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Essays on trends in income distribution and redistribution in affluent countries and China

Wang, C.

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Author: Wang, Chen

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Over the last decades, income inequality has increased globally. How do social policies affect this increasing trend? How do international trade and technological progress affect inequality? What is the profile of income inequality in China?

Based on quantitative analyses of determinants of income inequality, this study provides a number of new insights into these questions. Income inequality has increased in the last decades all over the world. Several factors seem to contribute to this trend. Very prominent amongst them is the rising primary income inequality. The dominant income inequality-reducing effect comes from the tax benefit system, which offsets two thirds of the total increase in inequality.

Generally speaking, the transition of welfare states from a traditional to a social investment oriented system does not lead to lower income inequality or poverty. There is also no robust and significant relationship between international trade and technology changes on the one hand, and income inequality on the other.

Determinants of inequality in China are different from those in developed countries. In contrast to the tax benefit system in rich countries, the fiscal system in China does not bring a lower level of income inequality. Another explanation is the household registration system. It brings about a segregated labour market, leading to an uneven distribution of benefits from globalisation and policies.

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C. WANG