

# Is East Asia Becoming Plutocratic?

Income & Wealth Inequalities in Mainland  
China, Hong Kong and Taiwan (1981-2021)

Zhexun MO

## Summary

*In this Issue Brief, we mainly discuss the recent progress in measuring income and wealth inequalities for Mainland China, Hong Kong and Taiwan in East Asia. Overall, we observe an alarming increase in both wealth and income inequalities in all of the aforementioned countries/regions over the past four decades. Despite high economic growth, the distribution of the growth benefits has been very unequal across the populations of these economies. The top 10% richest individuals (in all of the three countries/regions) seem to have gained the most from the economic liberalization of Mainland China over the past four decades, while the rest 90% of the distribution have lost out. Specific policies aiming at reducing income gaps are urgently needed for the sustainable development of the region in the future.*

Online Webpage : [wid.world](http://wid.world)

Contact Media : [press@wid.world](mailto:press@wid.world)

## Wealth Inequality in Mainland China

In Mainland China, due to increasing data unavailability in recent years, we mainly used National Billionaire Rich Lists<sup>1</sup> to correct for the very top of the wealth distribution. After this correction, we witness a relatively large increase in top wealth shares for China in the most recent years.

### Inequality at the Very Top and at the Bottom

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The main result of this correction could be summarized in [Figure 1](#), where we could see that for the top 0.001%, the group for which the top-wealth correction with billionaire data is theoretically the most accurate, the share of their wealth out of total personal wealth in China increased from less than 6% in 2016 to nearly 10% in 2021, which is a 70% jump within a span of five years. On the other hand, however, the wealth share for the bottom 50% in China has been consistently decreasing over time. In 1995, (the poorest) half of the Chinese population owned more than 16% of total personal wealth of the country, yet that share has decreased to merely 6% in 2021. Even

more strikingly, the wealth share of the top 0.001% has surpassed that of the bottom 50% in 2017. Chinese billionaires now possess almost twice the amount of wealth owned by the bottom 50% of the Chinese population.

### Inequality at the Top 1% and Top 10%

The wealth correction with the Rich Lists allows us to better capture wealth concentration at the very top of the distribution. However, absent better data to capture the asset holdings of the multi-millionaires in China, the top 1% and top 10% wealth shares could still suffer from under-estimation. That being said, from [Figure 2](#), we observe that the top 1% and top 10% wealth shares in China both reached their highest historical levels in 2021. The top 10% richest Chinese individuals now own nearly 70% of total personal wealth in China.

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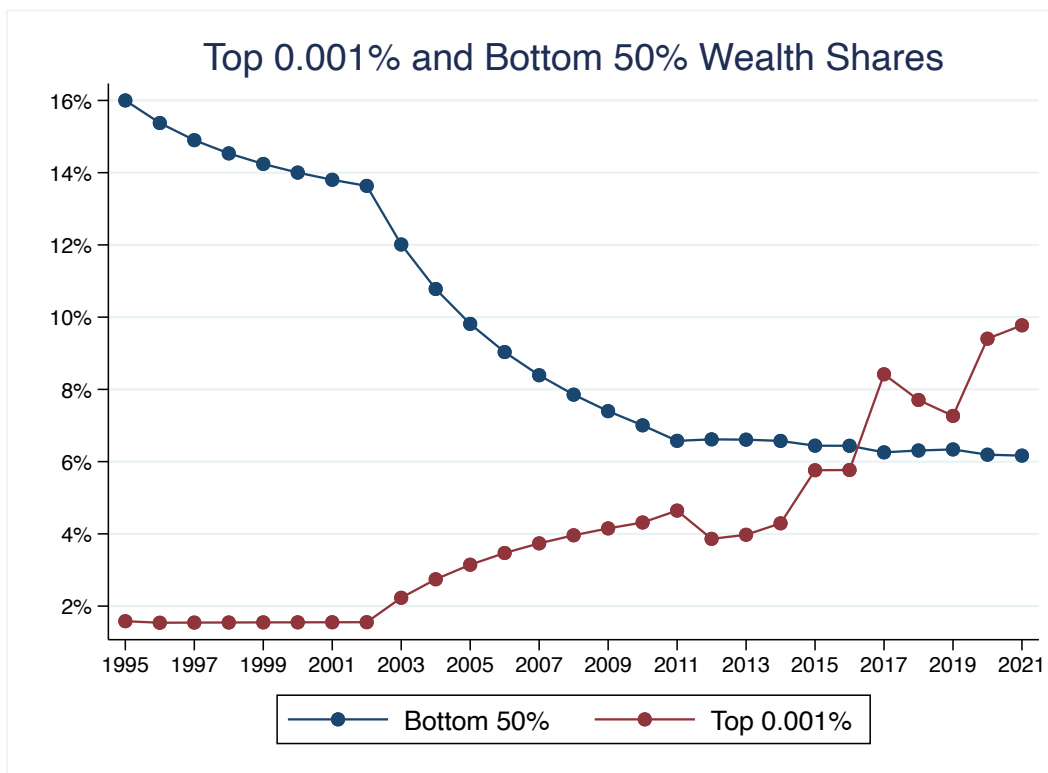
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In addition, [Figure 3](#) also gives us a depiction of the main wealth share figures in China from 1995 till 2021. As it could be observed, the increase of the wealth share of the top 10% is at the expense of the rest 90% of the population. Wealth shares for both the middle 40% and the bottom 50% have considerably decreased (almost halved) over the past three decades.

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<sup>1</sup>Namely the [Hurun Rich Lists](#).

Figure 1. Top 0.001% and Bottom 50% Wealth Shares in Mainland China



Source: Authors' own calculations based on billionaire rich lists and household surveys.

## Wealth Inequality in Mainland China and Hong Kong

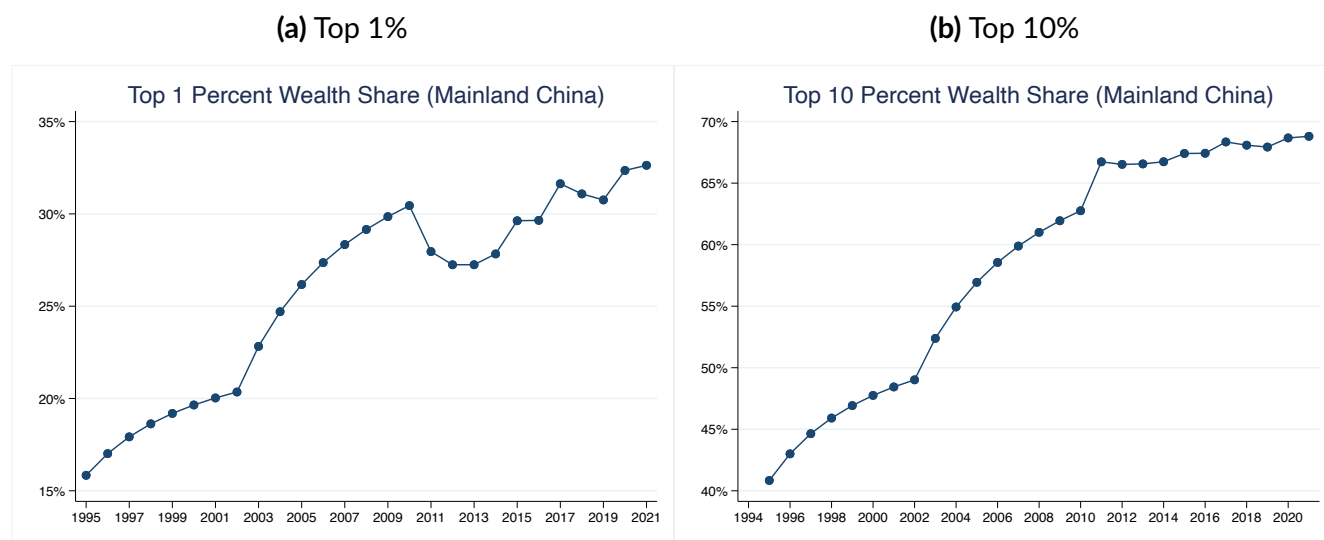
All the previous estimates pertain to Mainland China only, which means that we excluded both Hong Kong and Macao from our analysis. Given the recent evidence that Hong Kong might have one of the most severe wealth inequalities in the world,<sup>2</sup> we will try to compare the wealth evolution of Mainland China with that in Hong Kong, and then try to combine

the two wealth series together.

Exhaustive distributional wealth data do not exist for Hong Kong due to the absence of any form of concrete taxation on wealth or capital. As such, we resort to another methodology, where at the baseline before any top wealth correction, we assume that wealth inequality in Hong Kong follows the same distribution as that in mainland China (which more or less should be regarded as a lower bound of wealth inequality in Hong Kong). We then correct the top wealth bracket with Hong Kong billionaires that appeared in the Forbes Rich Lists annually.

<sup>2</sup>Piketty, T., Yang, L. (2022), "Income and Wealth Inequality in Hong Kong, 1981–2020: The Rise of Pluto-Communism?", *World Bank Economic Review*, 36(4): 803–834.

Figure 2. Top 1 and Top 10 Percent Wealth Shares in Mainland China (1995-2021)



Source: Authors' own calculations based on billionaire rich lists and household surveys.

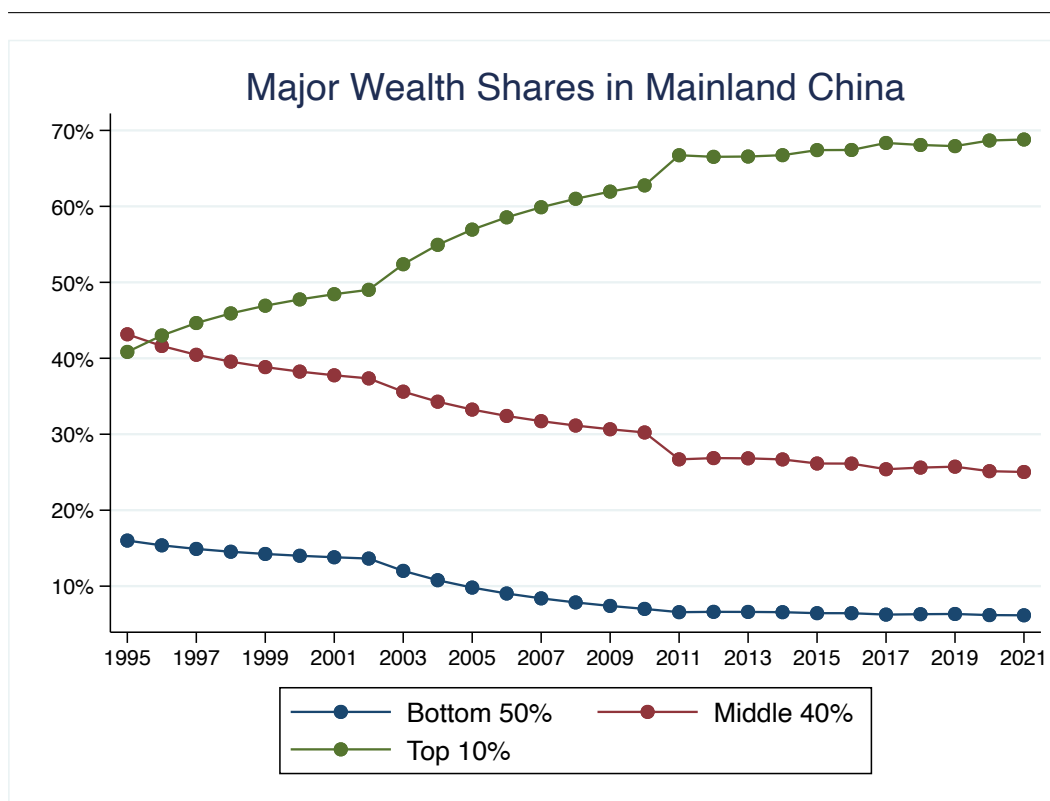
*...in Hong Kong the top 0.001% consistently owns around 12% of total personal wealth in the city over the past three decades...*

In terms of the results, if we focus exclusively on the group of billionaires (the top 0.001%, for whom the data should be accurate enough as described above), Figure 4 gives us an interesting depiction on the wealth share trends between the two regions. Rather strikingly, in Hong Kong the top 0.001% consistently owns around 12% of total personal wealth in the city over the past three decades, the figures of which never dropped below 10%. What is even more striking is that we observe a certain kind of convergence in terms of top wealth concentration between Hong Kong and Mainland China over time. With the

rapid economic development (concurrently an ever-increasing wealth gap) over the past few decades, the number of Chinese billionaires skyrocketed. In 1995 Chinese billionaires own less than 1% of total personal wealth in the country, while now they own nearly 10% of net personal wealth in China. The once egalitarian mainland is now getting very close to the levels of wealth concentration observed in a highly capitalistic economy like Hong Kong.

Ultimately, it would also be important to have a unified wealth inequality series grouping Mainland China and Hong Kong together, given the increasingly close and frequent capital exchanges between the two economies. We compare the unified wealth share series (in blue) with the mainland-only wealth share series (in red) in Figure 5. It could be seen that

Figure 3. Major Wealth Share Figures in China



Source: Authors' own calculations based on billionaire rich lists and household surveys.

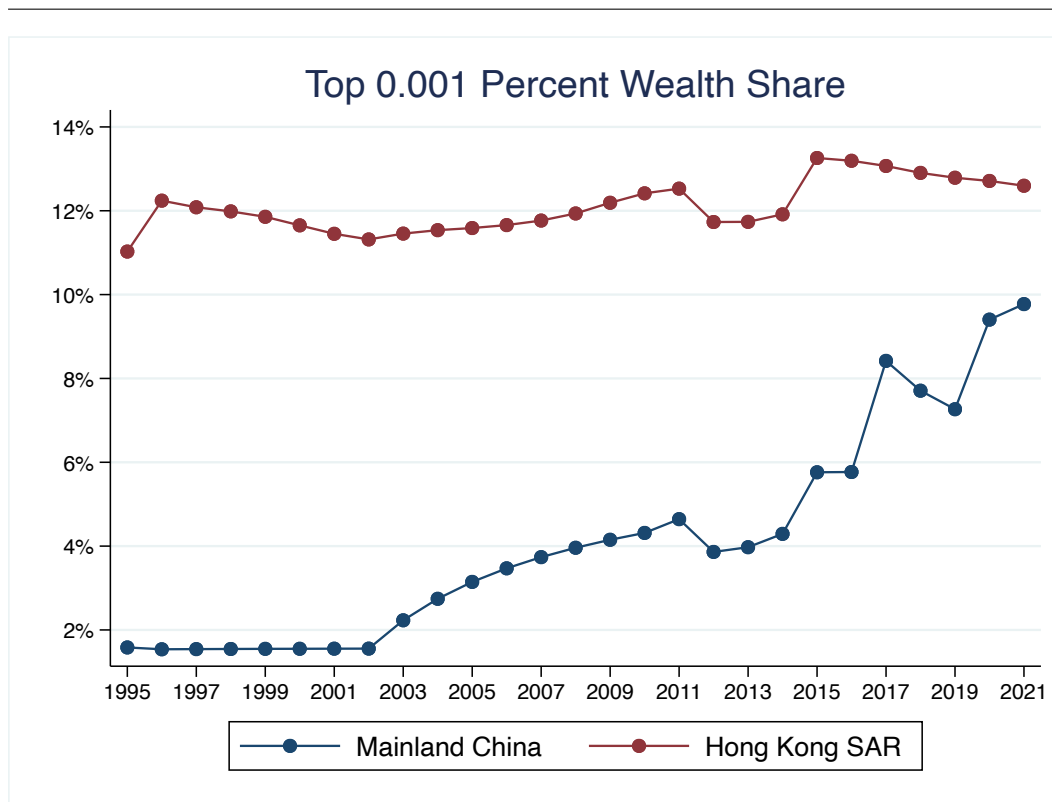
the inclusion of Hong Kong doesn't increase top wealth shares in China by a very large margin, mostly owing to the fact that the total wealth in Hong Kong is much smaller than that of Mainland China. It has an upward correction effect for the early years in the 1990s, but after the 2000s the two series more or less overlap with one another.<sup>3</sup>

### Wealth Inequality in Mainland China and Other Countries

Another interesting question to understand better is how wealth inequality in China these days compares with other countries in the world. Specifically, we compare wealth inequality in China with that in Brazil, India, the United States and France. In [Figure 6](#), we could see that the top 1% wealth share in China is much higher than that in France right now, and is very close to the level of wealth

<sup>3</sup>Overall, we do not include Macao here due to the very small size of the city, and insufficient wealth data there.

**Figure 4.** Billionaire Wealth Share Comparison: Mainland China vs. Hong Kong SAR



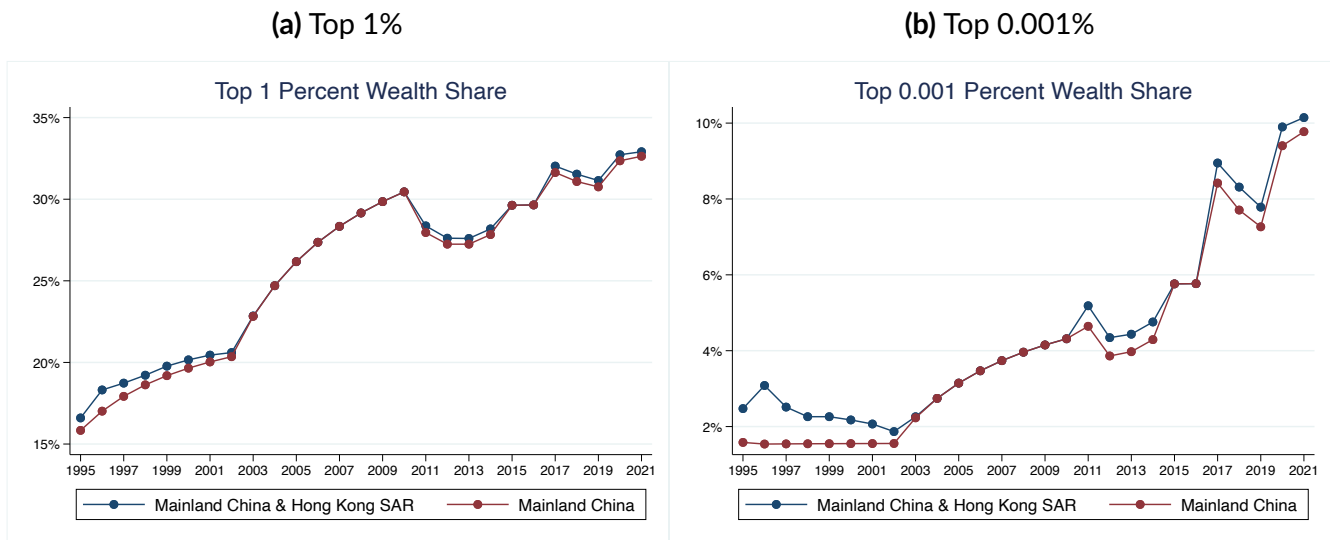
Source: Author’s own calculations based on wealth family surveys, housing wealth tabulations, billionaire rich lists and household surveys.

concentration observed in both India and the United States. Brazil stands out as an outlier with extreme wealth concentration for the top 1%. If we further zoom in on the top 0.001%, the very rapid increase in top wealth concentration in China has made it almost on par with both India and Brazil in the most recent years, where in all of the three largest developing economies in the world, the top 0.001% richest population owns nearly 10% of total personal wealth, with the US and France lagging much further behind.

*For the top 0.001%, the top wealth concentration in China is almost on par with both India and Brazil.*

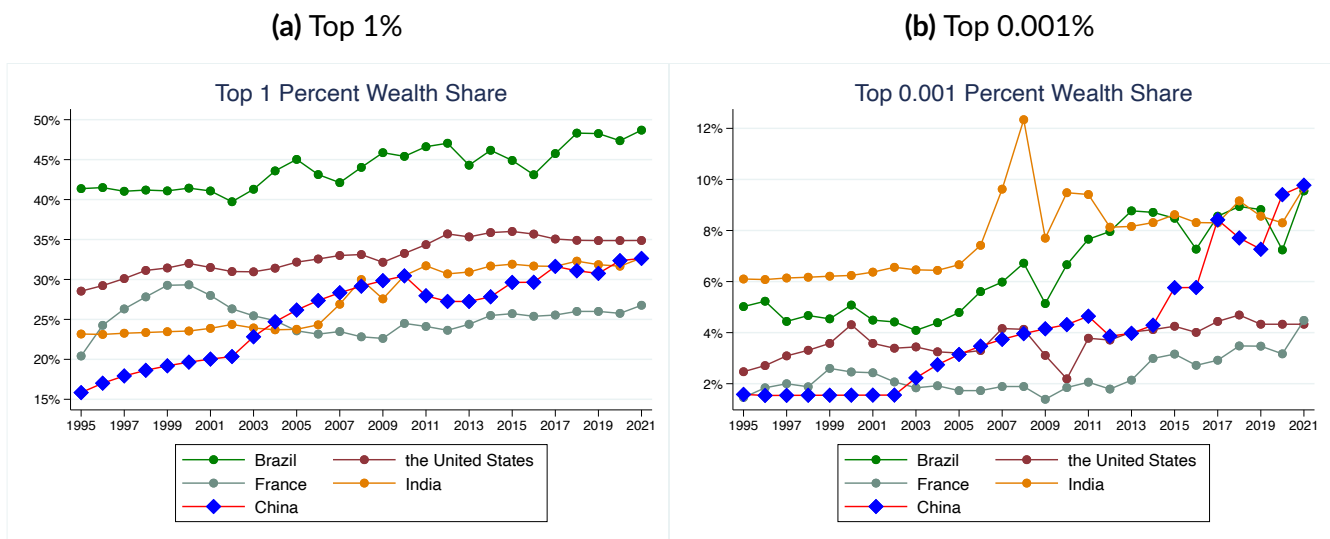
It would be very interesting to further understand the drivers behind such top wealth concentration in all these three countries, given their relatively similar fast-growth trajectories in the past few decades.

**Figure 5. Top Wealth Concentration in China (inclusive of Hong Kong)**



Source: Author's own calculations based on wealth family surveys, housing wealth tabulations, billionaire rich lists and household surveys.

**Figure 6. Top Wealth Shares: Cross-Country Comparisons**



Source: Author's own calculations based on wealth family surveys, housing wealth tabulations, billionaire rich lists, household surveys and data exported from wid.world.

## Income Inequality in Mainland China and Taiwan

Besides wealth inequality updates, income inequality estimation for East Asia saw a great

improvement for Taiwan this past year. Specifically, the research teams obtained access to the micro-files of tax data for the entire uni-

verse of Taiwanese taxpayers (11 million individual tax-filers and 4 million individual non-filers). Hence, we are able to construct a detailed Distributional National Accounts (DINA) income inequality series for Taiwan from 1981 till 2021.

In [Figure 7](#), we compare the evolution of the top 10% income shares between Mainland China and Taiwan for this period of time. Rather strikingly, over time the top 10% income share in Taiwan has been consistently higher than that in mainland.

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*The Taiwan income inequality series was constructed with the best kind of data that could be harnessed: micro files of individual tax data.*

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That being said, this doesn't necessarily mean that the true extent of income inequality in Taiwan has always been higher. First of all, we need to take into account the fact that the income data quality in Taiwan is much better than that in Mainland China. As previously mentioned, the Taiwan income inequality series was constructed with the best kind of data that could be harnessed: micro files of individual tax data, which captures top income-earners in a much more complete manner than mere survey data or tax tabulations. However, in Mainland China micro files of tax data are not available, and the income inequality series was constructed only with income survey tabulations, top-corrected with very limited fiscal data for a number of

years in the 2000s. For the most recent years (2016-2021), due to increasing data scarcity on both income and wealth in Mainland China, the series was further extrapolated based on the wealth inequality trends over the same period of time. As such, this figure should always be interpreted with a pinch of salt, and taking into consideration the varying openness of data access between the two economies is crucial for understanding the reasons behind the income gaps observed here.

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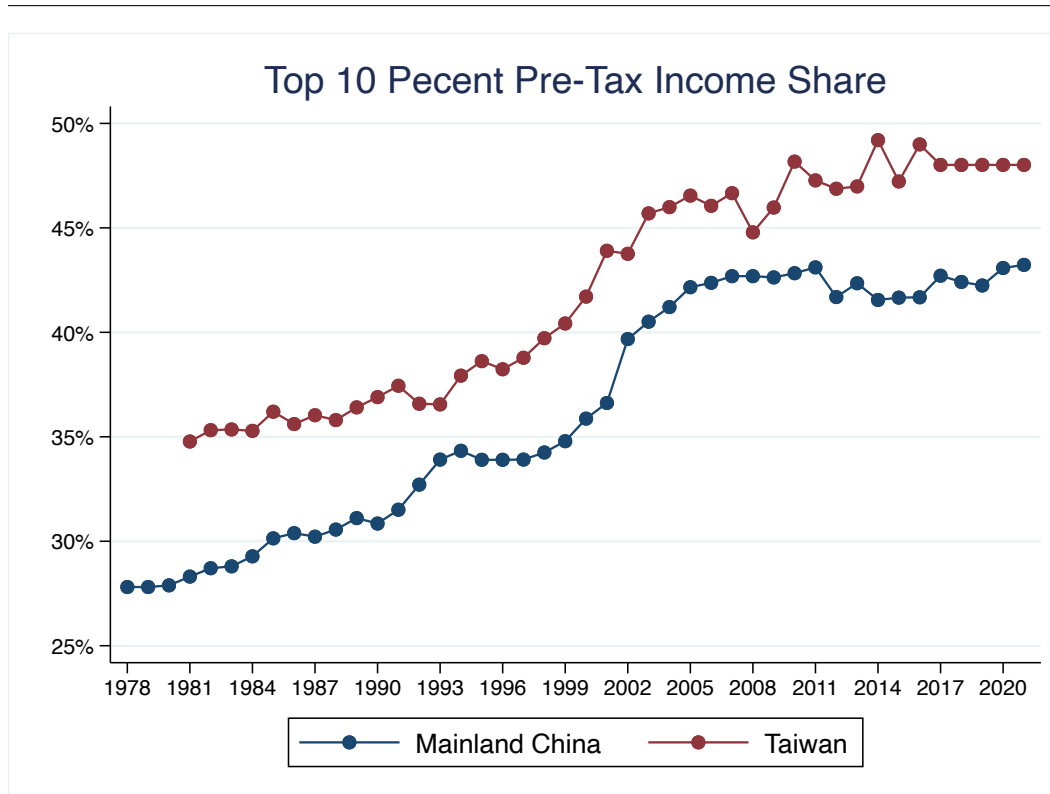
*In Mainland China the income inequality series was constructed only with income survey tabulations, top-corrected with very limited fiscal data.*

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On the other hand, what is even more interesting is that in both Mainland China and Taiwan, the top 10% income shares have been consistently increasing over the past four decades. In Taiwan the income share for the top 10% increased from 35% in 1981 to nearly 50% in 2021. While in China the same income share also increased from less than 30% to almost 45% during the same period of time. If we examine a bit closer, even the year-to-year variations are quite similar. In both economies the most important increases occurred in the 1990s and the biggest year-to-year jump was observed around the early 2000s, then from the 2010s onward, both top income shares seem to have plateaued, but still continued to maintain at very high levels.



Figure 7. Top 10 Percent Income Shares: Mainland China and Taiwan



Source: Author's own calculations and extrapolations based on household surveys, fiscal data, wealth evolution as well as data exported from wid.world.

*In Taiwan the income share for the top 10% increased from 35% in 1981 to nearly 50% in 2021.*

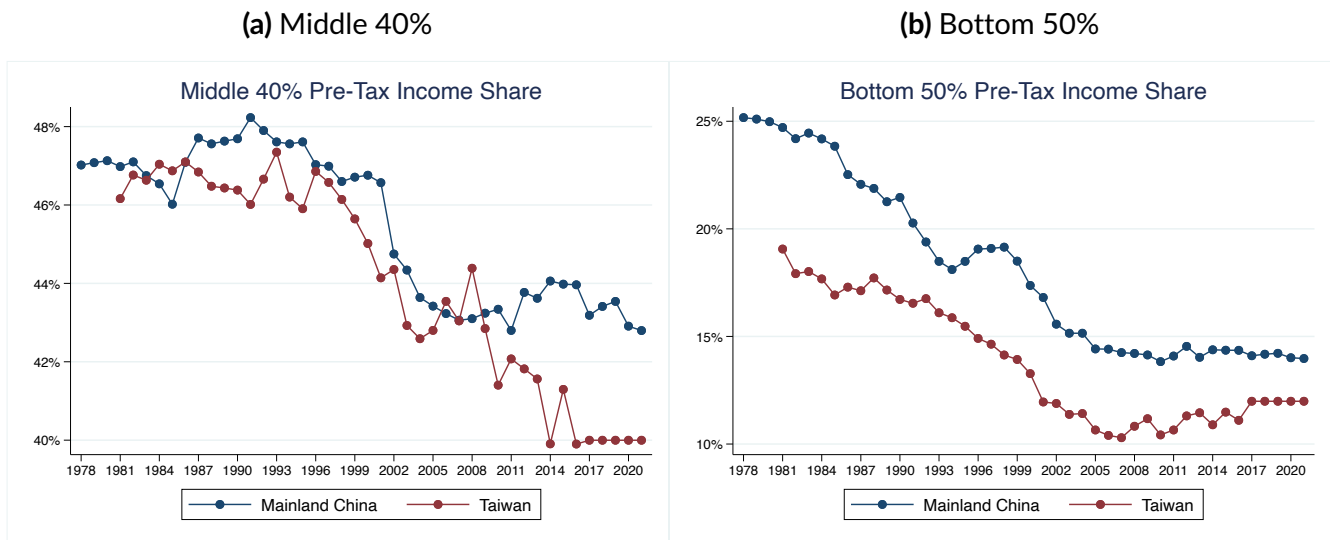
It will be worthwhile to explore further the mechanisms behind the seemingly very similar increasing inequality trajectories between Mainland China and Taiwan.

One explanation could be that the reform and opening-up of Mainland China, as well as its latter accession to the WTO in the early 2000s, also opened up opportunities for enrichment of the top income earners in Taiwan. This is echoed by the increasing trend

of Taiwanese companies engaging in Foreign Direct Investments in mainland over the past few decades.

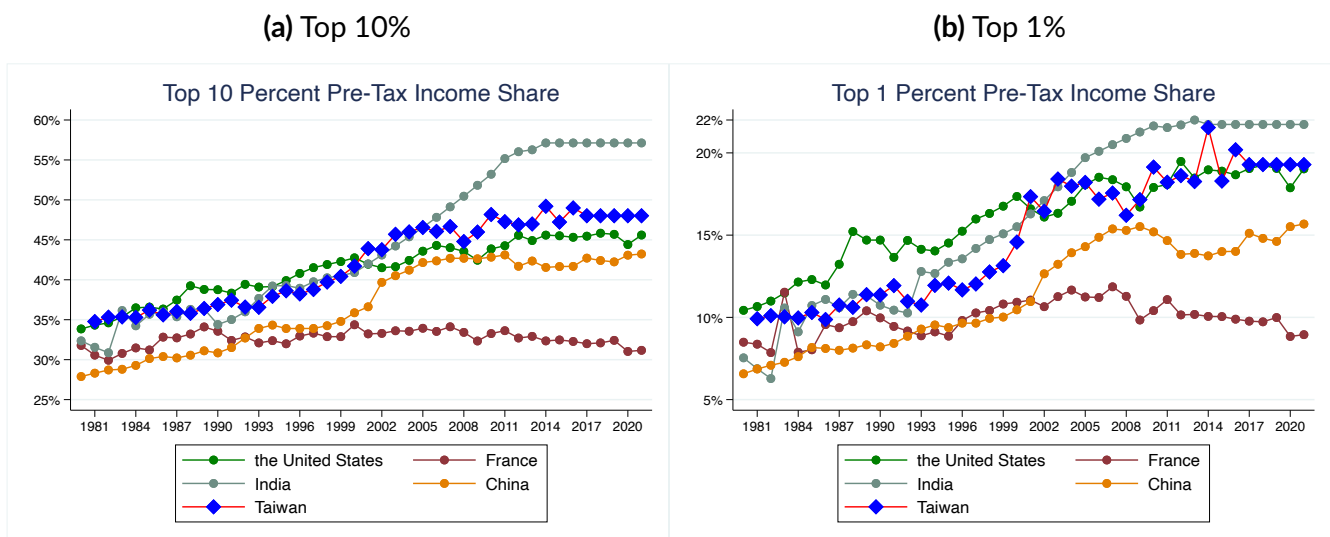
Correspondingly, we witness a very large decreasing trend of the national income shares for the middle 40% as well as the bottom 50% of the populations in both economies. As confirmed by Figure 8, the middle 40% income share in both mainland and Taiwan have plummeted from nearly 50% to a bit above 40%, while the bottom 50% income shares decreased even further, from more than 20% in the 1980s to slightly above 10% around 2020.

**Figure 8. Middle and Bottom Income Shares: Mainland China and Taiwan**



Source: Author's own calculations and extrapolations based on household surveys, fiscal data, wealth evolution as well as data exported from wid.world.

**Figure 9. Top Income Shares: Cross-Country Comparisons**



Source: Author's own calculations and extrapolations based on household surveys, fiscal data, wealth evolution as well as data exported from wid.world.

## Income Inequality in Mainland China, Taiwan and Other Countries

At a cross-country level, the increase in top income concentration in Taiwan is also quite

striking. For instance, for the top 10% income share, [Figure 9](#) shows that Taiwan has surpassed that of the United States around the

end of the 1990s. This figure has been consistently higher than the US ever since and only lagging behind India in recent years.

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*The income share of the top 1% richest individuals in Taiwan is also on par with the United States.*

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In addition, if we further zoom in at the top of the income distribution, the income share of the top 1% richest individuals in Taiwan is also on par with the United States in the most recent year, accounting for nearly 20% of total national income.<sup>4</sup> Furthermore, compared to the top 10% income share, the gap with India for the top 1% income share has rather dissipated in the most recent years and the two series are very close to each other.

## Conclusion

We have observed a very large increase in both wealth and income inequalities in a few East Asian countries over the past four decades. Although the opening-up of Mainland China has brought about great economic opportunities for the populations of the region, the distribution of economic growth has been much more uneven. High-income economies such as Taiwan and Hong Kong suffer from extreme top wealth and income concentration. For more sustainable development in the fu-

ture and maintaining their high-income status, more equitable growth or redistribution strategies should be pursued.

Furthermore, the increasing trend of wealth concentration at the very top in Mainland China is equally worrisome, especially given the slogan on "Common Prosperity" that the Chinese government is trying to advocate over the past few years, more extensive policies on shrinking not only the income, but also the wealth gap between the rich and the poor are urgently needed in the coming future.

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<sup>4</sup>For a more detailed discussion on Taiwanese top income shares and DINA series, please refer to: "Distributional National Accounts for Taiwan, 1981-2017", World Inequality Lab Working Paper 2022/15.

## About the author

Zhexun MO is a Ph.D. Candidate at the Paris School of Economics, and the East Asia Coordinator for the World Inequality Lab. His research interests stand at the intersections of political economics, economic history and development, with a specific focus on historical and contemporary inequalities in both East Asia and Africa. If you have any questions on research or data issues related to the East Asia Region, he could be contacted at [fredzhexun.mo@psemail.eu](mailto:fredzhexun.mo@psemail.eu).

## The World Inequality Lab

The World Inequality Lab promotes research on the dynamics of global income and wealth distribution. Its main mission is to update and expand the World Inequality Database. It also produces reports and working papers on inequality that address substantive and methodological issues. The World Inequality Lab is a group of about 20 researchers, research assistants, and policy officers based at the Paris School of Economics. It is supervised by the same executive committee as the WID.world database. The Laboratory works in close collaboration with the vast international network (more than one hundred researchers covering nearly seventy countries) that participates in this database.

Address :

World Inequality Lab (WIL)

48 Boulevard Jourdan

75014 Paris

Website: <http://wid.world>.

Contact Media : [press@wid.world](mailto:press@wid.world)