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Economic Development, Regional Integration and Spatial Inequality of Opportunity

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"Spatial disequilibrium, provincial and individual inequality in urban China" (Zax, 2019) assesses provincial and individual inequality in urban China. It predicts earnings for each worker in multiple provinces, compares provinces of residence and provinces of maximum predicted earnings, and estimates predicted relocation gains. It presents a reference comparison for the United States in 1940.

Only 7.4% of U.S. urban workers predicted maximum earnings outside their home divisions that exceeded predicted home division earnings by more than 20%. In contrast, in 1988, 1995, 2002, 2008 and 2013, respectively, 45%, 54%, 74%, 57% and 42% of urban Chinese workers predicted maximum earnings outside their home provinces that exceeded predicted home province earnings by more than 50%.

These potential gains were equivalent to the earnings gains from at least seven years of additional schooling. If workers had received maximum predicted earnings, average earnings would have been greater by between 42% and 83%. Moreover, interpersonal inequality would have been less in all but 2013. If they had received maximum predicted earnings in their home provinces, inter-provincial inequality would have vanished in all years. Discrepancies of these magnitudes suggest that the Chinese economy suffers from multiple obstacles to internal integration.

This paper first applies the methodology of Zax (2019) to Mexico and Brazil. The comparison between these countries and China assesses whether the dramatic association between place of residence and earnings opportunities in China is a consequence of its level of development, or of other features of the Chinese institutional regime that affect its internal economic integration.

This paper then compares the relationship between earnings opportunities and place of residence in middle-income countries with that in countries that have achieved the highest levels of economic development. It begins this comparison by analyzing the more recent U.S. Censuses, in order to assess whether the earlier independence between place of residence and earnings opportunities persisted.

It continues to examine the same relationship in the contemporary European Union. The comparison with the U.S. assesses whether the barriers that remain within the Union affect earnings opportunities, despite its advanced level of economic development.