

# Discussion on "Long-Term Trends of Income and Wage Inequality in China"

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  - It suggests various channels that have contributed to the rise of inequality, as well as policies that are meant to reduce it.
- Focus of my discussion: some possible extensions of this work.

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    - Unequal pay provides disincentives for disadvantaged workers to become more productive.

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    - In particular, unequal access to education.

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  - They contribute to the stability of the society, but not growth.

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    - More balanced resource allocation across regions, in particular, investment in the supply of education.
    - "Poverty Alleviation and Development" policies.
- These policies have not only short-run, but more importantly, long-run effects on reducing inequality as well as boosting economic growth.

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  - Individuals will react to policies by changing their investment in their own human capital as well as their children's human capital.
  - Firms will react by changing their hiring and investment decisions.
  - The effects of policies depend on how these "micro" decision makers make their decisions and how their choices are inter-related.

## Conclusion Remarks

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- "Human capital is the asset that ultimately determines the wealth of China. Fostering access to education will reduce inequality in the long run."
- "There is a role for letting market forces work to stimulate the production of skills and at the same time to reduce overall inequality, even in the short run, in China."