

INTRODUCTION

Although, Urban China has seen enormous growth and development over the last two decades on the economical front, in terms of income and gross domestic product (G.D.P) its urban landscape is still over shadowed, by the tremendous increase in its income inequality and instability of wealth distribution. The relationship between economic growth and income inequality has been widely researched and still is a lucrative topic for future research and development studies. The research surveys showed that this relationship becomes negative, in developing countries, whilst rich countries show no relationship at all, which brings the assumption that inequality stimulates economic growth, as explained by Risso and Carrerra (2010 cited Forbes 2000). Kanbur and Zhang (2005), state that there have been three peaks of inequality in China in the past fifty years following the Communist Revolution, starting with the great Famine of the late 1950's, the Cultural Revolution of the late 1960s and 1970s, and lastly, the period of openness and global integration of the 1990s till date.

Econometric investigations prove that, local or regional inequality is explained in the different phases by three key policy variables: the ratio of heavy industry to gross output value, the extent of decentralization, and the measure of openness. They further evaluate this hypothesis and argue that research outcomes suggest that, heavy industry increase inequality due to its rural-urban components, especially prior to 1979. Decentralization is also a significant contributor to over-all inequality, rural-urban (regional) inequality and inland or coastal inequality. The trade percentage was linked with

the highest over-all inequality particularly, inland-coastal disparity during the reform period of the late 1980's and 90's. Although, there has been incredible increase in per-capita GDP since the reform period, but it did not alleviate the growing concern of the radical increase in inequality of income. Problem is caused due to the increase in regional inequality ratio, which is also causing an increase in poverty. It is a general consensus that, poverty-reducing impact of a given growth rate on poverty are lower at higher levels of inequality, and that highly increasing inequality may enhance stress within the nation and hamper the prospects for future development through an array of communal, socio-political, and fiscal mechanisms.

Experiential discovery also has significance to the ongoing discussion on how globalization influences regional inequality in up-and-coming countries. Convergence or divergence of a nation's economy is reliant not only on its domestic policies, but also on its Candidness and openness. With China's unification with the WTO, the economy will become more liberalized, spirited and open, which will hopefully result in more dramatic shifts in regional comparative benefits. However, if the Chinese government further continues to aid and support the coastal region in its investment strategy, then regional disproportion and Inconsistency may even become broader. Additional liberalizing and investing in the economy in the inland region, is therefore, an important expansion strategy for the government both ways by sponsoring economic growth, and trim down regional inequality.

Meng et al. (2005) discusses the causes of this rapid increase of inequality of wealth over the years, the social welfare policies and provisions have been reduced; there is immense deregulation of grain prices, increase in income uncertainty and ambiguity during

the 90's has also augmented urban poverty, which is yet to be improved. According to various surveys conducted on this issue, the increase in poverty during the 90's can be accredited to the increase in relative food prices, and the increasing purchases of food items that were previously free, or provided by the state at highly subsidized rates.

Facilities that became expensive during that era were: education, medical care and housing which were beyond the affordability of the poverty-stricken. There was an abrupt increase in the saving rate of poor households, also because of the prevailing income uncertainty, which also causes an increase in poverty which is measured in terms of expenditure. There is further explanation of the abrupt increase in inequality, the empirical research parameters illustrate that rise in inequality of income can be categorized into two different periods. The first stage is the period of 1952 to 1978, which is categorized as a Communist planned economy. The second period is from 1979 to 2007, which is characterized by the rural reform, in which the increase in economic growth can be highlighted as the opening of new avenues of trade and foreign direct investments.

Drivers of the Chinese economy:

Although, the Chinese reforms have brought immense economic growth and development, but at the same time it has also caused a host of socio-economic menaces. In comparatively More recent studies (Guo 2010) show that, before the reforms China was an "egalitarian" meaning, a democratic, open and classless society, in terms of distribution of income.

During the preliminary stage of the reforms the famously phrased policy of "letting some people get rich first" was implemented in order to surmount egalitarianism, in terms of income distribution. The main purpose of adopting this policy was to give incentives to people to increase overall efficiency and increase in total economic growth for the

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