

Reducing Rural-Urban Social Inequality: Chinese and Russian Comparative Experience

*Olga A. Antoncheva^{1, *}, Tatiana E. Apanasenko²*

¹ Russian Presidential Academy of National Economy and Public Administration (North-West Institute of Management of RANEPa), Saint-Petersburg, Russian Federation; antoncheva-oa@ranepa.ru

² Independent researcher, Saint-Petersburg, Russian Federation

*Антончева О. А.^{1, *}, Апанасенко Т. Е.²*

¹ Российская академия народного хозяйства и государственной службы при Президенте Российской Федерации (Северо-Западный институт управления РАНХиГС), Санкт-Петербург, Российская Федерация; antoncheva-oa@ranepa.ru

² Независимый исследователь, Санкт-Петербург, Российская Федерация

ABSTRACT

Rural-urban social inequality in Russia is evident. Russian public opinion proposes to reduce the rural-urban income gap, both within the framework of the self-regulating market paradigm, reflected in public programmes, and within the planned command economy framework. In the same ways it proposes to achieve an inter-regional socio-economic balance.

The People's Republic of China (PRC) also faces the problem of reducing rural-urban social inequality. It looks as if it is trying to solve the problem by applying direct measures that can even reverse the processes of urbanization.

This article proposes to analyze and adopt the most effective ways of reducing rural-urban inequality, as practiced in China. It is also possible to incorporate in the Chinese state's management of social processes the methods of reduction of inequality between rural and urban populations, created by the dirigiste trends of Russian public thought, since the socio-economic system of the PRC readily assimilates elements of the planned economy.

Keywords: social inequality, urban residents, rural residents, urbanization, market economy, planned economy, management of social processes, balanced development

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Introduction

The Chinese government is trying to solve the acute problem of unbalanced regional development with the help of social policy: a kind of social credit in the form of access to certain benefits for migrants in intermediate and small cities. As will be shown, these social policy measures are proposed to solve the problem of rural-urban social inequality, which is even more acute for Chinese society than for Russia.

In Russia, this problem is supposed to be solved by both social policy measures and measures for managing socio-economic processes using macroeconomic policy tools. A comparison of these measures and tools is relevant for formulating policy aimed at improving the social conditions in rural areas in both countries.

Reducing rural-urban social inequality in Russia

Rural-urban social inequality in Russia is evident. We will look at how it is supposed to reduce social inequality within different paradigms of socio-economic development.

The ratio of an average income in the urban and rural areas based on Rosstat's (Federal State Statistics Service) households' budget surveys is presented in table 1.

As can be seen from table 1, the per capita income of the urban residents is much higher than that of the rural residents. But the same table shows that starting from 2010 the income of the rural residents has been growing faster than the income of the urban residents. In 2003–2009, the income of rural residents was 50–57% of that of the urban residents. This value fluctuated from year to year. In 2010 it was 60%, and in 2011 62%, since 2015 it has not fallen below 63%, and in 2018 it was 65%. Despite this positive trend, the income of rural residents is still significantly lower than that of the urban residents.

Graphs of the density of the urban, rural and total population of the Russian Federation by the level of the monthly average per capita monetary income clearly show a lower level of income of rural residents compared to urban residents. The modal values of the curves (i.e., the most common income values) in rural areas are lower than in urban areas. The curve symbolizing the distribution of households according to the self-estimated financial status is shifted to the left for rural residents in relation to the urban curve, as can be seen in fig. 1 and fig. 2. All graphs (for all years) show that

Table 1

Per capita monetary income ratio in urban and rural areas

Year	Per capita monetary income (urban areas), thousand rubles per month	Per capita monetary income (rural areas), thousand rubles per month	Rural residents per capita income ratio to urban residents per capita income, %
2003	3.9	2.0	51
2004	4.2	2.2	52
2005	6.0	3.0	50
2006	7.0	4.0	57
2007	9.0	4.9	54
2008	12.0	6.0	50
2009	12.2	7.0	57
2010	14.0	8.1	60
2011	16.0	10.0	62
2012	18.0	11.0	61
2013	20.0	12.0	60
2014	22.0	13.0	59
2015	23.0	15.0	65
2016	24.0	15.0	63
2017	25.0	16.0	64
2018	26.0	17.0	65

Source: Household Income, expenditure and consumption in 2018 (based on the household budgets' sample survey results). Federal State Statistics Service [Electronic resource]. URL: https://gks.ru/bgd/regl/b18_102/Main.htm; household Income, expenditure and consumption in 2016 (based on the household budgets' sample survey results). Federal State Statistics Service [Electronic resource]. URL: https://gks.ru/bgd/regl/b16_102/Main.htm; household Income, expenditure and consumption in 2014 (based on the household budgets' sample survey results). Federal State Statistics Service [Electronic resource]. URL: https://gks.ru/bgd/regl/b14_102/Main.htm; household Income, expenditure and consumption in 2012 (based on the household budgets' sample survey results). Federal State Statistics Service [Electronic resource]. URL: https://gks.ru/bgd/regl/b12_102/Main.htm (accessed: 26.02.2020); household Income, expenditure and consumption in 2011 (based on the household budgets' sample survey results): collection of articles of the Federal State Statistics Service. Rosstat. M., 2012.

according to the self-estimated financial status, the rural population is distributed in sections with lower income.

The dynamics of the curves over the years, however, is similar, as can be seen if we compare fig. 1 and fig. 2: the shape of the distribution of urban and rural residents changes almost synchronously, i.e. according to the self-estimated financial status distribution, the urban-rural income inequality does not expand or decrease.

Thus, the bleak picture of rural poverty in comparison with the city remains unchanged throughout the assessed time period. As we see, the per capita income of rural residents is growing faster than that of urban residents. But because the profiles of the density graphs do not change, it can be assumed that the faster growth of rural incomes in certain time periods is due to poorer starting conditions.

It should also be noted that in addition to quantitative indicators of income, rural-urban inequality may also be expressed in accessibility to benefits. These are indirect indicators, expressed, for example, in the number of schools, morbidity, Internet availability, and so on. The inferior situation of rural residents in comparison with urban citizens in this respect is quite obvious, while it is difficult to find any formalized statistics on these indirect indicators. However, the degree of access to benefits is important in developing ways of reducing the rural-urban inequality.

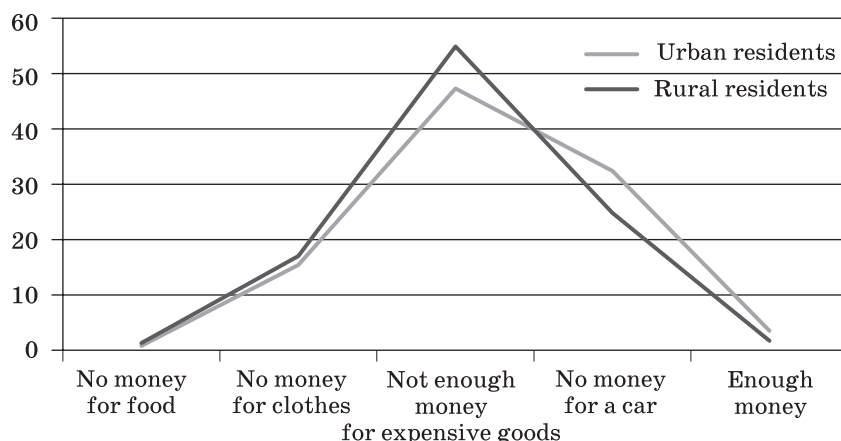


Fig. 1. Distribution of households according to their financial status, 2018

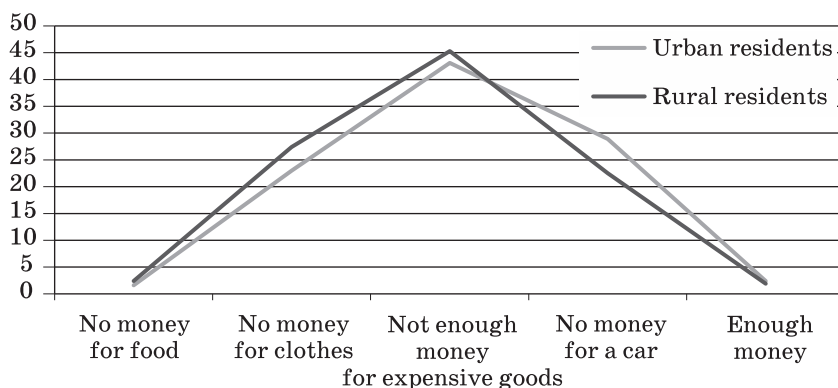


Fig. 2. Distribution of households according to their financial status, 2010

Causes of rural-urban socio-economic status inequality and ways to overcome it

The main factor of rural poverty is considered by most authors to be the single-industry nature of the rural economy. Other factors, such as the spread of informal agricultural employment [27, p. 31], also come down to this. In official documents, public programs and research on the basis of which they are developed¹, industrial diversification of rural areas is the main means of reducing rural-urban social inequality. Supporting tools are considered to be direct budget financing, purchasing interventions, and the introduction of regulatory targets.

Limited access to modern goods for rural residents is a factor also common for society before modernization. It results in weak infrastructure and lower income in comparison with the city. Reasons for weak infrastructure are 1) single-industry characteristics of the economy; 2) lower wages in the agricultural sector²; 3) greater vulnerability of a single-industry economy. The latter implies that a fall in one sector is impossible to compensate for it, and will result in the decline of the local economy as a whole.

All modernization projects proposed that the rural economy should be diversified. The modernization project in Russia in the 1990s was not the exception to this. It was assumed that modernization of the agricultural sector would release unnecessary labour, and this would be accumulated by new sectors of the economy. Thus, sectoral diversification would prevent the threat of unemployment, and, consequently, the outflows of skilled labour from the rural areas, which means a decrease in the quality of the labour force. In addition, sectoral diversification would balance the risks of dependence on only one industry and ensure access for rural residents to goods and services.

The next reason for rural poverty is that employment in agriculture in Russia is still 2–3 times higher than in developed economies³, which explains the low level of wages in

¹ The social and labour sphere conditions of the urban areas and proposals for its improvement. Annual report on the results of monitoring in 1999–2013 (is. 1–15) / Ministry of Agriculture of the Russian Federation. All-Russian Scientific Research Institute of Agricultural Economics. Center for All-Russian Monitoring of the Social and Labour Sphere of the Village Moscow. Federal State Budget Scientific Institution "Russian Research Institute of Information and Technical and Economic Research for engineering and technical support of the agro-industrial complex": Federal law of December 29, 2016 N 264-FZ; The State program "Development of agriculture and regulation of agricultural products, raw materials and food markets for 2008–2012", approved by the RF Government Decree of July 14, 2007 N 446 (edited on April 23, 2012); The State program for the development of agriculture and regulation of agricultural products, raw materials and food markets for 2013–2020, approved by the RF Government Decree of July 14, 2012 N 717; The concept of sustainable development of rural territories of the Russian Federation for the period until 2020, approved by the RF government edict of February 02, 2015 N 151-r (edited on January 13, 2017); The State program of the Russian Federation "Integrated development of rural territories" approved by the RF Government edict of November 30, 2010 N 2136-r; Strategy for sustainable development of rural territories of the Russian Federation for the period up to 2030 approved by the RF Government Decree of May 31, 2019 N 696; Federal scientific and technical program for the development of agriculture for 2017–2025 approved by the RF Government edict of August 25, 2017 N 996. (In rus)

² Russia in figures — 2019. Federal State Statistics Service [Electronic resource]. URL: https://gks.ru/bgd/regl/b19_11/Main.htm (accessed: 18.01.2020). The exceptions industries are industries where wages are even lower than in agriculture: since 2008 — textiles and clothing; since 2012 — production of leather, leather products and footwear; since 2014 — furniture production; wood processing; manufacture of other finished products (the latter with the exception of 2017 and 2018); since 2015 — postal services and courier activities; activities of hotels and catering enterprises. (In rus)

³ As of December 1, 2018, the share of employment in agriculture in Russia was 5.84%, in the USA — 1.42%, in Great Britain — 1.15%, in Germany — 1.27%, in France — 2.6%, in Italy — 3.75%, in Japan — 3.41%, in Canada — 1.5%, in Australia — 2.57%. EconomicsData.ru [Electronic resource]. URL: https://www.economicdata.ru/economics.php?menu=macroeconomic&data_type=economic&data_ticker=AgricultureEmploy (accessed: 19.01.2020).

agriculture. This is a consequence of the incomplete modernization of the Russian agricultural sector. Complete modernization in a single-industry economy will increase rural poverty, as it will cause unemployment. Surplus labour released from agriculture due to its modernization will not be able to find employment if other industries are not created.

Thus, multi-sector diversification of rural areas will improve their infrastructure, help rural residents to get better access to modern goods; and provide employment in sectors with higher wages. New industries, the emergence of which will be facilitated by the effect of agglomeration, will accumulate labour released from the agricultural sector. This release of labour will occur by virtue of the completion of the modernization of the agricultural sector.

Domestic statistics showing data grouped by federal districts is lacking comparable facts for urban and rural areas. Nevertheless, the imbalance between federal districts is expected to be resolved through sectoral diversification of the regional economy [17; 3; 29; 12, p. 366–429; 4, p. 143; 35; 2; 30; 26]. It is considered that territorial economy multi-sector diversification generally improves the population's standard of living [7].

Multi-sector diversification involves the use of market-based methods of economic regulation. These methods were developed in regional policy theory, which includes stimulating the location of new enterprises in areas with high unemployment (low economic growth, low income; building a regional policy on differences in unemployment rates between regions is a British tradition of regional policy theory), support for companies working in areas of low business activity and generating revenue by increasing public spending in these regions. The effectiveness of such a policy has always provoked sharp debate among economists [1].

Regional policy theory stands on the Theory of the Location of Industries (based on classical works of I. G. Von Thünen [9], A. Weber [8], A. Lösch [16], W. Isard [13], W. Christaller [5]); its modification is associated with the replacement of the a priori assumption of profit maximization by the company's behavioral theory is based on the theory of G. Hotelling [11]. Traditionally, market-based regulatory methods aimed at improving the situation in a depressive location [10] use the Principle of Circular Cumulative Causation [18; 22], and also derive from the growth poles theory by F. Perroux [14; 24].

However, the tendency of addressing direct planning methods of economic development exist even in government programmes and in the speeches of scientists working for these programmes. This tendency becomes noticeable in its soft version in public programmes, when it is proposed to raise wages in the agricultural sector at the expense of government subsidies, preferential lending to agriculture and through purchasing interventions. Later, a draft of federal law, which would ensure parity of prices for agricultural and industrial products, incompatible with market ideology, was suggested (A. S. Shelepa, corresponding member of the Russian Agricultural Academy, director of the Far Eastern Research Institute of Economics and the organization of the AIC in terms of a discussion club) [21, p. 40]. There is even an opinion that it is fatally impossible to "achieve the right balance in the exchange between agriculture and industry on a purely pricing basis" [19, p. 13].

Next, we will consider the "purest" type of the direct planning of the territories' economic development, the plan for equalizing socio-economic imbalances between territorial entities. This type of planning is equal both for the regions and for the urban and rural areas.

Ways of solving the rural-urban social inequality problem in the framework of a mixed (planned-market) economy paradigm

Multi-sector diversification by market methods under the conditions of our country seems impossible. This requires a radical reduction in the tax burden on enterprises in industries important for certain regions. In addition, these enterprises must be provided with

cheap and long-term credits, which the existing economic model is unable to grant under the current conditions in Russia.

The reason for this is that in order to reduce interest rates, a radical suppression of inflation is needed, but this raises the ruble exchange rate above the parity value due to the “Dutch disease” and, as a result, to decline the price competitiveness of domestic goods and their displacement from the markets. Cuts in taxes lead to a State budget revenue decrease, which is already insufficient to ensure the social obligations of the State.

Only direct State management of the enterprises can mobilize resources to solve the problem. Thus, a market economy needs to be supplemented by the mechanisms of directive State management that would turn a market economy into a two-sector planned-market one. A model of such an economy was proposed by G.V. Zakimotov [34].

A distinctive feature of this economy is the simultaneous operation of enterprises, regardless of their form of ownership, both in the planned sector of the economy under State management and in the market sector of the economy under a free enterprise model. The ruble currency is used as the currency for serving the market sector of the economy, and State budgetary money are used as the currency for serving the planned sector under State management.

Budgetary money actually turn into a second quasi-currency with the provisional name “public money” (p-money) and the currency unit “public ruble”. P-money is withdrawn from circulation of the rest of money and is used only at the production stage. They are automatically converted in a one-to-one ratio into ordinary money when the State pays for its expenses not related to the State order, and when enterprises pay their employees. The planned sector of the economy uses nominally low government prices and tariffs. An overvalued and fixed exchange rate of p-money against the foreign currency would be established. Thus, p-money is ordinary money, but with increased purchasing power due to low prices fixed by the government.

A dual-sector market-planning economy is able to reduce the rural-urban incomes inequality by managing investment processes by establishing quasi-subsidized lending standards determining the investment loans share issued in expensive p-money. These loans are repaid with ordinary cheap money. This money is received by the creditor bank and is automatically converted in equal shares (one to one ratio).

This mechanism is equal to a credit with negative interest rate, but here financial costs on the part of the government for credits’ interest subsidies are not needed. Investment management mechanism using p-money will allow, in our opinion, to direct the investment process towards agriculture, industries that can differentiate the economic specialization of the rural areas, infrastructure construction. This, as well as an increase in directly redistributed incomes, for which the planned sector of the economy is created, will solve the problem of urban-rural social inequality.

Reducing rural-urban social inequality in China.

Rural-urban social inequality and urbanization

There is a striking difference in overcoming the rural-urban social inequality problems in China and in Russia, since in China they are inextricably linked with the urbanization phenomenon. Urbanization in China managed so efficiently and at such an unprecedented pace¹ that the social situation of recently urbanized residents of large cities became worse than that of the rural residents. Under these conditions, in an effort to deconcent-

¹ According to the data of the National Bureau of Statistics of China during 1978–2015 percentage of the urban population increased from 17.9% to 54.77%. The increase was about 580 million people [China Statistic Press, 2015, cited on 28, p. 129].

trate residents, the Chinese government launched direct management methods, distributing them among medium-sized cities, thus regulating the process of de-urbanization, or reverse urbanization. And, at this stage of the socio-economic process management, such methods become extremely interesting from a Russian viewpoint, because Russia faces a problem that is somewhat similar to de-urbanization: prevention of the extinction and devastation of rural areas.

The rapid development of urbanization in China is due to a relatively late start for historical reasons. Among them, Westernization with the opening of foreign trade in the middle of the 19th century; the most difficult economic situation since the civil wars and the war with Japan (the urban population was 10% by 1949 [16, p. 129]); negative attitude to urbanization, which was considered only a capitalist countries' phenomenon, on the part of the Chinese Communist Party (CPC) during the government campaigns "Great Leap Forward" of 1958–1960 and the Cultural Revolution of 1966–1976 and the introduction of the Hukou Family Registration Institute (Hukou, sometimes also called a household registration) in 1958.

The Chinese urbanization process began in 1978, with the reforms of Deng Xiaoping, when creation of the special economic zones led to an increase in the quantity of jobs and triggered an increase in the number of rural migrants, who subsequently made up the population of the world's largest megacities. The government recognized the need for urbanization to modernize the economy, since the labour migration of rural residents had formed the basis of low-cost labour, and the registration system was weakened (the population received the right to temporary registration, allowing employment), collectivization in the agricultural sector was cancelled. As a result, rural residents received the chance to search for job and freedom of movement, and by 1984, a city explosion occurred in China. About one million rural residents in one year became citizens [28, p. 130].

By 2010, urban residents already made up 50% of the country's population [28, p. 130]. The urbanization dynamics in China in recent years is presented in table 2.

However, the pace of urbanization, according to the Chinese government, was still not satisfactory. They still lagged behind the pace of other modern countries, and, starting with the 10th five-year plan (2001–2005), the topic of urbanization was included in a number of primary State planning issues and was developed in the 11th, 12th and 13th five-year plans, as well as in the National New-type Urbanization Plan (2014–2020).

At the same time, China, like Russia, was facing regional development imbalances. Two-thirds of migrants travelled from inland to coastal cities. Their main centers of gravity are three agglomerations — the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim. In the southeastern territories, which occupy 43.8% of the country's territory, 94.1% of the country's population live, while in the northwestern lands, which occupy 56.2% of the territory, 5.9% of the inhabitants [28, p. 131].

Table 2

The urbanization dynamics in China

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proportions of urban population at the end of the year, %	49.95	51.27	52.57	53.73	54.77	56.1	57.35	58.52	59.58

Source of data: China Statistical Yearbook 2019 [Electronic resource]. URL: <https://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm> (accessed: 27.01.2020).

The level of urbanization is also differentiated: the minimum in the southwest is less than 41%, and the maximum in the east is more than 65%. The highest level — over 75% — is characteristic of the cities of central subordination: Shanghai, Beijing and Tianjin [23, p. 38]. On November 27, 2014, Prime Minister Li Keqiang set the task for the country's scientists to find an opportunity to increase the population density of the northwestern provinces. Since 90% of Chinese cities are located in the southeastern part of the country, the Chinese government has set the task of building new intermediate and small cities in the internal and western border regions of the country.

The situation of the rural residents, urban residents without a household registration (hukou) and residents of overpopulated cities

The rural-urban social inequality in China nowadays is very high. The incomes of urban residents in China were 3.05 times higher than the incomes of rural residents, in Russia they were 1.67 times higher [20, p. 183]¹. Table 3 shows the incomes of urban and rural residents in China; however, the method of calculating them does not allow them to be compared with the data for Russia given in table 1 (they are based on the definition of income as the amount of income). In Russia, such data are not presented across the urban / rural areas, and those that are presented are based on income as the amount of expenses, in China, income data is based on the microeconomic approach covering only urban residents.

But even a rough comparison of per capita incomes in urban and rural areas shows that rural-urban social inequality is higher in China. The reasons for this inequality are the same as in Russia, the lack of employment in rural areas, the large income gap between rural and urban residents and the lack of access to social benefits in rural areas, such as medicine, higher education, etc. In Russia, unlike China, the commitment to provide rural residents with access to social benefits is traditionally fixed at the legislative level. In China this was never a goal of the social policy.

“The absolute gap between the urban and rural residents in 1978 was 210 yuans, but to 2012 it increased up to 16 648 yuans” [33, p. 170].

The social situation of newly urbanized residents without household registration is equal to the situation of rural residents. Both of them don't have access to social ben-

Table 3

The ratio of per capita income in urban and rural areas in China

Year	Per capita monetary income ratio (city), yuan	Per capita monetary income ratio (rural areas), yuan	The rural residents per capita income ratio to the citizens per capita income, %
2013	26 467.0	9429.6	35.63
2014	28 843.9	10 488.9	36.36
2015	31 194.8	11 421.7	36.61
2016	33 616.2	12 363.4	36.79
2017	36 396.2	13 432.4	36.91
2018	39 250.8	14 617.0	37.24

Source of data: China Statistical Yearbook 2019 [Electronic resource]. URL: <https://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm> (accessed: 27.01.2020).

¹ Due to the statistical features of data collection, they are difficult to convert to a comparable form. To do this, in her research L. I. Nivorozhkina made a great work. The Chinese data refers to 2002, and data for Russia refers to 2003.

efits. We do not consider per capita income level, as it can hardly be recorded due to the absence of household registration institute¹.

In 2012, the level deprived of civil rights within the urban population share (deprived of a household registration) was 64.7%², children from families of labour migrants did not have access to public education. 43.1% of urban residents in 2012 were without access to a pension³. Labour migrants in the city only had access to State medical insurance almost equal to the urban residents with a household registration: in 2012, the State medical insurance was available for 95% of urban residents, and by 2020 they had planned to raise this number to 98%⁴. In China the State medical insurance is not available for rural residents.

Overcrowding in large cities reduced the urban residents' access, both with and without a household registration, to so-called public goods, which worsened their situation compared to the rural residents. Among these public goods there are access to drinking water and fresh air, wastewater treatment and the disposal of household waste, access to space, "traffic jams, lack of natural resources, environmental deterioration, and an increasing workload of public services, etc." [25, p. 32; see also 32].

In 2012, only 81.2% of urban residents had access to drinking water. By 2020, it was planned to raise this share to 90%. In 2012, less than 50% of prefecture-level cities met the Chinese air quality standard⁵. Compact construction as a means of harmonizing urbanization processes suggests limiting the urban space per inhabitant to less than 100 m⁶.

Problems connected with the concentration of the population in large cities forced the CPC leadership at the 18th Congress to raise the question of small and intermediate cities comprehensive development (up to 500 thousand people).

De-urbanization in China only concerns the direction of migration flows from large cities to intermediate and small ones, but the ongoing urbanization in China is in demand. The basis of cheap labour for the growing Chinese economy is still the labour migration of rural residents, and despite the high rates of urbanization, China's rural territory is still characterized by a high population density. According to the New-type Urbanization Plan (2014–2020), by 2020 the share of the urban population should be 60%. As shown from table 2, China is close to achieving this goal.

Manipulating household registration as a tool for balanced regional development

De-urbanization is expected to be achieved through the manipulating household registration (Hukou). The essence of the household registration system is that a person receives registration only at the place of birth, and his rights to social benefits differ depending on this location. For example, citizens born in one area are prevented from accessing healthcare, education or social benefits in another area. Those who have registration in Shanghai are the holders of the most significant rights, the rural residents on the contrary are the holders of the least significant rights.

This institution, with its introduction, was called upon to reduce the slums⁷, and is the same purpose it serves to this day. To realize the goal of stopping the flow of labour migrants to large cities and developing small and intermediate cities set by the 18th

¹ "It is impossible to say how many citizens don't have a household registration at all" [31, p. 317]. Therefore it is also impossible to estimate their per capita income.

² The New-type Urbanization Plan (2014–2020).

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ L. Lian considers the institution of registration a tool of rural-urban social inequality [15, p. 80].

Congress of the CPC, in 2014, the registration system was cancelled for small and intermediate cities. For the largest cities of the country, the registration system as an instrument of social inequality has been preserved. "The Chinese government applies a differential multi-tiered approach, according to which the criteria for obtaining a permanent household registration are tightened depending on the size of the settlement" [6, p. 43]. In such a way, it is proposed to make the largest cities unattractive for labour migration.

Manipulating household registration will reduce social inequality between the indigent urban residents and rural migrants living in the cities, whose position due to lack of access to social benefits is comparable to that of rural residents who did not leave rural areas. Thus, according to the New-type Urbanization Plan (2014–2020), the share of the urban population with a household registration should be 45% (in 2012 it was 35.3%). More than 99% of children from labour migrants' families should have gained access to public education by 2020 (in 2012 there were none). More than 99% of urban residents should have received a pension by 2020 (in 2012 this percentage was 66.9%).

Thus, by expanding and narrowing the rights of certain categories of the population, the Chinese government directs the flows of migrants from rural areas and large cities to intermediate and small ones, thereby improving the situation of all three population categories of the territorial entities.

Conclusions

The problem of eliminating rural-urban social inequality in both Russia and China is connected with the problem of imbalances in regional development.

In Russia, the solution to this problem is declared by market methods of economic sectors diversification, but in practice, direct redistribution of transfers is used to a greater extent. In the framework of alternative paradigms of socio-economic development of Russia, it is proposed to solve this problem by direct economic methods of regulation with the help of a transition to a two-level planned-market economy.

In China, this problem is solved by methods of direct non-economic regulation of socio-economic processes i.e. by manipulating access to social benefits using the registration institute.

Based on the analysis, the following recommendations are made:

For China, demonstrating a high degree of State-controlled economy:

Determine the planned sector of the economy under the direct control of the State, operating in parallel with the market sector of the economy;

- Introduce at national level a second national currency, or quasi-currency (budgetary funds), serving exclusively enterprises operating in the planned sector of the economy;
- Separate the budget money circulation at the production stage from the rest of the money circulation sphere;
- Use nominally low government prices and tariffs in the planned sector of the economy;
- Use the overvalued exchange rate of quasi-money against foreign currency;
- Automatically convert budgetary funds into ordinary money in a one-to-one ratio when the State pays its expenses that are not related to the State order, and when the enterprises pay their employees;
- Issue loans aimed at stimulating investment processes for sectoral diversification of the rural economy in expensive budgetary funds, and repay in cheap ordinary money.

For Russia, it is recommended to use the experience of China in introducing a system of social privileges for skilled migrants in rural areas in order to diversify the rural economy.

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About the authors:

Olga A. Antoncheva, Associate Professor the Chair of Public Relations and Social Technologies of North-West Institute of Management of RANEPa (St. Petersburg, Russian Federation), PhD in Political Science; antoncheva-oa@ranepa.ru

Tatiana E. Apanasenko, Independent researcher (Saint-Petersburg, Russian Federation), PhD in Political Science; apanassenko2008@mail.ru

Об авторах:

Антончева Ольга Алексеевна, доцент кафедры связей с общественностью и социальных технологий Северо-Западного института управления РАНХиГС (Санкт-Петербург, Российская Федерация), кандидат политических наук; antoncheva-oa@ranepa.ru

Апанасенко Татьяна Евгеньевна, независимый исследователь, кандидат политических наук (Санкт-Петербург, Российская Федерация); apanassenko2008@mail.ru