Inequality and Economic Growth in China
— An Empirical Analysis

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This thesis investigates three problems related to China’s regional inequality and economic growth. Firstly, we estimate China’s general inequality by employing a multi-dimensional index for three welfare indicators. The results show that during the reform period, the general inequality first fell temporarily and then increased continuously. Secondly, we examine the empirical validity of two important theories in the literature of economic growth using provincial-level data of China. The first one is the income convergence theory. The empirical result indicates that the divergence hypothesis cannot be rejected. Finally we examine the nexus between financial development and economic growth in China. We find that the impact of financial development on economic growth is positive but statistically insignificant. The thesis is divided into five chapters. Chapter 1 introduces China’s economic “miracle” and summaries the debates on regional disparity of welfare, income convergence and financial development in China. Chapter 2 provides the results about single- and multi-dimensional inequalities. Chapter 3 examines the income convergence hypothesis in China. Chapter 4 provides a comprehensive empirical investigation on financial development, an important determinant of economic growth. Chapter 5 is the conclusion.
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