

How Chinese Citizens Respond to Government Propaganda on Economic Inequality

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Abstract

Economic inequality has increased dramatically in China. Widening inequality contradicts the official populist ideology that claims to represent the interests of all people. The government and official media cover the issue of inequality carefully, emphasizing the government's efforts at controlling inequality. In this study, I use survey experiment to examine the effect of government rhetoric on attitudes toward inequality among different social classes in China. The treatment in the survey experiment is a commentary from the official news agency, People's Daily. The commentary emphasizes the Chinese Communist Party's (CCP) populist ideology, the policy measures the government has taken to control inequality, and policy proposals to reduce inequality in the future. Respondents in the treatment group read the commentary before taking the survey, while the control group takes the survey without reading the commentary. The results show that the low-income Chinese believe propaganda, but the middle class is resistant to propaganda. Under treatment, the low-income class thinks of inequality a less serious problem, and supports the government's policy proposals. However, the middle class is more critical of inequality when exposed to the treatment commentary. They think inequality is unfair, illegitimate and intolerable. Respondents with high-income read the commentary as a reminder of the government's stance on the issue of inequality and the necessity for them to comply with the government positions, at least on the surface. They are more supportive of redistribution under treatment.

China has experienced a steep increase in economic inequality since the beginning of the 1980s. Officially, the CCP is still committed to the egalitarian goals of communism and upholds the populist ideology, which claims to represent the interests of all people. However, in reality, some governmental policy features have aggravated instead of alleviated inequality. The contrast between the official ideology and the reality compels the Chinese government to influence people's perceptions by guiding public discourse on inequality. Does the government's propaganda¹, though, actually reduce concern about inequality and, if so, among which social class?

The Chinese government has issued multiple official documents addressing the issue of inequality, which is also used in the state-controlled media's coverage of inequality. Both the government and official media portray inequality very carefully, emphasizing the CCP's populist ideology and the government's promises to reduce inequality. When the government mentions inequality, the major focus is what the government has done and will do to address people's concerns.

With a unique dataset, this study is the first to examine whether China's people actually believe the government rhetoric on inequality. I argue that different social classes should observe different realities of inequality, have different opinions toward inequality, and respond to government propaganda differently.

¹ For convenience, I will henceforth refer to the message the CCP wishes the public to accept as propaganda. The CCP and the Chinese government are used interchangeably, since the CCP has a monopoly on power in the one-party state.

Using a survey experiment where respondents in the treatment group read governmental commentary prior completing the survey, I find that individuals respond differently to the commentary depending on class. Low-income respondents have favorable reactions to the government propaganda, are less likely to answer “don’t know”, are less critical in their moral judgments of inequality, consider inequality a less serious problem, and believe the government’s promises of increasing redistribution. Interestingly, middle class respondents who read the commentary are more critical of the government, and more likely to consider inequality unfair, illegitimate and intolerable than their counterparts in the control condition. High-income respondents read the commentary as a signal that the government is promoting support for redistributive policies. As economic and political elites the rich feel the necessity to comply with the government’s official stance, which explains why in the treatment group they are more supportive of redistribution.

The results suggest that government propaganda increases social divisions, as the relatively disadvantaged believe the government rhetoric, and the middle class resists the political messages from the government. As the low-income Chinese trust the government’s pledges to narrow the income gap and increase redistribution, they request more redistribution, which could hurt the interests of the wealthy. Although the high-income people show their willingness to comply with government positions, they might not be sincere as they are the most capable of avoiding costs and escaping from the system. The propaganda deepens social cleavages and results in serious challenges to the CCP’s governance in the future.

Economic Inequality and Government Policies

Economic inequality is increasingly rapidly in China, regardless of the metric used (Gustafsson, Li, and Sato 2014). Figure A1 in the Appendix, for instance, shows the economists' estimates of the Gini coefficient² of income inequality in China from 1981 to 2014 (S. Li and Sicular 2014). Inequality increased from around 0.30 in the 1980s to nearly 0.50 in 2007-08. After 2008, the National Bureau of Statistics (NBS) estimates show that inequality declined slightly but remained above 0.47. Researchers have reported higher estimates,³ but even if we take the government number 0.47, China's level of income inequality still ranks among the most unequal third of all countries. Inequality in China is in the same ballpark as that of Mexico and Colombia. China is more unequal than the US and Russia, and less unequal than South Africa (Solt 2014).

The high level of economic inequality has raised serious concerns among the Chinese people. According to the Spring 2015 Global Attitudes Survey by the Pew Research Center, inequality is among the top concerns of Chinese citizens with 75% of people saying the gap between rich and poor is a big problem (Wike 2015).

Some increase in inequality might be inevitable as China introduced a market system during the economic reform, but inequality may have been exacerbated rather than mitigated by a number of policy features (Dollar 2007). First, restrictions on rural-urban migration (the *Hukou* system) have limited opportunities for the relatively poor rural population.⁴ The *Hukou*

² The Gini coefficient is a general measure of inequality ranging from 0 (perfect equality) to 1 (total inequality).

³ The SWIID estimates of China's net inequality is around 0.53 between 2008 and 2013 (Solt 2014).

⁴ Pre-reform China had a system that completely restricted people's mobility, and that system has only been slightly reformed

registration system has prevented migrants from having the same services and legal rights as the formal residents in the cities and contributed to the growing rural-urban gap.

Second, land policy has contributed to increasing inequality by essentially reducing the value of the main asset held by the poor – land.⁵ During the accelerating urbanization, farmers are compensated for their land based on its agricultural value rather than its commercial value.⁶ Displaced peasants are often worse off after land conversion.⁷ Third, the highly decentralized fiscal system has contributed to regional inequality. Local governments rely primarily on local tax collection to provide services such as primary education and health care (Montinola, Qian, and Weingast 1995). People in rich areas enjoy better social services.⁸

Government policies have unnecessarily exacerbated inequality. The cumulative effect of the policies discussed above is to compound advantages for those well-off enough to benefit from access to better services (Remington 2015). Given the policy causes of inequality, how people

over the past 3 decades. Each person has a registration (*Hukou*) in either a rural area or an urban area, and cannot change easily. Social services such as education, health care and social security are all tied to the *Hukou* status. It is common for cities to have dual systems of benefits for local residents and rural migrants such as separate schools for migrant children with inferior facilities and financing. There are also huge gaps in the provision and generosity of social benefits between urban and rural areas (Gao, Yang, and Li 2013).

⁵ Land in China is registered as either rural or urban, just like people. In urban areas, people can easily sell their use rights of the land and buildings, or mortgage them to borrow. In rural areas, peasants have long-term tenure as long as they sow the land, but they cannot mortgage or sell the use rights.

⁶ In one of the villages I visited during fieldwork, the peasants told me that the local government took their land at the price of 35,000 RMB per mu (approximately \$31,250 per acre), while the local government sold the land to the real estate developer at the price of 1,090,000 RMB per mu (approximately \$1,018,000 per acre).

⁷ A survey conducted by Landesa Rural Development Institute in 2011 revealed that over 43 percent of villages surveyed have experienced land seizures since the late 1990s. On average, the government takes land from approximately 4 million peasants per year. The mean compensation paid to affected farmers was 18,739 RMB per mu (approximately \$17,850 per acre), a small fraction of the mean price authorities themselves received for the land (778,000 RMB per mu or \$740,000 per acre). “Summary of 2011 17-Province Survey’s Findings,” February 6, 2012. <http://www.landesa.org/china-survey-6/> (accessed on July 10, 2016).

⁸ Local governments in poor locations do not have adequate resources to fund basic social services. Among counties, which is the most important level for service delivery, the richest one has about 48 times the level of per capita spending of the poorest county (Dollar and Hofman 2008). The differences in public spending translate into differences in social outcomes, such as infant mortality rates, high-school enrollment rates, and quality of education (World Bank 2009).

perceive inequality and whom they blame for inequality could be bigger concerns for the government than the level of inequality.

Government Rhetoric on Economic Inequality

The high level of inequality is undoubtedly a serious challenge for the Chinese government. However, it is the perceptions of inequality that link the objective inequality to its negative social and economic consequences. As Dahl (1971, p.95) pointed out, for economic inequality to be consequential, it must be perceived first. Studies have shown that high inequality could result in socio-political instability, by increasing the sense of relative deprivation, lowering the level of social cohesion (Vergolini 2011), and fueling social discontent (Alesina and Perotti 1996). If the Chinese people believe both that inequality is high and that the government policies are responsible for it, perceptions of the benefits of reform will worsen and the regime's legitimacy will decline, possibly triggering social unrest and threatening social stability (Lin et al. 2008). Recognizing these significant negative consequences of people's perceptions of inequality, the Chinese government has carefully portrayed the issue of inequality and vowed repeatedly that it would adopt reforms to reduce inequality.

Since 2005, income inequality has appeared in every year's Report on the Work of the Government.⁹ The 12th Five-Year Plan (2011 – 2015) had one chapter about the reform of the

⁹ The following website collects the Report on the Work of the Government from 1954 to 2013. http://www.gov.cn/test/2006-02/16/content_200719.htm (accessed on July 6, 2016). The Reports from 2014 to 2016 are available at <http://lianghui.people.com.cn/> (accessed on July 6, 2016).

income distribution system.¹⁰ The 13th Five-Year Plan (2016 – 2020) also dedicated one chapter to reducing income inequality.¹¹ In early 2012, the Chinese government, in cooperation with the World Bank, issued a major white paper, *China 2030*, urging measures to reduce economic inequality (World Bank, Development Research Center of the State Council 2013). In February 2013, the Chinese government published an official blueprint, titled “On Deepening the Reform of the Income Distribution System”, to again pledge its determination to fight against inequality.¹² When these official documents were released, China’s official media followed with numerous reports on the main contents of these documents.

Official media, such as *People’s Daily* and Xinhua News Agency, are mouthpieces for the government position (Stockmann 2014) and often use the exact same wording as the official documents. The highly consistent wording shows that the government portrays the issue of inequality very carefully. The main contents of these documents and media reports are that income inequality is one of the problems in the society and is among people’s top concerns. The government needs to improve the income distribution system and reduce the income gap. The major theme of this discourse is the government’s policy proposals to reduce inequality: what the government will do to address the people’s concern, but not the facts or causes of inequality.

¹⁰ The five-year plans are government blueprints for development in the following five years. The 12th Five-Year Plan (2011-2015) was published in March, 2011. Chapter 32 was on reforming the income distribution system. http://www.gov.cn/2011lh/content_1825838_2.htm (accessed on July 7, 2016).

¹¹ The 13th Five-Year Plan (2016-2020) was published in March 2016. Chapter 63 was on reducing income inequality. http://news.xinhuanet.com/politics/2016lh/2016-03/17/c_1118366322.htm (accessed on July 7, 2016).

¹² State Council, “关于深化收入分配制度改革的若干意见” (“On Deepening the Reform of the Income Distribution System”), February 3, 2013. http://www.gov.cn/zwggk/2013-02/05/content_2327531.htm (accessed on July 6, 2016).

People are supposed to believe that the proposed policies will be effective in addressing inequality.

The problem with the proposed policies is that they are usually vague. They are often broad policy guidelines, not specific measures on how the policies will actually be adopted. Among the aforementioned government documents, the most elaborate one is the 2013 blueprint “On Deepening the Reform of the Income Distribution System.” This document lists 35 policy points, including raising minimum wages, restricting government officials’ income and tax reforms. However, they are all general principles rather than specific policies.¹³ Without specifics or timelines, these policies are often put into effect only half-heartedly.

However, poor implementation does not mean the government documents addressing inequality are irrelevant. Mentioning the issue of inequality and publicizing the blueprints could be the important part. The Chinese people are used to government plans full of lofty goals but light on details of implementation. Hearing the government’s promises to reduce inequality over and over again, however, could affect the public’s attitudes toward inequality. The careful rhetoric of inequality and the repeated pledges of policy promises serve the government’s perception control strategy.

The major contents and purposes of the government rhetoric of inequality can be summarized as follows: 1) Show the public that the government cares about inequality and

¹³ The only one concrete recommendation pertains to increasing the dividends paid by the State Owned Enterprises (SOEs) to the government.

addresses people's concern; 2) Provide general policy guidelines on reducing inequality; 3) Signal the government's positions on issues involving conflicting interests¹⁴; 4) Strategically avoid discussing the facts or policy causes of inequality.

How does this government rhetoric of inequality actually affect public opinion toward inequality? Do people believe the government? Who believes the government? I argue that people from different social classes have different perceptions of inequality, since socioeconomic status is associated with the level of education, information, political knowledge, and access to social services. Because of their different perceptions, those belonging to the low-, middle-, and high-income classes should also react differently to government rhetoric. The following section theorizes the different attitudes of the three income classes toward inequality and how government propaganda will affect their opinions.

Government Rhetoric and Public Opinions toward Inequality

How government propaganda alleviates public concern over inequality depends on the perceptions of inequality, which in turn is shaped by individuals' social positions (Kluegel and Smith 1986; Gijsberts 2002). I conceptualize Chinese society as consisting of three social classes: the poor, the middle class, and the rich. The three classes are distinct in terms of not only income and wealth but also the levels of education, information, political knowledge and

¹⁴ For instance, restricting income of government officials and executives at SOEs would hurt these groups' interests. The vagueness of the policy proposals shows exactly this conflict of interests, and why it is hard to implement specific policies.

sophistication, as well as access to resources and services. These three classes should therefore observe different realities of inequality, which then leads to different opinions on inequality and reactions to government rhetoric.

Theories based on self-interest specify that rich people are in favor of greater inequality simply because they are afraid to lose, while low-income people prefer less inequality because they in turn believe they will gain (Szirmai 1988). Cross-national studies have shown a consistent relationship between social position and attitudes toward inequality (Kelley and Zagorski 2005; Loveless and Whitefield 2011). Typically, individuals with high incomes and other advantages are more likely to accept inequality (Hochschild 1981; Kluegel and Smith 1986; Kelley and Evans 1993; Ravallion and Lokshin 2000).

However, studies focusing on China have provided conflicting perspectives. Based on national public opinion surveys, Whyte (2010) shows that urban residents and educated Chinese, who are conceptualized as the “winners” in the society, are more critical of inequality than the “losers”. Similarly, Li and Wu (2012) find that more educated people are less tolerant of inequality in China. According to Im (2014), the reason why disadvantaged Chinese prefer more inequality is because they have strong authoritarian and social dominance orientations.

Reflection theory provides insights into why poor people could be more tolerant of inequality. People’s beliefs reflect more or less the situation in the real world (Homans 1974), however this reflection of reality is systematically distorted by a person’s social position (Kelley and Evans 1993; Gijsberts 2002). Poor people most accurately perceive incomes close to

themselves and tend to pull the range of incomes towards their own level (Van Praag 2011). This idea fits into classical sociological theories of relative deprivation and reference groups (Runciman 1966). The poor are expected to underestimate high incomes and thus to perceive less income inequality than the middle class or rich people. Therefore, the poor will be less concerned about inequality than the other two classes.

Besides self-interest and reality, ideology, specifically meritocratic orientation also systematically shapes beliefs and attitudes toward inequality (Kluegel and Smith 1986; Bartels 2008). Meritocratic orientation accepts individual explanations of inequality and rejects structural causes. Successful and advantaged people commonly feel their success is due to their own meritorious efforts, rather than social unfairness, so rich people tend to prefer inequality (Kelley and Evans 1993; Kelley and Zagorski 2005). Besides individual-level ideology, the dominant values in the society also affect individuals' beliefs. Relative power theory (Solt 2008; Solt, Habel, and Grant 2011; Solt 2011) establishes that the rich's meritocratic orientation shapes the dominant culture and that poor people internalize the dominant values, leading them to accept inequality.

In China, the low-income class is expected to have little awareness of the reality of inequality. The poor tend to live in the countryside. Their communities and social connections are relatively more equal than the overall level of inequality in the nation. The poor cannot accurately perceive the income and wealth of the rich. The rate of accumulation of wealth by the rich may sometimes exceed the imaginations of the poor. As studies point out, inequality in

China is not the result of stagnant or declining incomes among poorer groups but of more rapid growth in the incomes and wealth of the richer groups (S. Li, Sato, and Sicular 2013) (See Figures A2 and A3 in the Appendix A). Because of their low awareness of the reality, lower-income Chinese people's attitudes toward inequality should be affected by the dominant culture: the government's discourse.

The level of information is a key factor moderating the effect of propaganda on attitudes (Stockmann and Gallagher 2011). When people are unfamiliar with an issue, they tend to be persuaded by the media. In addition, a low level of education is another reason why we might expect the poor to respond positively to messages in the official media. Kennedy (2009) shows that Chinese who have completed no more than compulsory education (junior high school) respond to political news positively and display high levels of political support, while people who have educational beyond the compulsory level are more resistant to political messages and tend to have lower levels of support. This leads to my first hypothesis: government rhetoric will effectively reduce concerns over inequality among low-income Chinese (H1).

The middle class should tend to be aware of and critical toward inequality. As shown in previous studies (Whyte 2010; Li and Wu 2012; Whyte and Im 2014), educated Chinese and urban residents are less tolerant of inequality than uneducated and rural residents. The measures of education and urban residency capture the educated and informed middle class, rather than the true "winner" in society – the rich. The middle class is able to observe the reality of inequality because of their level of education and information. Their social experiences and networks are

also broader than those of low-income Chinese. Aware of the accumulation of vast wealth among the top-income class, middle-class Chinese do not perceive themselves as winners. In other words, a sense of relative deprivation should be more prevalent among the middle class than people with low income.

As the middle class observes reality and disapproves of inequality, they ought to be less affected by government propaganda. With decent employment, the middle class has more access to social services than people with low-income. The middle class understands how the policy promises from the government are inadequately delivered as well as the deficiencies of the current social welfare system. The middle class should also better understand the policy causes of inequality than the poor. It will be harder for official media to alleviate the concerns of the middle class through propaganda. This leads me to expect that government rhetoric will *NOT* reduce concerns over inequality among the middle-class (H2).

The high-income class's attitudes toward inequality should be more ambiguous than those of the other two groups. At the top end of the income distribution, the rich have seen the largest economic improvements. They prefer inequality out of self-interest and meritocratic beliefs, despite their keen awareness of the reality. However, the Chinese government asserts an intention to control and reduce the income gap. The government acknowledges that inequality is a challenge to a harmonious society and a threat to common prosperity, which is the official ultimate goal of the communist party. The government has proposed policies to increase

redistribution, which could hurt the wealthy' interests¹⁵. Hence, the high-income class is in an awkward position on the issue of inequality. On one hand, the rich believe they own their wealth and success; on the other hand, as the economic and political elites in the society, they are politically sophisticated enough to comply with the government positions and policies, even though that might hurt their economic interests. I expect for high income respondents to comply with the government stance conveyed in the rhetoric (H3).

In sum, the poor will believe the government propaganda; the middle class will resist it; and the rich will comply with the political messages from the propaganda. I test these propositions using original data that I collected through a survey experiment in China.

Experimental Design and Data

I conducted the survey experiment in county Y in the Zhejiang Province in China in the spring of 2016. County Y is among the richest 100 counties in China. I selected the site to recruit the high-income class, who are usually missing in national surveys. Most of the high-income participants in the survey experiment are private entrepreneurs.

Participants were recruited from 14 similar villages, which are in the process of urbanization. The local government took away the land from rural residents but allocated a certain quota of land to each household for building their own houses. As a result, whole villages

¹⁵ Some examples of the policy proposals that could hurt the interests of the high-income class include introducing higher consumption taxes on luxury goods and high-end services, a nationwide property tax, limiting the income for government officials and SOE executives and tracking illegal income.

were torn down and rebuilt. Each family spent the majority of their savings to build and decorate their new houses, which then vividly display the wealth disparities within the communities. Mansions and impoverished houses right next to each other shouts high inequality.¹⁶ On the other hand, the villagers have lived in the same communities for generations. Most of them are extended relatives and friends. The villagers interact with each other regularly, despite the large disparities in their economic well-being.

These features of the selected communities serve as a conservative test of the hypothesis for the low-income class (H1). The poor participants living in the selected communities are exposed to inequality in their daily lives. They are more aware of inequality than the general poor population in the nation. On the other hand, the characteristics of the rich people from the selected communities provide a convenient test for H3. The majority of the high-income people in the selected area are private business owners and most of them have extensive formal or informal connections to government officials.¹⁷ Their embeddedness in the political system promotes support for government policies.

I administrated 328 face-to-face surveys. Among them, 96 (29%) were from the T village, while the rest were from 13 other villages, with 18 from each village on average. The recruitment process was different in the T village from the other 13 villages. The T village leader provided

¹⁶ The locations of the new houses were decided by drawing lots.

¹⁷ In village elections, the rich business owners are highly likely elected as village leaders, because of their connections to the government, their promises to help out the fellow villagers, and their abilities to buy votes.

the complete registration list of the 283 households (597 adults)¹⁸ living in the village. The village leader helped to separate this population into the three income classes. Participants were then selected from each income class proportionally (around 25% of each income group), resulting in 11 participants with low income, 65 from the middle class, and 20 with high income. The other 13 villages did not provide the complete registration list. The participants were recruited through convenience sampling. In each village, I recruited one participant first, who then helped to recruit fellow villagers with low, middle, and high income.¹⁹

When each participant was recruited, they were randomly assigned to the treatment or the control group.²⁰ The treatment group read a report (see Appendix B for the exact wording of the report) before they took the survey, while the control group filled out the questionnaire without the report. The treatment report is from the People's Daily.²¹ The treatment report says: 1) The CCP is serving the people wholeheartedly; 2) The CCP upholds the principle of shared development that no one should be left behind; 3) The CCP pays a lot attention to income distribution and has implemented a series of effective policies to control the income gap; 4) The CCP will continue its endeavor to create equal opportunities in education and employment; to

¹⁸ The sampling frame does not include the tenants (usually migrant workers from other provinces) living in the village, but does include the people who live and work in other places, but whose family and *Hukou* are still in the village. The selected participants who live in other cities were recruited during the holidays of the Chinese New Year, when they all returned the village for the holidays.

¹⁹ I put the first participant I recruited from each village into an income category, who then decided the income categories of the other participants from the same village.

²⁰ After the consent process, each participant was assigned into the treatment or control group by flipping a coin.

²¹ This report was published on October 29, 2015, after the discussion of the 13th Five-Year Plan at the 5th Plenary Session of the 18th Central Committee during October 26 to 29. There was numerous media coverage on the 13th Five-Year Plan after the plenum. I selected this report from a Google search with the keywords "13th Five-Year Plan inequality and redistribution". The actual report was much longer than the report used in the survey experiment. I tailored the actual report by deleting the content that was not relevant to inequality. The main contents of the treatment report were consistent with the major themes of the government propaganda.

improve the medical insurance and social security system, and to break monopolies in industries.

In the data, half (164) of the participants were in the treatment group.

One shortcoming of the recruitment process is that the categorization of the three income classes is not identical in the 14 villages. One member from each village put the participants from the same village into the low, middle, high income categories, so the standards could vary from one to another. I combine four variables to construct the socioeconomic status: self-reported annual family income and monthly personal income, village leader/member-reported participant economic status and conditions of the house. The reliability scale of the four variables is 0.76. The three income classes are then constructed based on the combined socioeconomic index,²² resulting in 99 participants being placed in the low income category (53 in the treatment group), 131 in the middle class (68 in the treatment group), and 98 in the high-income class (43 in the treatment group).

Among the 328 participants, 50% were male; 83% were born in the local city; 25% were CCP party members; 36% also work and live in other cities²³; 28% had been abroad; 71% had social security; 85% had government medical insurance. The average age of the respondents is 42, and the average education level is between junior high and high school. Table 1 reports the summary statistics and p-values of t-tests of the differences between the treatment and control

²² 30% are the low-income class, 40% the middle-class, and 30% the high-income class. These percentages are somewhat arbitrary. The results do not change significantly when I divide the three classes with different percentages (26%, 56%, and 18%).

²³ People living and working in other cities include migrant workers, college students, middle class professionals, and businessmen.

groups. None of the t-test statistics reach statistical significance, confirming the random assignment.

Table 1: Descriptive Statistics and Random Assignment of the Treatment and Control Groups

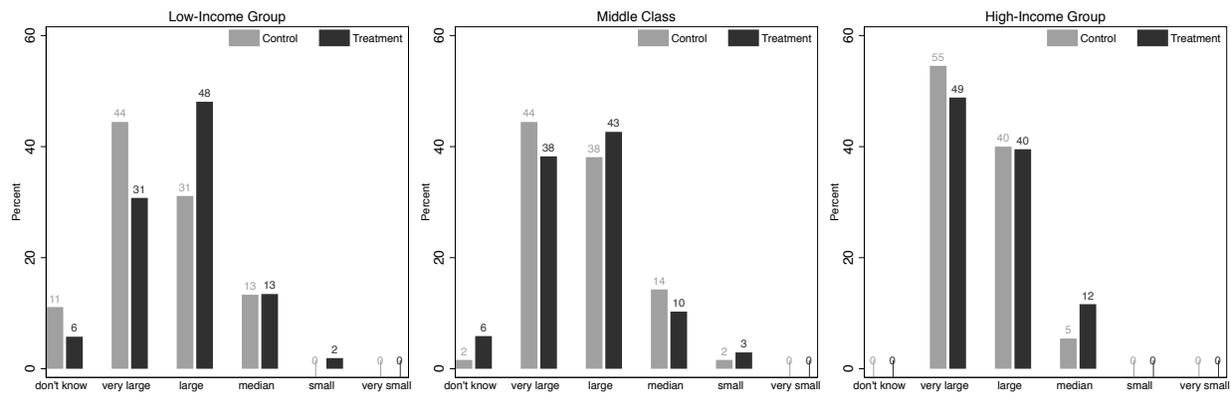
Variables	Treatment	Control	P-value
Female %	50.61%	49.08%	0.782
Age (average)	43	41	0.271
Locally born %	83%	83%	0.980
Work /live in other cities %	35%	37%	0.700
No. of regions visited in China (average)	1.35	1.29	0.740
Have been abroad %	27%	30%	0.541
Rural <i>hukou</i> status %	65%	67%	0.641
Married %	80%	75%	0.162
CCP member %	26%	24%	0.634
Year of schooling (average)	11	11	0.364
Highest level of education	3.64	3.73	0.647
Primary school %	11%	9%	
Junior high %	27%	29%	
High school %	21%	18%	
College %	20%	20%	
Graduate school %	4%	4%	
Participate in social security %	74%	71%	0.434
Participate in medical insurance %	83%	86%	0.453
Annual household income (average) (category 5: 8-10w RMB; 6: 10-15w RMB)	5.2	5.4	0.329
Monthly personal income (average) (category 3: 1-2k RMB; 4: 2-3k RMB)	3.6	3.7	0.427
SES status according to community member/leader	2.41	2.45	0.544
Housing according to community member/leader	2.51	2.59	0.373
Standardized SES index (range: -2 to 3)	-0.03	0.05	0.312
No. of news sources (average)	3	3	0.747
No. of correct answers to political knowledge questions	3	3	0.459
No. of observations	164	164	

Note: none of the t-tests between the treatment and control groups indicate significant difference.

Class and Reactions to the Government Rhetoric

I measure three outcomes including: factual assessment, moral judgments, and redistributive preferences. The factual assessment question asks “How large is the inequality in people’s economic well-being (including income and wealth) in this country?” The respondents choose from six options: very large, large, medium, small, very small, and don’t know.

Figure 1: “How large is the inequality in people’s economic well-being (including income and wealth) in this country?”



Notes: the number of observations are: low-income class (control: 45, treatment: 52); middle class (control: 63, treatment: 68); high-income group (control: 55, treatment: 43). The t-tests of the proportion of “don’t know” and the mean of the 5-point scale measure between the control and the treatment groups are both statistically significant at 95% level for the low-income class, but not the other two groups.

Figure 1 compares the results of the control and treatment groups across the three income categories. The treatment report had a larger impact on the factual assessment of the low-income class than the other two groups. The left panel in Figure 1 shows that the low-income respondents under treatment are less likely to answer “don’t know” than their counterparts in the control group, instead, they think inequality in China is large, but not very large. Among the poor

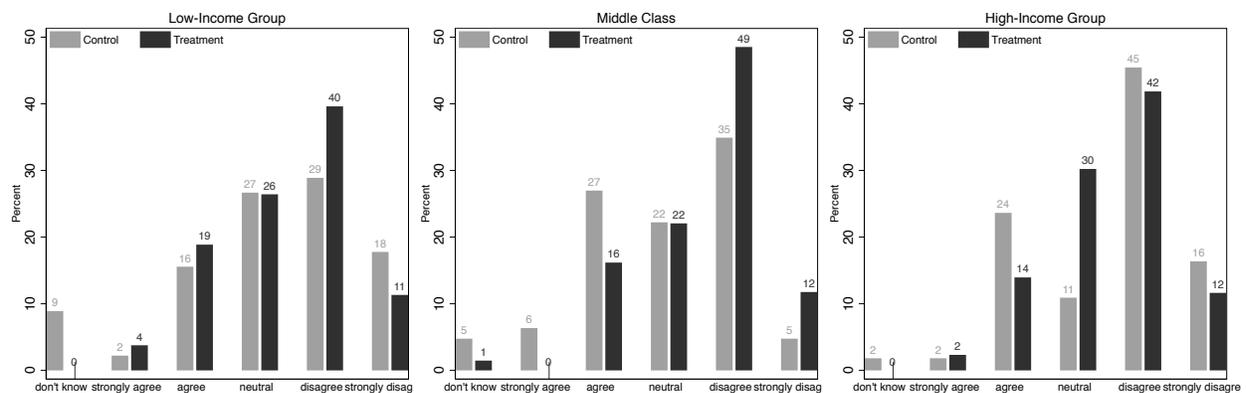
people who read the report, significantly fewer think inequality is very large compared to poor people who did not read the report. Under either treatment or control, most respondents think inequality is nontrivial. The difference is only between whether it is “large” or “very large”. The Chinese government acknowledges that inequality is a problem, but avoids the seriousness of the issue. By shifting from “very large” to “large”, the low-income class under treatment actually considers the problem of inequality less serious than the control group. The government rhetoric affects the factual assessment of the low-income participants, besides decreasing their likelihood of responding “don’t know”.

This result supports H1. Low-income participants show a high level of inequality awareness in both the control and treatment conditions presumably because the villagers with low-income are exposed to high inequality in their everyday lives. However, even when the poor live in highly unequal communities with ample interactions with rich people, they are still influenced by government rhetoric. When the poor are exposed to a government report declaring the government’s determination and policies to fight against inequality, they believe the problem is not too serious. More of them think inequality is large, but not very large under treatment. The results in Figure 1 show that the government report persuades the people with low-income but does not affect the factual assessments of the middle-class or people with high-income.

Moral judgments include perceptions of the fairness, legitimacy, and tolerance of inequality. The following question measures the perception of fairness: “Do you agree with the statement that the current income distribution in our country is generally fair?” The attitudes are measured

on a 5-point scale. Figure 2 presents the results for the three income classes. The biggest difference between the control and treatment groups is in the middle class. The middle class under treatment is much more likely to disagree or strongly disagree that income distribution is fair than the middle class in the control group. The p-value of the t-test is 0.003. The middle class not only resists the rhetoric, exposure to the rhetoric triggers the middle class to be even more critical of inequality. People with low-income under treatment are less likely to answer “don’t know”, but they do not think income distribution is fair. The rich under treatment are less likely to agree or disagree; their attitudes shift toward a neutral position.

Figure 2: “Do you agree with the statement: the current income distribution in our country is generally fair?”

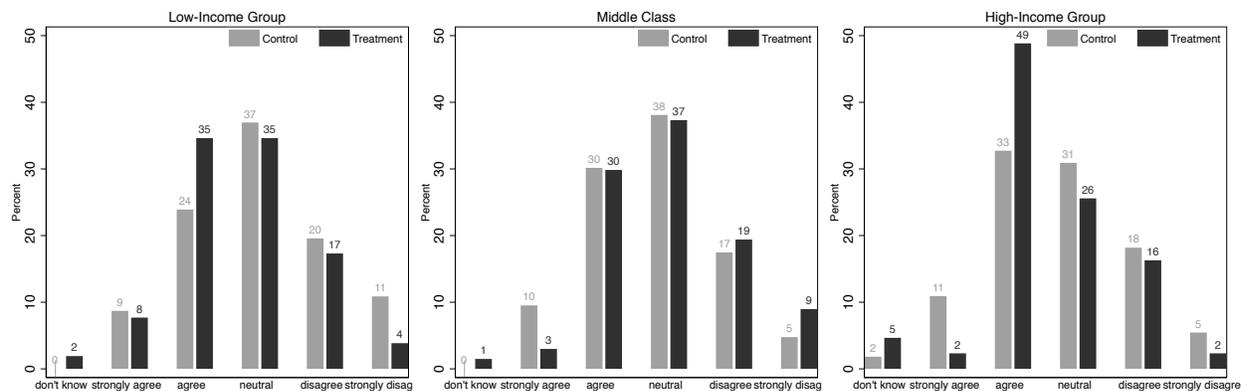


Notes: the number of observations are: low-income group (control: 45, treatment: 53); middle class (control: 63, treatment: 68); high-income group (control: 55, treatment: 43). The t-test of the proportions of “don’t know” between the control and the treatment groups is statistically significant at 95% level for the low-income class. The t-test of the mean of the 5-point scale measure is statistically significant at 95% level for the middle class only.

The level of agreement to the statement that “inequality inspires people to work hard and promotes economic development” measures the perception of the legitimacy of inequality. The

results are shown in Figure 3. The middle class in the treatment group is less likely to agree with the statement; instead, they are more likely to strongly disagree than the control group. The low-income class changes in the opposite direction. Under treatment, lower-income respondents have a higher probability of agreeing that inequality is legitimate than the control group.

Figure 3: “Do you agree with the statement: inequality inspires people to work hard, and promotes economic development?”

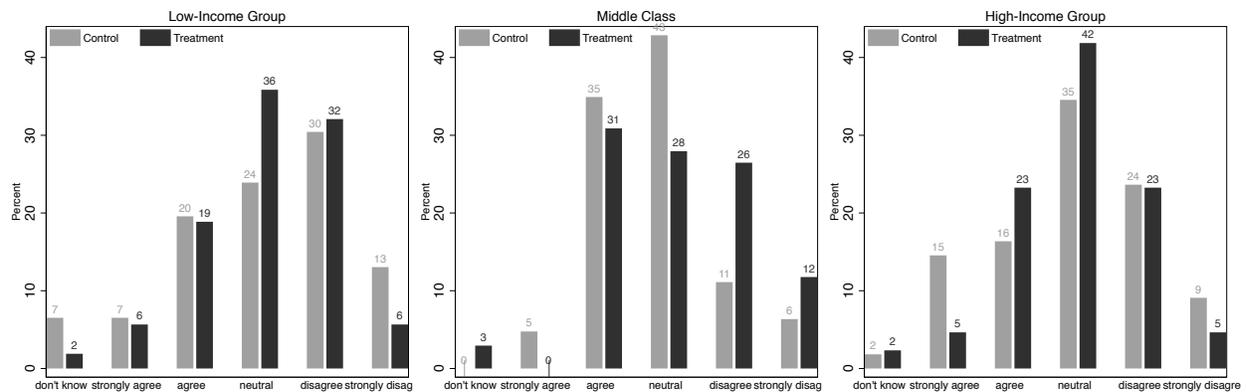


Notes: the number of observations are: low-income group (control: 46, treatment: 52); middle class (control: 63, treatment: 67); high-income group (control: 55, treatment: 43). The t-test of the mean of the 5-point scale measure is statistically significant at 90% level for the middle class only.

Tolerance of inequality is measured by the question “Do you agree with the statement that the current inequality is just because some people have gotten rich first, and they will help the rest get rich in the future?” Figure 4 presents the results. The middle class under treatment again is more critical than those in the control group. The middle class is significantly more likely to disagree with the statement in the treatment group than those in the control group (p-value is 0.002). The attitudes of the poor and the rich shift toward a neutral position instead. The results

of the moral judgment questions support H2 that the middle class resists the political messages from the government.

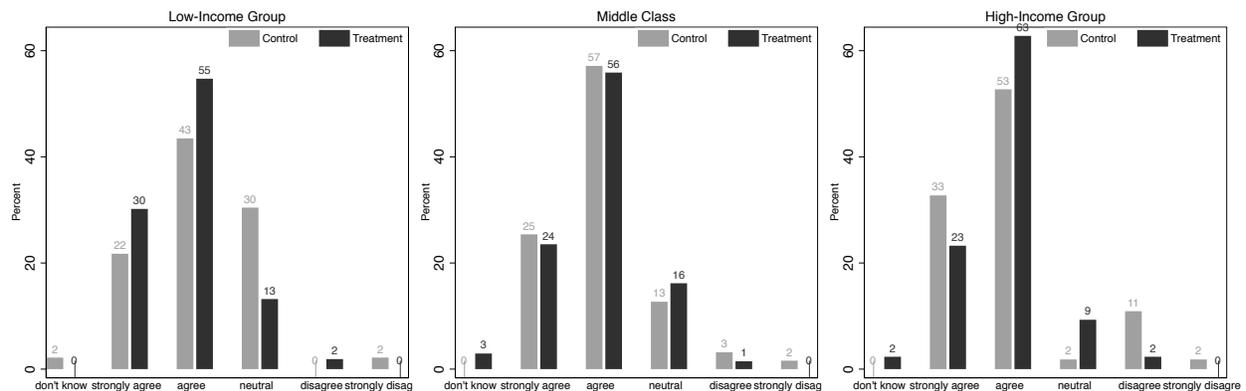
Figure 4: “Do you agree with the statement: the current inequality is just because some people have gotten rich first, and they will help the rest get rich in the future?”



Notes: the number of observations are: low-income group (control: 46, treatment: 53); middle class (control: 63, treatment: 68); high-income group (control: 55, treatment: 43). The t-test of the mean of the 5-point scale measure is statistically significant at 95% level for the middle class only.

Redistributive preferences refer to general support for redistribution. Two questions measure the redistributive preferences: the levels of agreement with the statements that “the government has the responsibility to provide extra help and benefits to the poor” and “the government should impose higher taxes on the rich to help the poor”. Figure 5 and Figure 6 show the results of these two questions. In Figure 5, the low-income class under treatment demand more redistribution from the government than their counterpart receiving the control (p-value is 0.03). The attitudes of the middle class do not differ much between the treatment and control groups. The high-income people under treatment are more likely to agree that government should provide extra help and benefits to the poor than the control group in general.

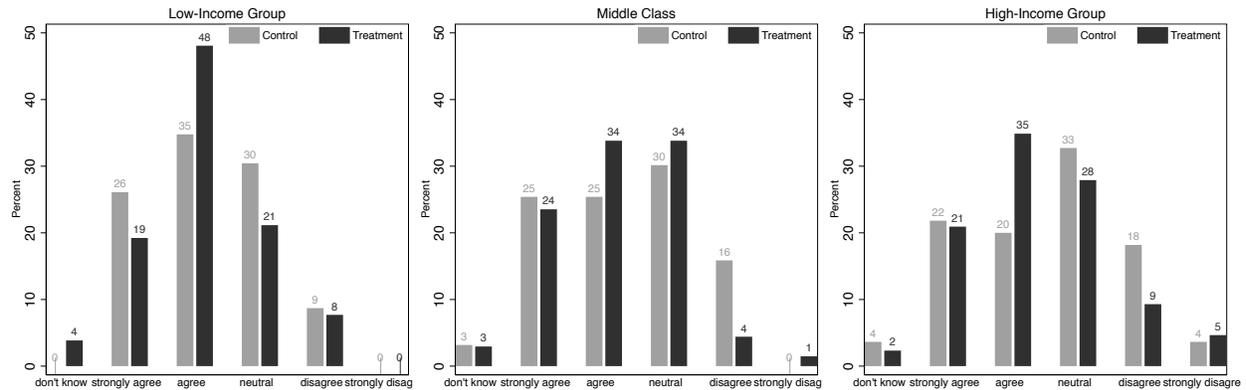
Figure 5: “Do you agree with the statement: the government has the responsibility to provide extra help and benefits to the poor?”



Notes: the number of observations are: low-income group (control: 46, treatment: 53); middle class (control: 63, treatment: 68); high-income group (control: 55, treatment: 43). The t-test of the mean of the 5-point scale measure is statistically significant at 95% level for the low-income group only.

In Figure 6, the change in the attitudes of the high-income class is clearer than that in Figure 5. Among the rich people who read the report, significantly more agree (p-value is 0.07), fewer disagree that the government should impose higher taxes on the rich to help the poor. Exposure to the government rhetoric elicits the support for redistribution among the high-income class, although increasing the income tax rates could hurt their interests. Figure 6 also shows that both the low-income and the middle classes under treatment are more supportive of higher taxes on the rich than their control groups. These results provide evidence for H1 that government rhetoric persuades the poor and H3 that the rich comply with the government positions.

Figure 6: “Do you agree with the statement: the government should impose higher taxes on the rich to help the poor?”



Notes: the number of observations are: low-income group (control: 46, treatment: 52); middle class (control: 63, treatment: 68); high-income group (control: 55, treatment: 43). The t-test of the mean of the 5-point scale measure is statistically significant at 90% level for the high-income group only.

Discussion

The results from the survey experiment support my three hypotheses. Government rhetoric is effective in alleviating concerns over inequality among the poor but not the middle class. The rich prefer inequality but comply with the government stance on reducing inequality. The reason why the three income classes are expected to have different reactions to government propaganda is because I anticipate there are gaps in their levels of education, information, experiences and access to resources. Table 2 provides evidence for these gaps. Participants with low-income also have a lower level of education, have less access to social services and less domestic or abroad experience. Although the differences in the number of media sources and the level of political knowledge among the three classes are not statistically significant, the values are lower for participants in the low-income category.

Table 2: Characteristics and p-value of F-tests across Income Groups

Income group	Low-income	Middle class	High-income	P-value
Average level of education	2.96	3.56	4.61	0.000
Have social security %	52%	79%	81%	0.000
Have government medical insurance %	73%	84%	92%	0.011
No. of news sources	2.89	3.01	3.28	0.189
Political knowledge	2.85	3.24	3.19	0.531
Work/live in multiple cities	28%	31%	51%	0.004
No. of regions visited in China	0.76	1.23	2.02	0.000
Have been abroad %	16%	21%	51%	0.000
CCP member %	16%	23%	37%	0.011
Rural <i>hukou</i> status %	87%	64%	50%	0.000
N	99	131	98	

Notes: The measures of education are: 1 "primary school" 2 "middle school" 3 "junior career education" 4 "high school" 5 "senior career education" 6 "college" 7 "postgraduate". News sources include TV, podcast, newspaper, Internet, smart phone, and family and friends. Political knowledge measures out of 5 factual questions, how many the respondents answer correctly. The number of regions visited in China refers to out of the 6 regions in China: northeast (东北), northwest (西北), southwest (西南), north (华北), central (华中), south (华南), except east (华东), where the survey experiments were conducted, how many regions the respondents have visited in the fast 5 years. The F-tests show the means are significantly different among the three income groups at 95% level, except the number of news sources and political knowledge.

In the treatment condition, respondents with low-income consider inequality a less serious problem and are less critical of inequality in terms of moral judgments than their control counterparts. The poor people respond to the official media positively. They have faith in the government and believe the government's promises. As a sign of their trust in the government, people with low-income support more redistribution, which is promised by the government. The differences in the low-income participant's attitudes toward different sources of news (see Figure A4 in Appendix A) between the treatment and control groups, also provide some evidence for their trust in the government. Low-income participants in the treatment condition think TV news more credible, while considering news on the Internet and social media less credible than those

under control. The government controls TV channels more tightly than the Internet or social media.

Government rhetoric persuades the low-income Chinese but not the middle class. The middle class exposed to the government rhetoric is more critical of inequality; they believe the country's income distribution is less fair and see inequality as less legitimate or tolerable than their counterparts under control. As shown in Table 2, the middle class has a higher level of education, more access to social security and government medical insurance programs, more sources of information, a higher level of political knowledge, have travelled to more regions both in China and abroad than the low-income class. Even though those in the middle class are also more likely to be CCP members, the educated and informed middle class is critical toward inequality. Understanding the realities of inequality and policy implementation, the middle class grows tired of the repeated pledges of the same lofty promises from the government. When reminded of the government's populist propaganda, the middle class sees a stark and ironic contrast between the reality and the government's promises, so the exposure to the rhetoric further arouses their aversion.

The rich's attitudes toward inequality are ambiguous. They do not perceive inequality negatively, but when exposed to the government rhetoric criticizing inequality and promoting redistribution, the rich shift their moral judgments toward a neutral position and support redistribution. The high-income class is the biggest beneficiary during the development process. As shown in Table 2, the high-income class has the highest level of education, has the most

resources and experiences, and are most likely to be CCP members. As economic and political elites, the rich have sensitivities and incentives to follow the government positions.

The high-income class is sensitive to the political messages from official media because their economic interests are closely related to the policies, and official media are considered experts on the positions of the state (Stockmann 2010). When the rich read the treatment report in the survey experiment, they were reminded of the official tone on the issue of inequality, as well as the necessity for them to follow the government official stance, at least on the surface. Because the proposed redistributive policies in the treatment article, although vague, might actually hurt the rich's interests, the high-income class reads the report as a signal that the government is soliciting their support for the redistributive policies. Although the wealthy do not welcome the government's requests of higher contributions from them, they understand that it is necessary to support government policies. The treatment report elicits this support and compliance. Therefore, when asked opinions, the high-income group under treatment are more supportive of redistribution than the control group.

However, higher support for redistribution in public opinion surveys might not mean the rich are truly willing to contribute more to redistribution. The high-income class needs to find a balance between protecting their economic interests and following the government's vows to reduce inequality. The wealthy have the most resources to escape the system and avoid costs. When their interests are under credible threats, they might not comply with the redistributive policies.

Conclusion

To assess the impact of governmental rhetoric on the views of inequality held by Chinese in different income classes, I conducted a survey experiment in China. I interviewed 328 participants drawn from low-, middle- and high-income classes, with each participant randomly assigned into treatment and control groups. I could therefore separate the impact of class from the impact of the treatment, a sample of government rhetoric drawn from an actual document. I found that the government rhetoric alleviates the concerns over inequality among the low-income Chinese, but makes the middle class more critical of inequality, while elicits support for redistribution among the rich.

Inequality divides society. Government propaganda further increases social cleavages. The Chinese government portrays the issue of inequality carefully to the public. The treatment report in the survey experiment is full of rhetoric and only vague policy promises while avoiding discussions of the reality or causes of inequality. The poor believe in the government. They think the policy proposals will be implemented wholeheartedly and these policies will be effective in reducing inequality. They consider inequality a less serious problem when exposed to government rhetoric and show their support for the government proposed higher levels of redistribution.

However, the middle class understands the propagandistic aspect of the government rhetoric and is resistant to it. The middle class grows tired of the same lofty promises from the government. They see the contrast between the poor policy implementation and the ambitious

policy plans. The middle class is more critical of inequality after exposed to the rhetoric. The middle class' reaction to propaganda is noteworthy as their grievances could trigger negative social consequences in the future.

The rich show their willingness to support redistribution but this support might not be genuine. The wealthy are politically sophisticated because of their frequent formal and informal interactions with the government. They understand how to respond to government's populist pledges but also know how to find ways to avoid costs. The government rhetoric might have elicited the same rhetorical response from the rich. They show willingness to support vague ideas of redistribution but might not support specific redistributive policies. The rich are the most likely and the most capable to exit the system when their interests are under threat.

The CCP vows repeatedly to promote equity and equality in order to uphold its official ideologies but often shies away from challenging vested interests. The vague wording and absence of binding commitments to the redistributive policy proposals indicate the difficulties in making and implementing specific policies. However, the propaganda convinces the disadvantaged to believe the government's promises, which the CCP cannot guarantee to deliver. As the low-income people request more redistribution, the middle-class criticizes inequality, while the rich might only support redistribution on the surface, the government propaganda does not relieve public unhappiness with inequality, but creates more challenges for the CCP's future governance.

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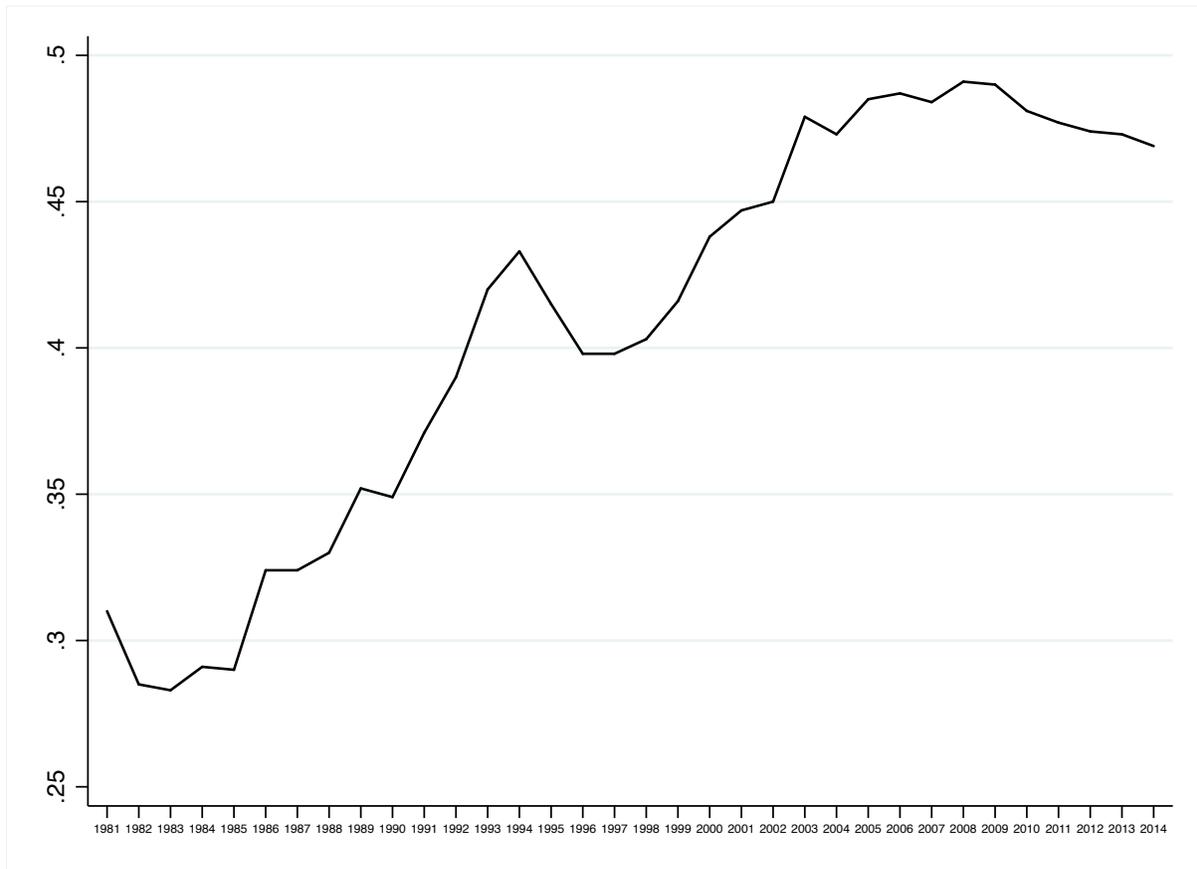
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Appendices

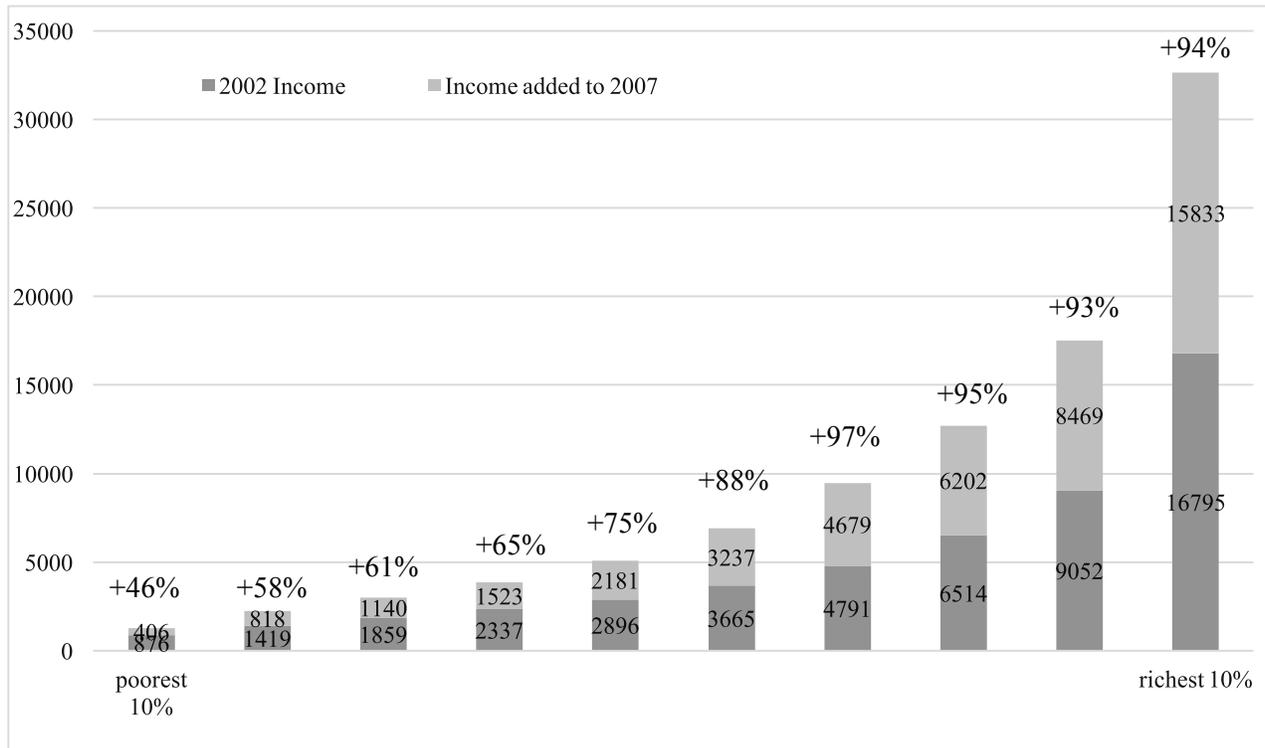
Appendix A: Figures

Figure A1: Income Inequality in China, 1981-2014



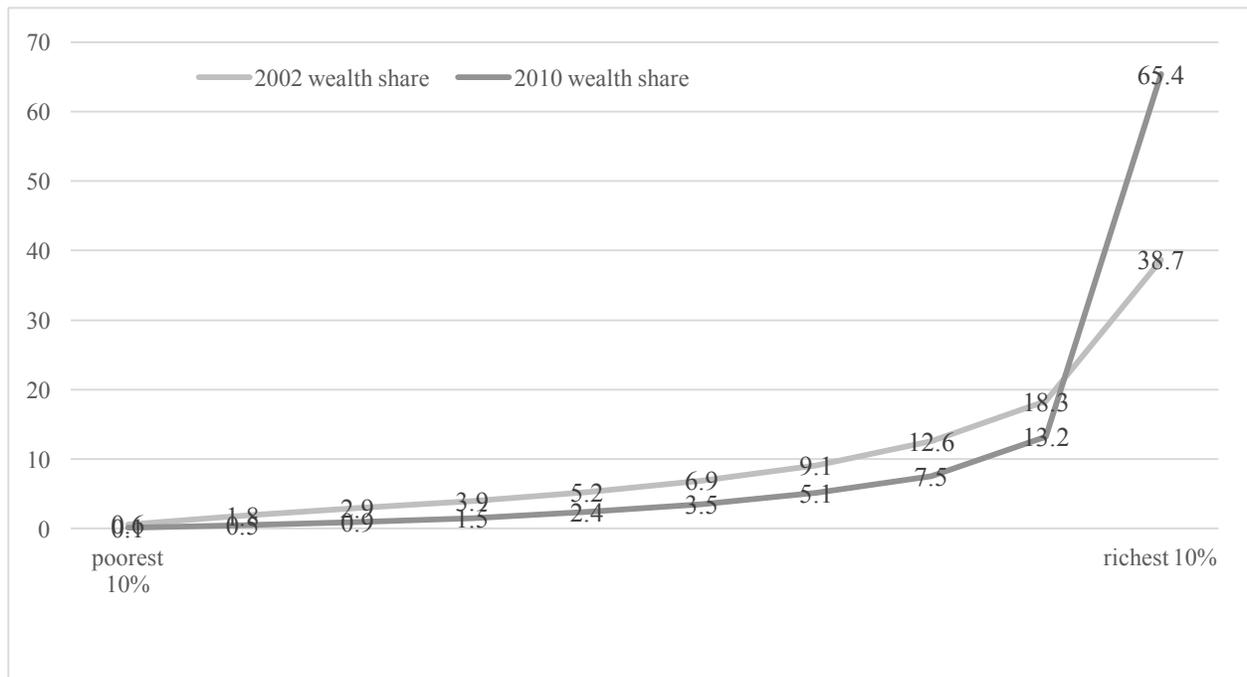
Sources: Gini coefficients for the years 1986–2001 are from Ravallion and Chen (2007), 2002 from Gustafsson et al. (2008), 2003–2014 from the National Bureau of Statistics.

Figure A2: Per capita Household Income by Decile, 2002 and 2007



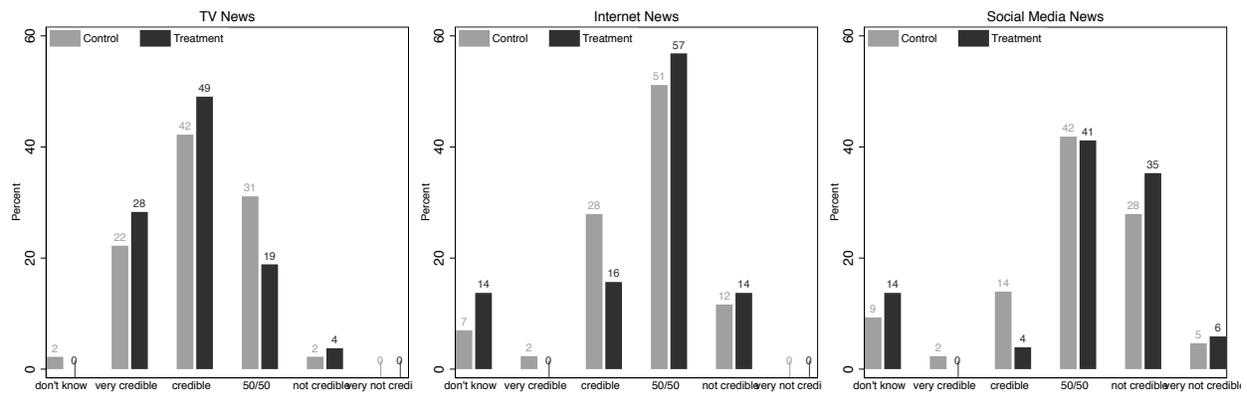
source: Li and Sicular (2014). Calculations based on the CHIP data.

Figure A3: Wealth Share by Decile, 2002 and 2010



Source: Li, Sato, and Sicular (2013). Calculations based on the CHIP data.

Figure A4: Low-income group only: “to what extent, do you think the following source of information is credible?”



Notes: the number of observations for the three variables are: TV news (control: 45, treatment: 53); Internet news (control: 43, treatment: 51); social media news (control: 43, treatment: 51). The t-test of the mean of the 5-point scale measure is statistically significant at 90% level for the three variables.

Appendix B: Report on Economic Inequality from People's Daily

It is an endless endeavor in the journey of improving people's livelihood

Commentator in People's Daily

Source: People's Daily

Time: 2015-10-29

Ever since the 18th National Congress of the Chinese Communist Party, Party Secretary Xi Jinping has repeatedly emphasized that a moderately prosperous society in all respects means all 1.3 billion Chinese people should be benefited, regardless of regions. Not should any person be left out because of poverty, neither should any ethnic group. Building a moderately prosperous society in all respects shows the fundamental purpose of development, is to improve people's well-being, and to promote individuals' over-all development. Uphold the principles that development is for the people, by the people, and shared among the people. From common prosperity to shared development, people will enjoy more intense and comprehensive happiness. Building a moderately prosperous society in all respects is the great Chinese dream for people's happiness and country's prosperity.

The CCP Central Committee pays a lot attention to the issue of income distribution. They raised the guidelines of "significantly increasing the income of low-income groups, expanding the middle-income groups, and adjusting the high-income through taxation" to narrow the income gap. They also implemented a series of policies, such as abolishing the agricultural tax, improving the social security system and raising the threshold of the personal income taxes. These policies have played an important role in suppressing the growing income disparity.

In a fair society, people from any background can be successful. Everyone can get ahead through hard work. Such a society must be thriving and vibrant. Only in such a society, can the great Chinese dream be achieved. To this end, we need to make efforts in the following aspects. First, gradually achieve equal opportunities in education and employment. We should improve the conditions of compulsory education in the rural areas, narrow and eventually eliminate the gap between urban and rural education, and create a fair environment of education. Second, further improve the social security system. A scientifically designed and effective social security system can not only narrow income gap, but also lay out the foundation for people's physical and mental health, and provide people with safety net, so that they can participate in competition. We should further expand the coverage of medical insurance and social security, so that people will not become poor because of medical expenses, or worry about their lives when they grow old. Third, break the monopoly in industries, to form a market environment with fair competition. Unfair distribution of income among industries is mainly because the monopoly sectors enjoy very high profits. Therefore, pushing the reform in the monopoly industries and improving the market competition are necessary measures to decrease income gap.

“The 13th five-year development plan” lays out the fundamental purpose of development is to achieve, protect and improve the fundamental interests of the broadest groups of people. The “13th plan” upholds the people-centered principle. “Enhancing people’s well-being and promoting individuals’ full development” are the purpose and mission of the Chinese Communist Party, they are also the core of the “13th plan”. In the following 5 years, the CCP Central Committee will focus on solving the problems that are most directly related to people’s interests and that people are most concerned about. It shows the governing idea of shared development. It also shows the fundamental purpose of the CCP is to serve the people wholehearted.