

The Differences in the Wealth Gap Between China and America

Yahan Guo^{1,a,*}

¹Beijing Bayi International Department, Beijing, China

a. yahan.guo@bayims.cn

*corresponding author

Abstract: When delving deeper into the comparative analysis of the wealth gap between China and the United States, people must first acknowledge that these two nations, as pivotal engines of the global economy, have had their respective wealth distribution landscapes shaped by a myriad of factors, including their developmental trajectories, social structures, and policy orientations. While the wave of globalization has presented both countries with unprecedented opportunities for economic growth, it has simultaneously intensified intra-societal divisions, thrusting the issue of wealth inequality into the global spotlight. In the face of the ever-widening wealth gap, both China and the United States are actively exploring effective solutions. China has endeavored to forge a more equitable and rational social structure by deepening its reform and opening-up policies, promoting high-quality development, and strengthening its social security system. Meanwhile, the United States has sought to alleviate wealth inequality by adjusting tax policies, enhancing vocational education and training, and expanding social security coverage. Looking ahead, both countries must continue to strengthen their cooperation and exchanges, sharing their successful experiences and lessons learned in poverty reduction, social security, and tax regulation. By doing so, they can jointly contribute to narrowing the wealth gap on a global scale and fostering a more inclusive and sustainable development paradigm.

Keywords: Wealth gap, global development, China - US development.

1. Introduction

Nowadays, the global wealth gap has become a widening trend, the wealth gap has reached the highest level in some countries. According to the Global Wealth Report, the distribution of wealth has been polarized regionally, especially in developing economies, since the 2008 financial crisis. The richest 10% of the world's people own 87% of the world's wealth. It can be seen that the wealth gap on a global scale has gradually become an important issue, not only in each country but also in all social classes within countries. The widening of this gap poses considerable social challenges that require the international community to take effective measures to mitigate. The size of the wealth gap has a huge impact on social development. On the positive side, the wealth gap can encourage people to work hard and promote society's average overall economic quality. But the negative side is more important, the widening wealth gap will lead to social instability, social unrest, and increased discontent among the people. Therefore, solving the problem of the wealth gap has become a topic of increasing concern for all countries and all people. China and the United States are the world's

economic powers, and the wealth gap is also evident in the two countries. Studying the wealth gap between China and the United States is critical, which helps to learn from each other's experiences and promote the international exchanges between the two countries.

This report aims to comprehensively study the profound status quo of the current wealth gap in China and the United States. Through detailed data analysis and case studies, it will deeply explore the multi-dimensional factors that lead to the widening gap and the common points between them. These factors include economic system, industrial structure, educational resource allocation, tax policy, social security system, and differences in scientific and technological innovation capabilities. In the end, the report will emphasize the importance of reducing the wealth gap for social stability and economic development, aiming to promote the gradual narrowing of the gap between the rich and the poor in China and the United States and the world and achieve a more balanced and sustainable development goal. These proposals will take into account the national conditions of the two countries and global development trends, and strive to contribute wisdom and strength to the building of a community with a shared future for mankind.

2. The Specific Expressions of the Wealth Gap

The importance of defining the wealth gap lies in understanding its impact on social stability and individual well-being, and taking effective measures to alleviate the gap and promote social harmony and stable development. The Gini coefficient is an important index to measure the wealth gap between each country. It is usually used to describe the difference in residents' income distribution in the world. Gini coefficient is a value ranging from 0 to 1, where 0.2-0.3 indicates relatively average income, 0.3-0.4 indicates relatively reasonable income, 0.4-0.5 indicates a large income gap, and where a figure exceeding 0.5 indicates serious inequality of income distribution. Based on the current data shown by the Bureau of Statistics, the Chinese Gini coefficient is 0.474, and the Gini coefficient in the United States is 0.415 [1]. Both two countries have a large income gap [2].

Table 1: Per capita disposable income Gap by region (unit: Yuan)

Year	East region	West region	East/West
2013	23658.4	13919	1.70
2014	25954	15376.1	1.69
2015	28223.3	16868.1	1.67
2016	30654.7	18406.8	1.67
2017	33414	20130.3	1.66
2018	36298.2	21935.8	1.65

* Data source: Calculations by the National Bureau of Statistics

* Data From: https://www.stats.gov.cn/zs/tjws/tjzb/202301/t20230101_1903941.html.

From the table 1, the development gap between the east and the west in China is the main characteristic of the wealth gap in China. According to the "the per capita disposable income gap chart " from the Chinese Bureau of Statistics in 2018, the per capita income of the east is 36,298.2 yuan, and the per capita income of the west is 21,935.8 yuan. According to the annual data of provinces of the Chinese Bureau of Statistics in the past ten years in 2018, the average annual GDP of the eastern region is 480,995.84 yuan, and the average annual GDP of the western region is 184,302.13 yuan [2].

Based on the data from World Bank, the Gini coefficient in the United States has increased continuously from 1979 to 2016, which faces a severe wealth gap. This is caused by two factors.

Firstly, the rate of wage growth in the United States is slower than that of economic growth. Furthermore, most of the national wealth in the United States is concentrated in the upper class [1]. The Federal Reserve report shows that the share of wealth held by the top 1% of US households rose from 30% in 1989 to 38.6% in 2016, while the share of wealth held by the bottom 90% fell from 33.2% in 1989 to 22.8% in 2016 [3].

3. The Impact of the Wealth Gap between China and the United States

The disparity in the wealth gap between China and the United States stems from intricate, multi-faceted factors, encompassing economic systems and policies, income distribution, labor markets, property and capital accumulation, as well as social structures and cultural nuances, which collectively shape this societal phenomenon.

3.1. Economic Systems and Policies

China: The main factors contributing to the Chinese wealth gap are the geographical environment, industrial monopoly, and urban-rural dual structure. Since embarking on reform and opening up, China has transitioned to a market-driven economic system. This shift prioritized the eastern coastal regions, leveraging their geographical advantages and favorable policies, for rapid economic growth. However, this development momentum failed to adequately propel the western regions forward, exacerbating the wealth divide between east and west. The government's focus on the east inadvertently widened this gap [4].

United States: The American economic system rests on private ownership and free markets, yet government policies significantly influence the wealth gap. Notably, the tax policy implemented by the federal government has been a primary contributor to the vast disparity between the rich and poor. The prevailing mindset of "harnessing the poor's productivity for the rich's benefit" prioritized the aspirations of the wealthy, neglecting the plight of the less fortunate, thereby widening the wealth gap. Additionally, unequal access to public services like education and healthcare has further deepened economic disparities across social strata. Recent attempts by the US government to mitigate these gaps through tax reforms and increased social welfare spending have yielded limited success.

3.2. Income Distribution and Labor Markets

China: China's labor market, marred by imperfections and information asymmetry, hinders some workers, particularly rural migrants and low-skilled laborers, from securing high-paying jobs. Moreover, industry monopolies and ownership disparities contribute to notable income gaps across sectors and ownership types. To address these issues, the Chinese government is actively reforming the income distribution system, enhancing labor market infrastructure, upskilling workers, and fostering fairer and more accessible employment opportunities.

United States: While the US labor market is relatively dynamic, it grapples with employment inequality. Factors such as race, gender, and immigration status perpetuate discrimination in the job market, impeding certain groups from accessing high-paying positions or promotional opportunities. Furthermore, technological advancements and globalization have led to a decline in low-skilled jobs, intensifying economic pressures on low-income households. Despite the government's efforts to promote employment equity, the challenge persists [5].

3.3. Social Structures and Cultural Factors

China: Amid the transformation of China's social structure, the clash between traditional and modern values subtly influences the wealth gap. On the positive side, the value of hard work inspires

individuals to strive for prosperity. Nevertheless, social class solidity, unequal distribution of educational resources, and other barriers limit social mobility for some. Concurrently, the diversity of social culture fosters a growing awareness of fairness and justice, laying the groundwork for mitigating wealth disparities.

United States: The US's complex social structure, intertwined with ethnic, religious, and regional dynamics, creates a vibrant cultural mosaic. However, this diversity also fosters divisions and alienation within society. Racial and gender discrimination, among other cultural prejudices, impede social and economic progress for marginalized groups, fueling social unrest. Notably, the average income of black Americans lags whites by roughly 20%, while women earn approximately 30% less than men. Additionally, 30.3% of the US poverty population comprises Hispanic immigrants, highlighting the profound impact of discrimination on the wealth gap [5].

3.4. Property and Capital Accumulation

China: With the rapid economic development in China, some people have accumulated substantial wealth through entrepreneurship, investment, and other means, while others have struggled to achieve rapid wealth growth due to a lack of capital, information, or opportunities. This inequality in property and capital accumulation has further widened the gap between the rich and the poor. The Chinese government is striving to promote equitable distribution of wealth and effective utilization of capital through measures such as improving the financial system, encouraging innovation and entrepreneurship, and strengthening financial supervision.

The United States: The United States boasts mature financial markets and abundant investment opportunities, but this also facilitates the concentration of wealth among a small minority. The wealthy achieve rapid wealth growth by investing in assets such as stocks and real estate, while low-income groups often struggle to gain access to these areas. Moreover, inadequacies in tax policies such as the estate tax have exacerbated inter-generational wealth disparities. The U.S. government is exploring ways to mitigate the trend of wealth concentration through reforms to the tax system, strengthened financial supervision, and other measures [6].

The wealth gap will not only directly affect the coordinated development between urban and rural areas, but also lead to the hatred and imbalance of the poor people. What's more, the wealth gap also creates potential social instability [7].

4. The Ways to Solve the Wealth Gap

Chinese primary solutions should promote coordinated development between urban and rural areas, like developing characteristic tourism and increasing the infrastructure construction in rural areas. Optimizing the industrial structure is essential when people prepare to solve the problem of The Chinese monopoly industry. Chinese should develop the agricultural industry continuously upgrade the level of service industry, and enhance the tax system such as inheritance tax, property tax, and property tax which promote the transfer of property between generations and narrow the wealth gap. Besides, the Chinese also need to train more scientific and technologically innovative talents in the future [8].

The United States should improve the tax system and increase the tax rate of the rich to balance the economic income. The United States should get rid of discrimination and treat workers of different races and genders equally. In addition, the United States should expand the service guarantee, and social welfare system, and protect low-income groups.

5. Conclusion

In the tide of globalization, the world has been intricately woven into a complex economic network, with each country serving as a vital node that not only profoundly influences the development trajectories of others but also collectively shapes the new landscape of global trade and cooperation. China and the United States, as two major engines in the global economic system, the harmony and stability of their relationship are of paramount importance for fostering world economic growth and upholding international order. The cooperation and development between China and the United States under the backdrop of globalization not only concern the well-being of their respective peoples but also impact the future of the world. By strengthening communication, deepening cooperation, and sharing experiences and resources, China and the United States are fully capable of making greater contributions to global peace and development, jointly scripting a new chapter in the story of a shared future for mankind.

References

- [1] Cen, Y., Zhong, C.C., Chen, Y.T., Fan, R.X. (2021) *Wealth Inequality in China: a Comparison between China and the United States*. School of Economics, Nanjing Audit University, 06.
- [2] National Bureau of Statistics, (2023) Retrieved from https://www.stats.gov.cn/zs/tjws/tjzb/202301/t20230101_1903941.html.
- [3] Wang, X. L. (2020) *Analysis of The Influencing Factors of Wealth Gap of China based on Structural Equation Model*. Yunnan University of Finance and Economics.
- [4] Dong, Q. R. (2001) *Comparative Research on Poor and Rich Gap Between Sino-US*. Reform, 4, 126.
- [5] Fu, H.C. (2003) *Comparison of Personal Income Structure between China and America*. 05.
- [6] Lv, G., Zhou, X. L. (2005) *Comparison of the Wealth Gap in China and the United States*. Journal of Chengdu University, 5, 11.
- [7] Xiong, X., P. (2014) *Investigation and Comparison of Individual Income Tax laws in China and the United States*.
- [8] Zhang, H., Zhang, Y. H. (2020) *The Emergence of Wealth Gap in Contemporary China and its Countermeasures*. Economic Research Guide, 25, 5-6.