

Culture, Diversity, Regional Development and Population

- Chinese society is often thought to be homogenous
- It's actually quite diverse.
- Big differences between urban and rural; northern and southern China; many different ethnic groups

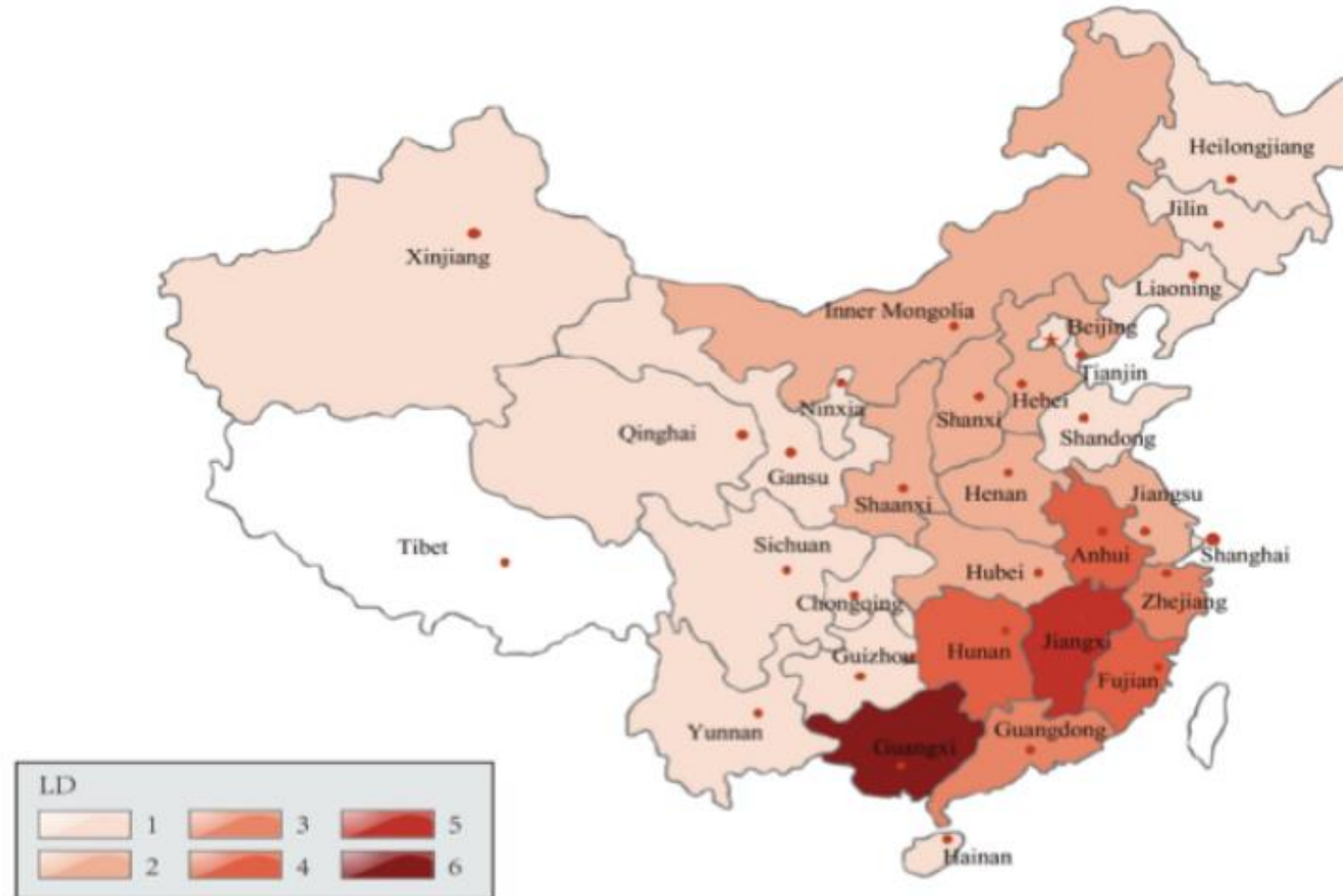
Basic demographics

- Ethnic groups: 56
 - 91.1% Han
 - 8.9% others
- Official language: Standard Chinese
 - Dialects: 10+
- Religion
 - 74.5% no religion / folk
 - 18.3% Buddhism
 - 5.2% Christian
 - 1.6% Islam
 - 0.4% others

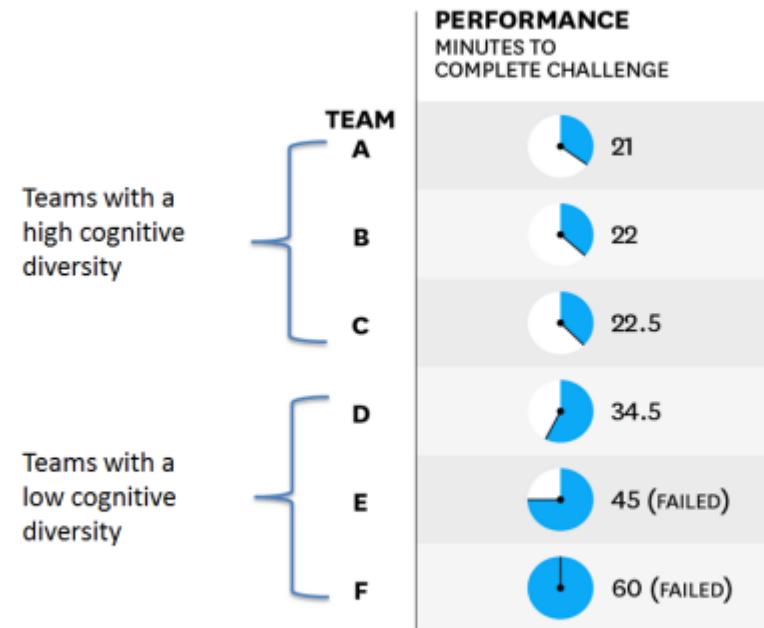


Linguistic diversity

Heatmap of LD Across Chinese Provinces



Higher cognitive diversity within team correlates with better performance



Note: Cognitive diversity is calculated as differences in thinking styles present on each team

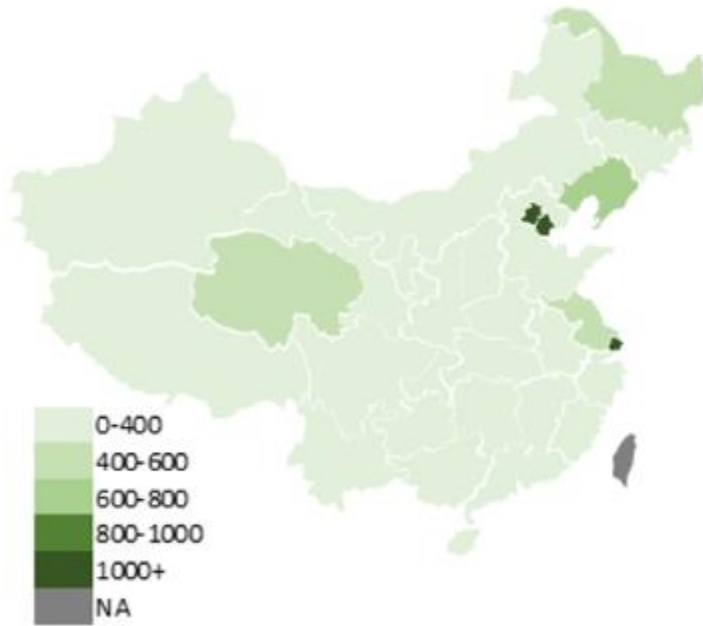
Source: Alison Reynolds and David Lewis, 2017, "Teams solve problems faster when they are more cognitively diverse," *Harvard Business Review*.

Does Diversity Leads to Economic Growth?

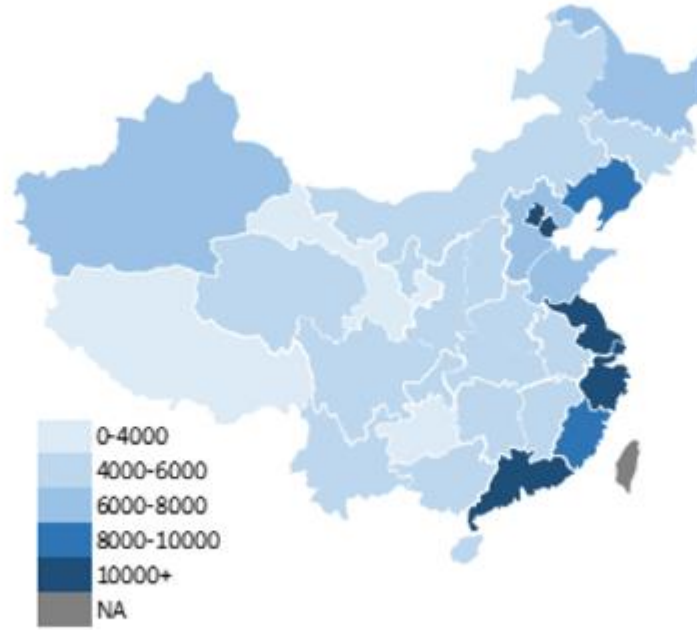
- A study suggests that countries with high levels of diversity are better able to adapt new technologies and ideas
 - Skeptics
 - diversity is an artifact of economic development rather than a contributor.
 - Diverse populations flock to certain locations because they are either rich already or are fast becoming that way.
- Relative openness to other cultures is important to economic growth
- cultural diversity has a positive impact on economic development in the process of industrialization, from its inception through modern times.

Figure: Provincial GDP Per Capita (RMB)

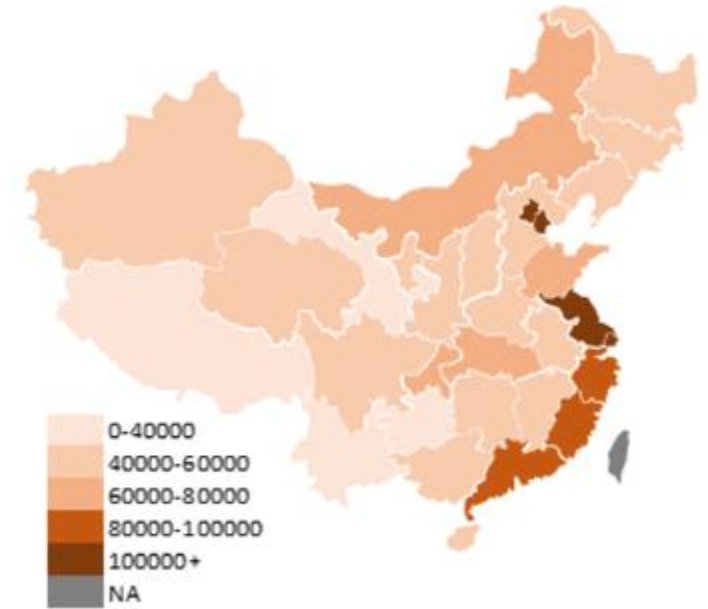
1978



1998



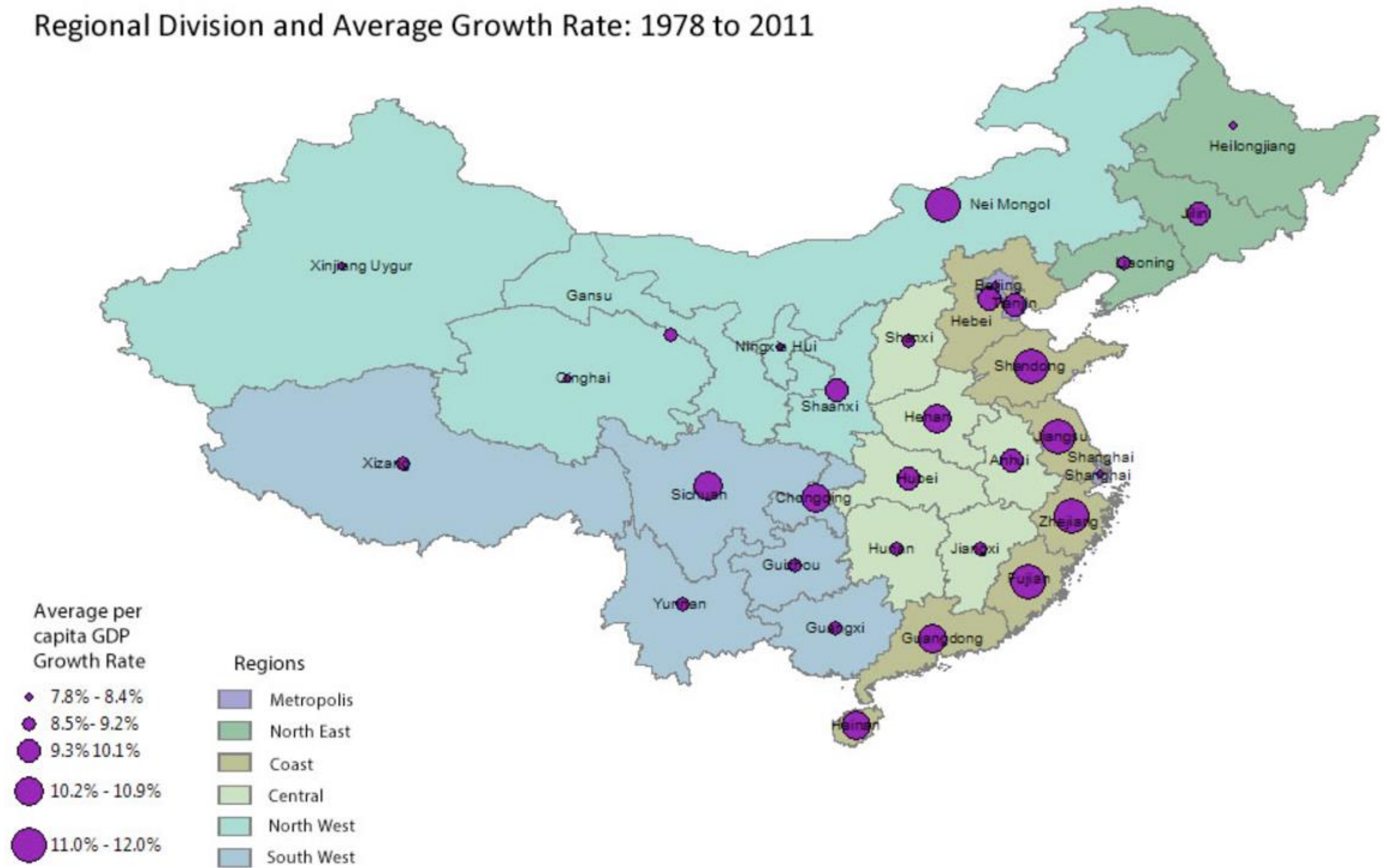
2017



Source: National Bureau of Statistics of China and CEIC

In 2017, per capita income in Gansu was 84 times higher than in 1978 but per capita incomes in Beijing and Shanghai were over 4 times higher than that in Gansu.

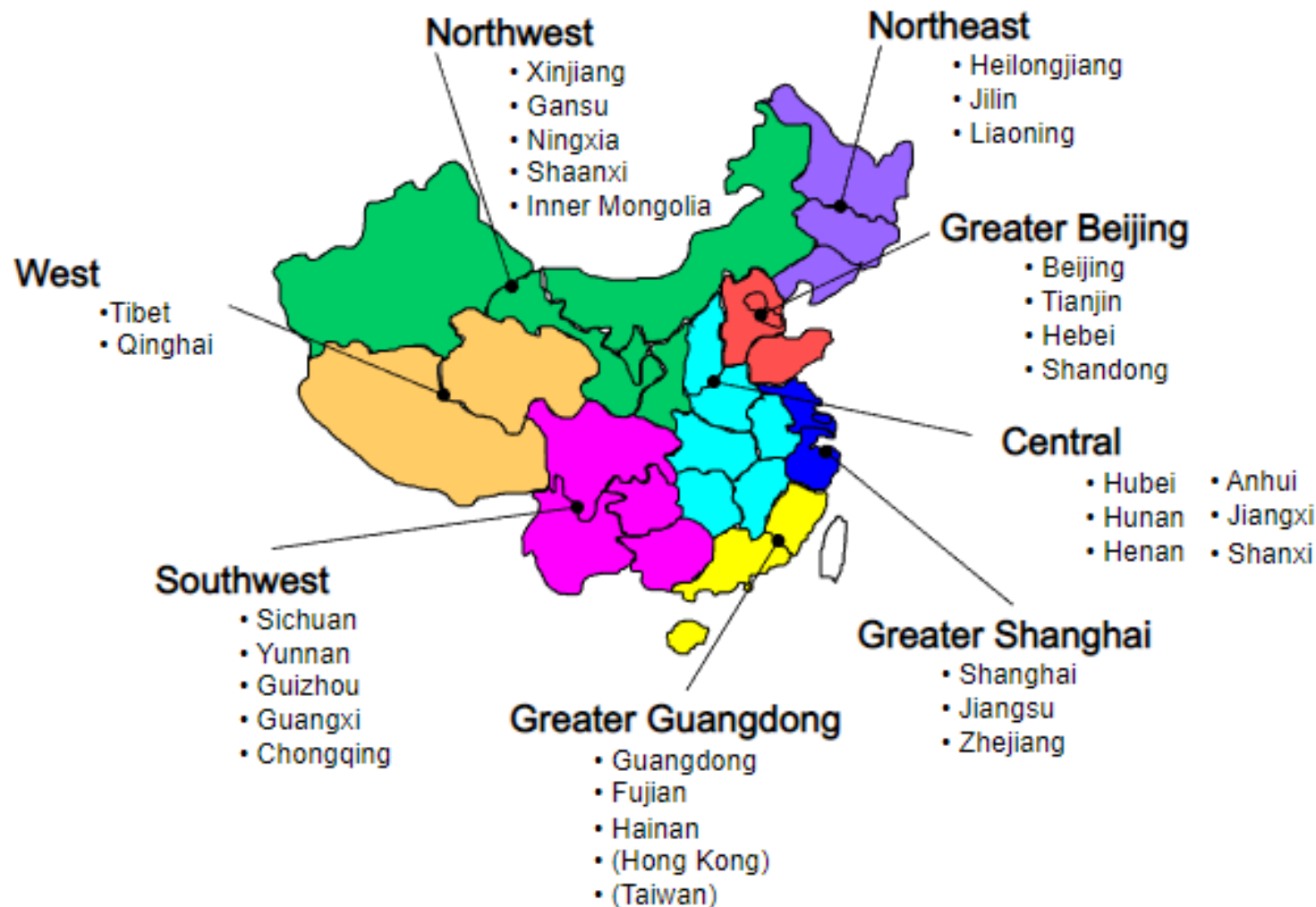
Regional Division and Average Growth Rate: 1978 to 2011



The Eight Economic Regions of China

C. Regional Economies – Eight in Total

China has eight economic regions: Greater Beijing, Greater Shanghai, Greater Guangdong, Central, Northeast, Northwest, West and Southwest.

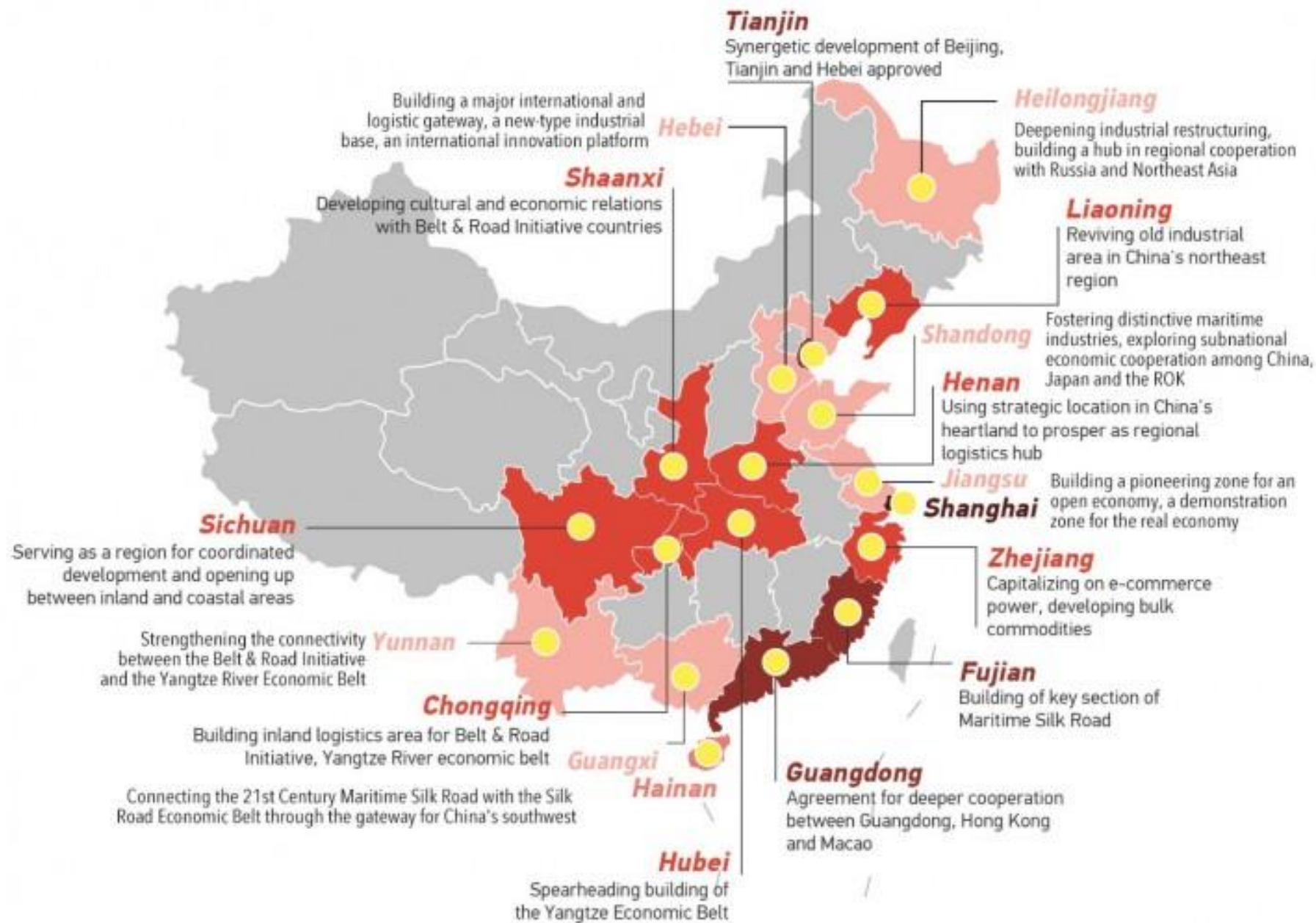


What are the possible causes for regional differences?

- Geographical location
- Roles and policies of local governments
- Prosperous/vicious cycle
 - coastal areas boomed, and special economic zones set up within these provinces => further development => more and entrepreneurs come
 - sluggish business environments and subdued tax revenues in the inner provinces => local governments have had less financial resources and perhaps also less motivation to address related challenges ranging from persistently-unprofitable SOE and widening deficits in pension systems.
- Human capital and growth
 - Hukou
 - Entrepreneurship

Policies to tackle the regional inequalities

- Development of the West Regions 2000
- Revitalization of the northeast 2004
- Development of central China 2004
- Investing heavily in transportation infrastructure
 - Railway and expressway
 - West-East Electricity and Natural Gas Transfer
- Fiscal transfer to poorer provinces



Culture change and economic growth

- Hong Kong and Taiwan pop stars
- 2008 Beijing Olympic Game
- 2021 Beijing Winter Olympic Game
- Chinatown in NYC
 - Traditional one
 - Flushing
- A big issue comes with growth is population

Demographics

- “demographic dividend” : a period during which the proportion of nonworking, dependent people in a population falls substantially
 - usually occurs in a traditional agricultural society in which birth rates start out very high, because many children die in infancy
 - As better sanitation and health care become available, child and infant mortality drop.
 - families respond to this increased survival rate by having fewer children

Impact from population change

- a two-stage evolution of the population age structure
 - the number of people of working age rises rapidly=> relatively large number of productive, working-age people, and a shrinking proportion of dependent children.
 - This age-structure shift does not guarantee faster economic growth, but it certainly can help.
 - With more productive workers, and relatively few dependent mouths to feed, families can save more of their income
 - “demographic transition”
 - The “bulge” of productive workers turns into a bulge of retirees, who make increasing demands on the nation’s healthcare and pension systems.
 - the next generation of workers is much smaller
 - a small number of workers supporting a large number of (mainly old) dependents.

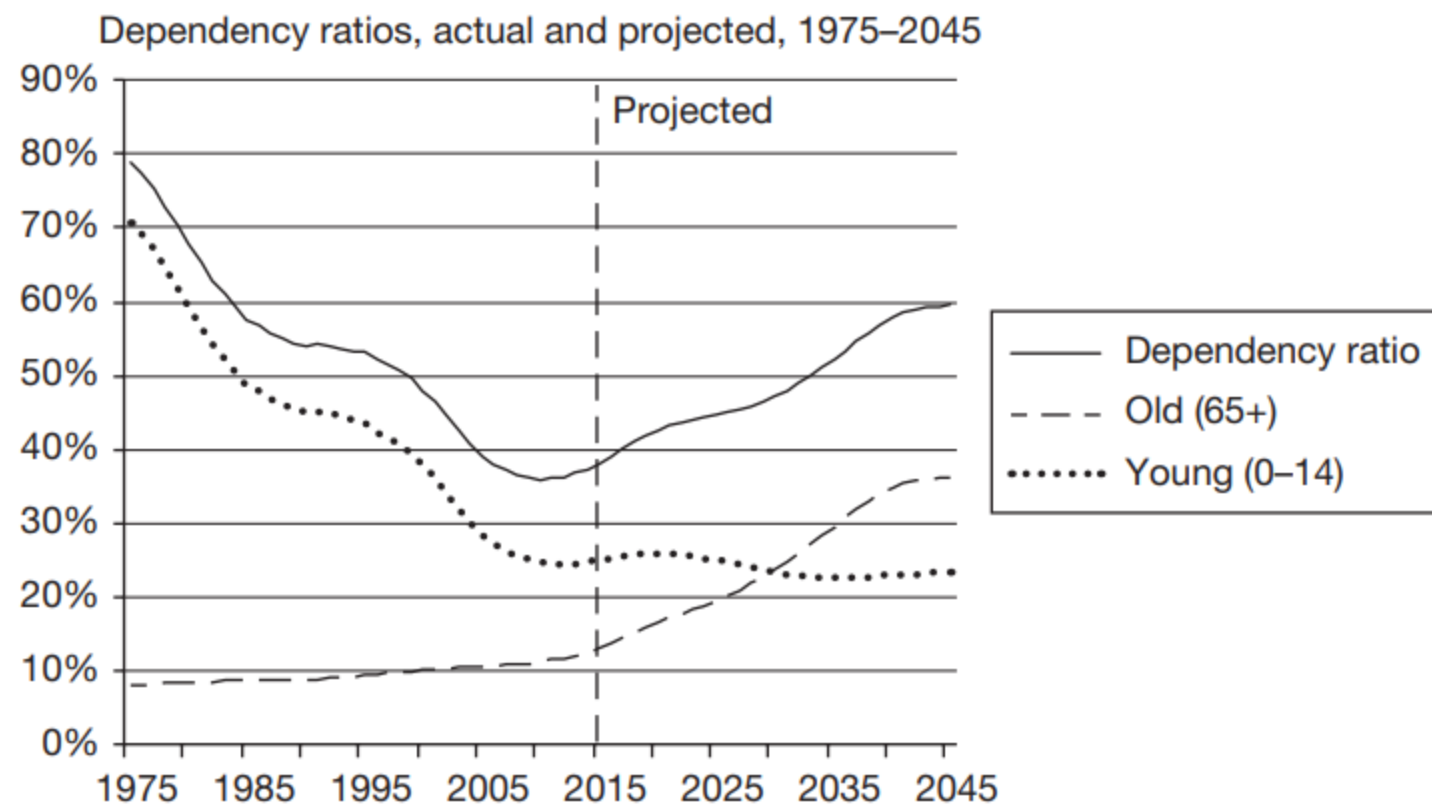


Figure 9.1 Dependency Ratio

Source: United Nations Ageing and Development Database.

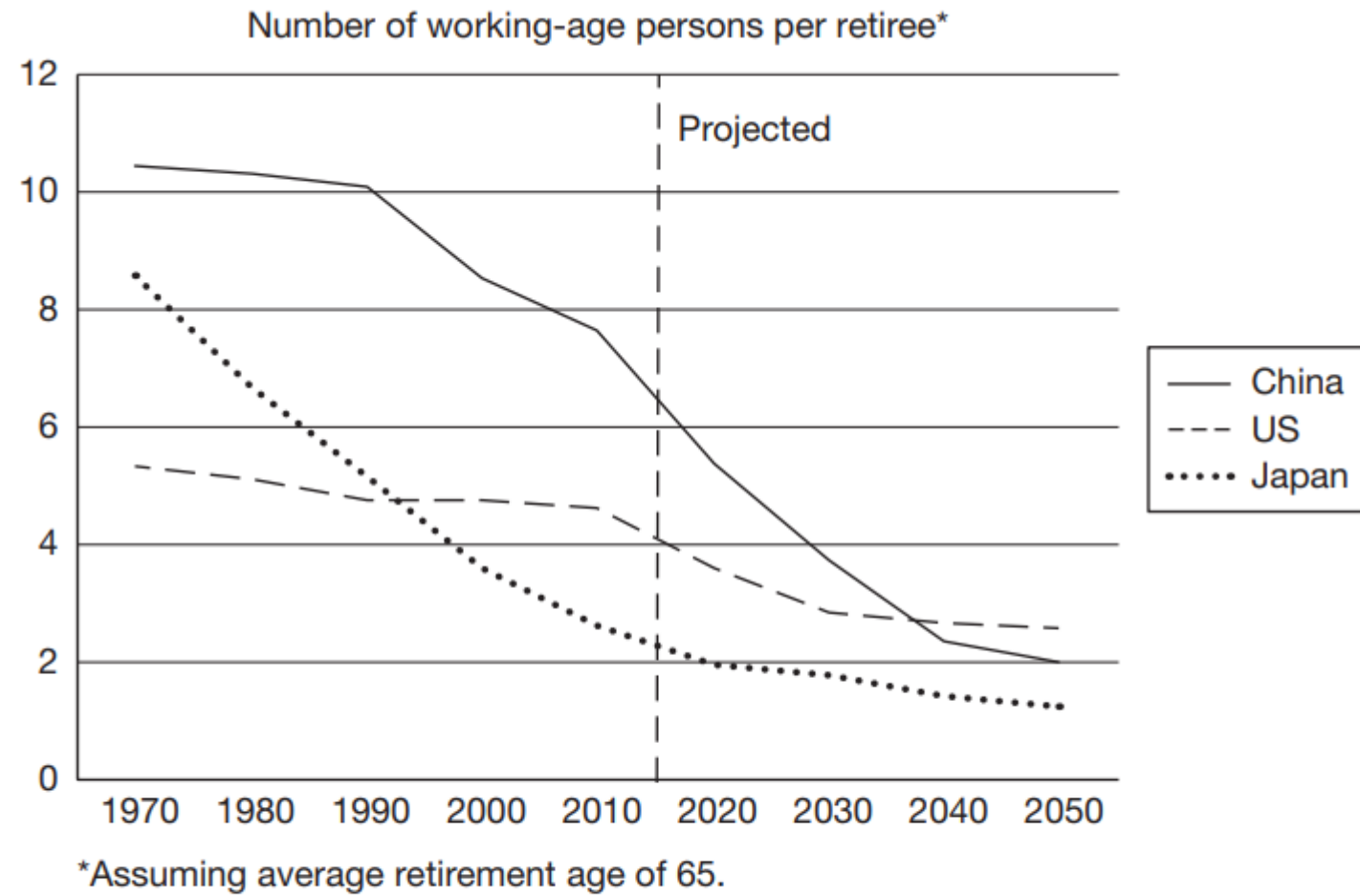


Figure 9.2 Workers per Retiree

Source: UN World Population Prospects (2008).

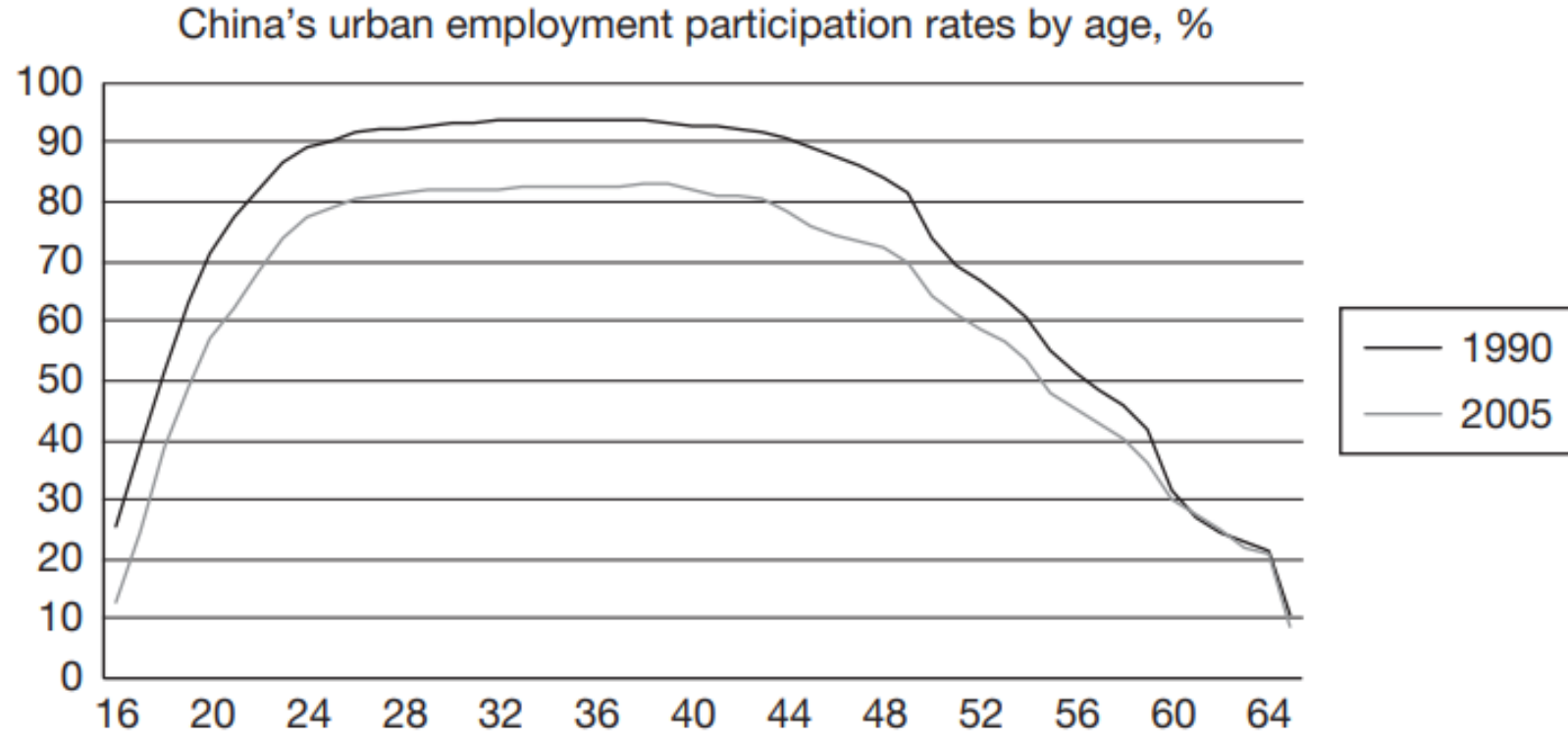


Figure 9.3 Labor Force Participation

Source: Judith Banister, NBS.

How to increase the work participation rate for the workers in the 45-65 age range, especially by 2030?

- increase statutory retirement ages
- improve access to education
- shifting the emphasis of the economy away from industry and toward services
 - because services are more labor-intensive than industry
 - physically undemanding jobs that people can keep doing through their sixties
- boosting productivity
 - on average, a Chinese worker produces only about one-eighth of what her US counterpart does

Improved efficiency and productivity are key goals