

# **Spatiality of Regional Inequality in China**

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## **Abstract**

While poverty rates have declined globally, inequality seems getting worse, intensified by the latest global financial crisis. Poverty reduction in many rural areas has been accompanied by the slower reduction of poverty in cities, a phenomenon known as urbanization of poverty. Spatial inequality is also large in many cities and countries in Asia. Consequently, equity has become a top sustainable development goal of the UN's post-2015 development agenda. The focus of the war on poverty has been shifted towards the war on inequality.

Theories of regional inequality are typically divided among convergence, divergence and cyclical schools. While neoclassical convergence schools maintain that free mobility of capital and labor tends to reduce regional inequality over time, divergence schools argue for agglomeration and cumulative causation effects of growth. Empirically, findings on regional inequality are often inconclusive and scholars have found many cases a lack of convergence. It has been criticized that conventional convergence theories are often devoid of space and time, and are especially weak in accounting for regional inequality in developing counties. The recent heightened attention on inequality requires more research on spatial inequality. It is also time to rethink strategies and policies to reduce spatial inequality.

The issue of inequality has long been the subject of intense contention in China due to its role in the debates over the nature of socialism and the uneven consequences of reforms and urbanization. However, the existing knowledge on spatial inequality is fragmented and partial. Recent research on China has unfolded a complex landscape of regional inequality, the existence of distinct models of local development, and the significant role of state institutions in regional development.

This paper highlights the significant role of space, place and agglomeration in spatial inequality. We argue that regional inequality is sensitive to global change, geographic scales and spatial organization, and that conventional approaches mask spatial agglomeration and the significance of city regions in shaping regional inequality.

Using GDP data across China's regions, provinces and counties, this paper shows that regional inequalities in China change with geographical scales of observation and are influenced by complex mechanisms of uneven development. While inequality across China's provinces declined somewhat since the reform, the coast-interior divide remains intense in China. Inequality across counties has declined in some provinces but

intensified in others. More importantly, using spatial association indexes, we find that core-periphery gaps tend to be maintained, and that the trend of spatial clustering and networking in core metropolitan regions continues in China. Consequently, leading metropolitan regions in China especially Beijing and Shanghai are facing over congestion and heavy pollution, while many poor regions keep losing population and record stagnant economic growth. Meanwhile, spatial inequality has also been rising in Chinese cities, which have also become more fragmented in space and are facing challenging urban problems known in many developing countries.

We further discuss the role and impact of government policies on regional inequality. Government policies on regional development in China are largely top down, focusing on core city regions. Consequently, more rapid growth often takes place in provincial capitals in both developed and less developed regions. However, the poorest regions, often in remote, mountain areas, are lagging behind in development. Poverty rates have also been persistently high in these regions. We suggest further efforts to develop the poor regions of China and promote endogenous growth capacities and bottom-up approaches to regional and equitable development.

Lastly, the paper provides an agenda for future research on regional inequality in China, calling for more attention to space, scale, and place in the study of regional inequality, which should also be relevant to other developing countries.

Keywords: Convergence, regional inequality, spatiality, GIS spatial analysis, China