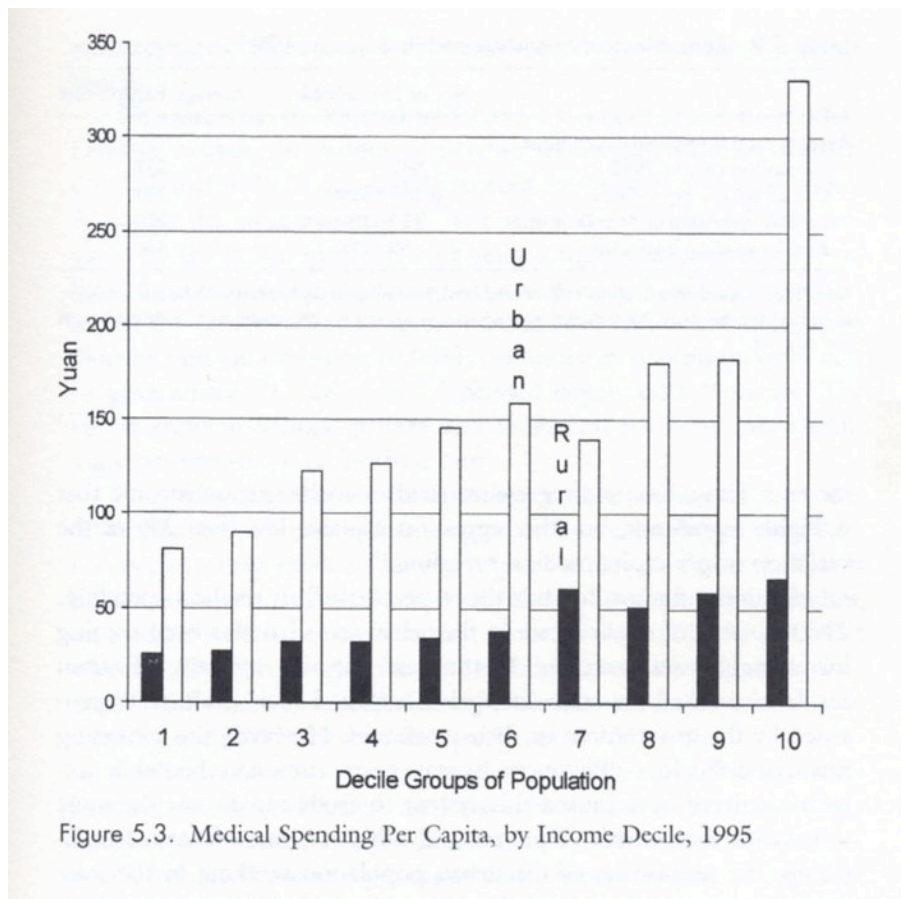
Note: Based on individuals as unit of analysis.

Gustafsson et al. (2008, Table 8.2)

APPENDIX 5:

Gustafsson et al. (2008, Figure 8.1)

APPENDIX 6:



Khan, Riskin (2001, Figure 5.3)

APPENDIX 7:

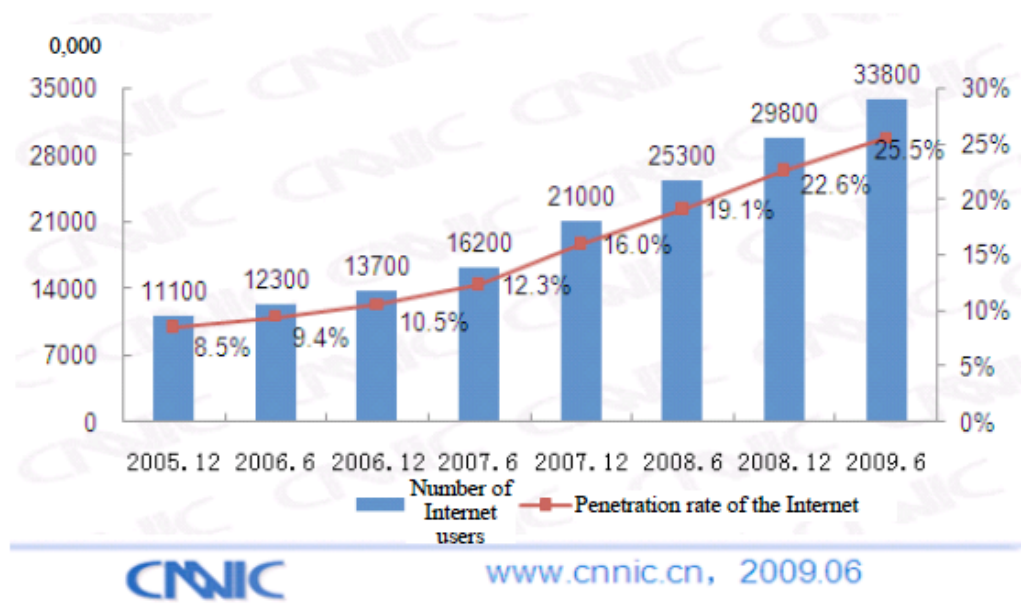
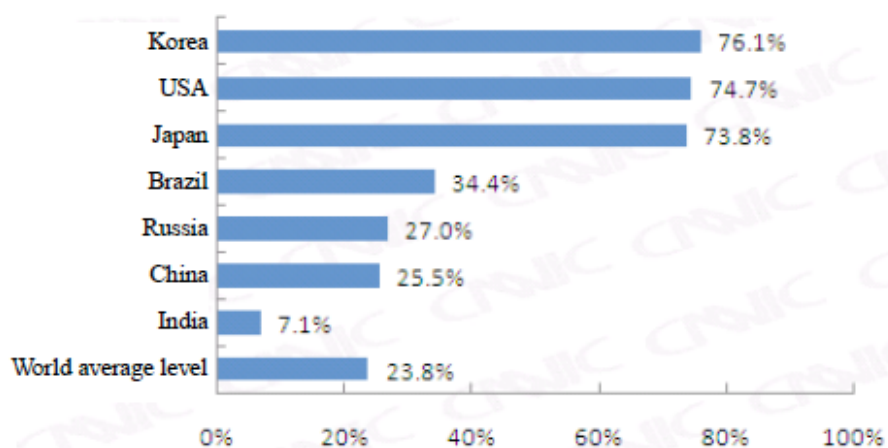


Fig. 1 Number of Internet Users on the Chinese Mainland and Penetration Rate of the Internet

China Internet Network Information Center (2009, Report 24, Figure 1)

APPENDIX 8:

Penetration Rates by Country



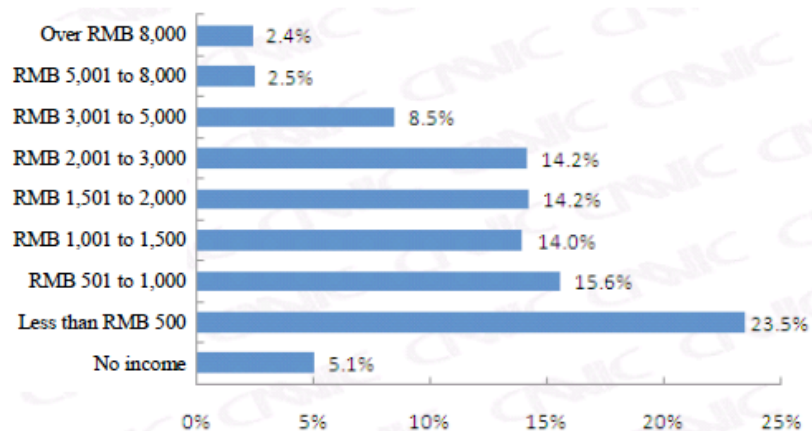
Source: <http://www.internetworldstats.com/>

CNIC

www.cnnic.cn, 2009.06

China Internet Network Information Center (2009, Report 24, Figure 2)

APPENDIX 9:



CNIC

www.cnnic.cn, 2009.06

Fig. 12 Income Structure of Internet Users

China Internet Network Information Center (2009, Report 24, Figure 12)

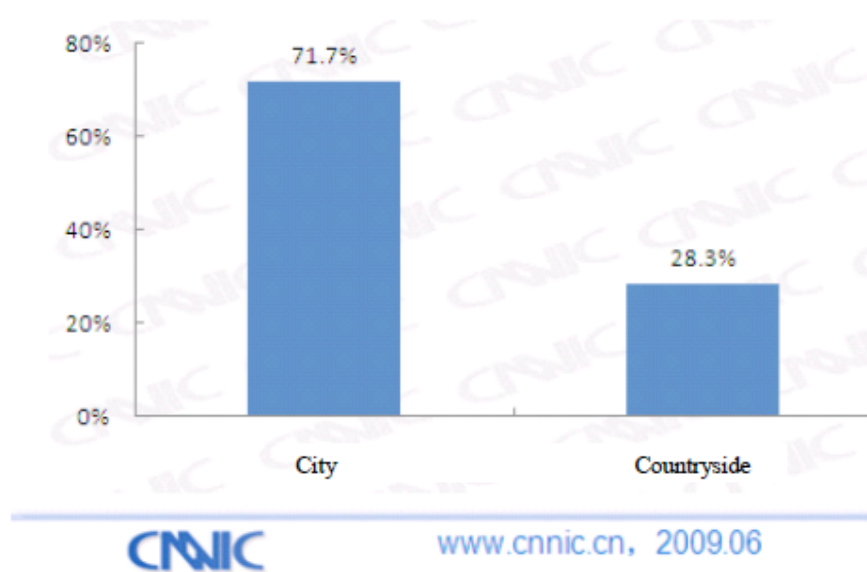
APPENDIX 10:

Fig. 13 Comparison in Urban and Rural Structure of Internet Users

China Internet Network Information Center (2009, Report 24)

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