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Industrial Policy to Promote More Inclusive Growth: Lessons from China

Insights from the Yangtze River Delta (YRD) Integration

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3rd Jan 2025, ASE, Conflicts and Inclusive Growth in China, Africa and Theory
San Francisco, California, US

Work in Progress



Introduction

- Defining “Inclusive Growth” : Pace and Pattern
- Industrial Policy in the Yangtze River Delta (YRD)
- Inclusive Growth of Shanghai, Zhejiang, Jiangsu and Anhui in the context of Yangtze River Delta (YRD) integration
- The Role of The State for Inclusive Growth: Insights from the Yangtze River Delta (YRD)



Defining “Inclusive Growth” : Pace and Pattern

Introducing Previous Research on Inclusive Growth

- Challenges and Critiques of the Concept

- (1) Limited evidence supporting its implementation.
- (2) Over-reliance on local governments to foster and shape growth effectively.
- (3) Despite imperfections, it remains a more desirable model than one neglecting distributional concerns.

- Historical Debates: Growth and Income Distribution

- (1) The Kuznets Curve:

Inequality initially rises with economic development, then declines as benefits “trickle down.”

Criticism: The trickle-down model is overly simplistic and policy-dependent (Kanbur, 2000; Yin, 2004).

- (2) Modern Perspectives:

Studies like Piketty (2014) show economic growth often increases inequality, particularly when returns to capital outpace labor gains.

Recent frameworks argue inequality can be mitigated through deliberate policy interventions, shifting away from inevitability narratives (Ranieri & Ramos, 2013).

- Definitions and Key Components

- (1) Dual Focus on Pace and Pattern of Growth:

World Bank’s early definition emphasizes both the rate of growth and its distributional effects (Ianchovichina et al., 2009).

OECD (2014) and Asian Development Bank (2018) expanded definitions, introducing living standards, broader economic participation, and social safety nets.

- (2) Integrated Equity and Efficiency:

World Economic Forum (2015) reframes growth and equity as complementary, asserting that enhancing equity can improve efficiency.

The shared global interest in reconciling growth with inclusion forms a foundation for urban and regional development.



Defining “Inclusive Growth” : Pace and Pattern

Empirical Analysis of Inclusive Growth

- Measuring Inclusive Growth

(1) Brookings Institution’s Approach (Shearer & Berube, 2017)

Key Metrics:

Size of the Economy: Jobs, new firms, and output.

Prosperity Indicators: Productivity, average wages, or standard of living.

Economic Disparity: Disparities in employment, middle-class wages, or racial inequality.

(2) UK Context (Beatty, Crisp, & Gore, 2016)

Developed an inclusive growth monitor for 39 local enterprise partnership areas in England, using 18 indicators.

- Studies on Inclusive Growth in Asia

(1) Ifzal Ali’s Analysis of Developing Asia (2008)

Moderate income inequality exists in many developing Asian countries, but disparities in essential areas like asset ownership, public infrastructure, and access to services are much more pronounced.

The concentration of wealth and assets limits the economic opportunities available to the poor.

Public policy should focus on creating productive development and ensuring equal access to opportunities to mitigate inequality.

With the growing labor force, inclusive growth is crucial to ensure new workers have access to decent jobs.

(2) Shi Li and Chuliang Luo’s Study on East Asia (2008)

Economies like Japan, South Korea, and Taiwan have avoided widening income inequality during their development phases, contrary to the Kuznets curve hypothesis (where inequality typically rises initially with growth).

In the first stage, these economies promoted labor-intensive industries, especially manufacturing, which absorbed surplus labor from rural areas, reducing unemployment and helping to narrow income gaps. In the second stage, the service sector emerged as a growth engine, which helped raise manufacturing wages and reduce wage differentials between sectors.

These economies have successfully adopted a growth pattern that allowed a large segment of their populations to benefit from economic growth, thereby avoiding extreme inequality during their rapid development phases.

Defining “Inclusive Growth” : Pace and Pattern

The study of inclusive growth in China

- Juzhong Zhuang’ s Conceptual Framework (2008)

Defines inclusive growth as growth with equal access to opportunities for all.

Proposes two pillars for an inclusive growth strategy: (1)Economic growth: Sustaining high and efficient growth to create job opportunities.

(2)Social inclusion: Ensuring broad access to opportunities, particularly through education, health, and social safety nets.

Argues for continued policy reforms and the role of the government in correcting market and institutional failures.

- Justin Yifu Lin and Peilin Liu’ s Approach (2008)

Advocate for competition, market-driven reforms, and policy adjustments to support sustainable growth and equitable distribution of benefits.

- Mai Lu and Mingliang Feng’ s Focus on Welfare Reform (2008)

Discuss the challenges of reforming China’s welfare system, particularly the urban-rural divide in welfare policies and provisions.

- Min Tang’ s Poverty Reduction Strategy (2008)

Suggests further reforms for poverty reduction, including revising the poverty threshold and expanding financial sector participation in rural areas.

Emphasizes equitable access to education and healthcare, improving the social security system, and encouraging NGO involvement in poverty alleviation.

Industrial Policy in the Yangtze River Delta (YRD)



Historical Context (Before 1982)

Phase I: Building Foundations (1982–2002)

1982: Shanghai Economic Zone established (initial 9 cities)
1990s: Pudong Development Plan and formal inclusion of Anhui (1992)

Phase II: Deepening Integration (2002–2019)

2002–2003: Xi Jinping initiated the concept of "economic integration of the YRD."
2008: "3+1 Model" formalized cooperation among Shanghai, Jiangsu, Zhejiang, and Anhui
2018–2019: Integration elevated to a national strategy



Inclusive Growth of Shanghai, Zhejiang, Jiangsu and Anhui in The Context of Yangtze River Delta (YRD) Integration





Inclusive Growth of Shanghai, Zhejiang, Jiangsu and Anhui in The Context of Yangtze River Delta (YRD) Integration



Photo 1 QR-code Payment for Metro



Photo 2 Shanghai Metro Line 11 to Huaqiao Town, Suzhou City of Jiangsu Province

Transit System Integration: QR-code payments for cross-provincial metro systems

Inclusive Growth of Shanghai, Zhejiang, Jiangsu and Anhui in The Context of Yangtze River Delta (YRD) Integration



Photo 1 Taken in Jiashan, Zhejiang Province



Photo 2 Taken in Wujiang, Jiangsu Province



Photo 3 Taken in Qingpu District, Shanghai

Transit System Integration: cross-provincial bus routes



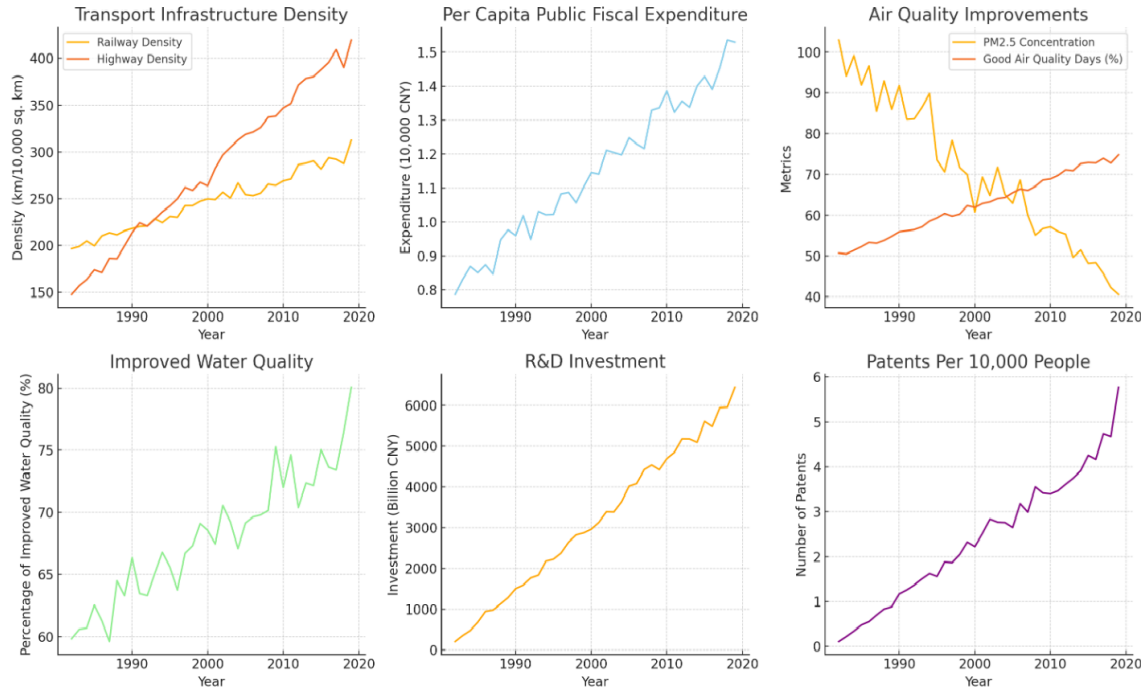
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Technology Innovation Integration: G60 Science and Innovation Corridor



Yangtze River Delta Regional Integration Indicators (1982-2019)



Data Source: National Bureau of Statistics of the People's Republic of China



The Role of The State for Inclusive Growth: Insights From the Yangtze River Delta (YRD)

State and Institutional Change

- Shift from a command economy to market-oriented systems via marketization reforms
- State-led policies in high-tech, green industries, and infrastructure development
- Coordination via frameworks like the "Yangtze River Delta Urban Agglomeration Plan. "

State and Structural Transformation

- Deng Xiaoping's Cat Theory - Hu Jintao's Scientific Outlook on Development - Xi Jinping's High-quality Development
- Evolution from GDP-centric growth to sustainable, inclusive growth
- National plans localized in the YRD for innovation and environmental stewardship

Role of Local Governments

- Proactive policy tailoring to regional strengths
- Collaboration on infrastructure, public services, and environmental initiatives
- Divergence in regional capacities highlights the need for broader governance enhancements



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