

# **The Relationship between Land System and Urban-Rural Inequality: Evidence from the Provincial Data of China**

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**Abstract:** Although China's economy has achieved rapid development since 1978, the increasing economic imbalance is posing a potential threat to the social development. The urban-rural inequality has becoming larger and larger after the *Reform and Opening-up* in 1978. One fact is that the income of urban residents is 3.5 times of that of rural residents in 2010. Such an astonishing urban-rural inequality is the main cause of China's high Gini Index, and it has been provoking an increasing number of riots in China's rural areas. Therefore, how to explain the disparity and to decrease the inequality has become a matter of critical significance, which has a close relationship with the long-term economic development of China. We are studying this issue from a novel perspective: land system. It is found that China's land system should be reformed; otherwise the urban-rural inequality would be increasing. The most important reason is that under the present land system, the rights for farmers are not clear, and the regulations of land are too tight. Such a kind of land system increases the cost of building factories and restrains the potential investments in rural areas. The consequence is the increasingly obvious dual-economy and a larger urban-rural gap. Basing on this analysis, a dual economy model is established under the condition of labor force migration equilibrium, and empirical study is carried out with the provincial panel data of China. The main conclusions are: (a) China's present land system is one of the most important reasons triggering the urban-rural inequality; (b) the inequality between urban area and rural area will be decreasing with the development of urbanization; (c) a new land system is designed to give suggestions to the relevant sectors.

**Keywords:** Urban-Rural Inequality; Land System; Urbanization; Labor Migration

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