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Building an Olive-Shaped Society: Economic Growth, Income Distribution and Public Policies in China.
By CICC Research, CICC Global Institute Publisher,
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Abstract. This book, authored by CICC Research and the CICC Global Institute, analyzes China's ambitious goal of transitioning its income distribution structure from a "pyramid shape" (with a large population at the low-income end) to an "olive shape" (characterized by a large, stable middle-income group and small high and low-income groups). This strategic shift is imperative for the new stage of China's development, which requires balancing growth and equity amid significant internal and external changes. The volume first details the current state of China's income and wealth distribution, noting a significant increase in the Gini coefficient of wealth along with economic development since the 1978 reform and opening-up. It explores the primary sources of income disparity, including urban-rural, regional, and intergenerational disparities. Crucially, the book analyzes the limitations of the current redistribution mechanisms, noting the insufficient effects of fiscal redistribution due to the high share of the government sector in primary distribution and the regressive nature of some indirect taxes like VAT. Finally, it proposes a comprehensive policy roadmap, including reforms related to technological progress and the digital economy, external and internal adjustments to address demographic challenges (like revising the retirement age), and exploring paths for public charity with Chinese characteristics.

Keywords. Olive-Shaped Society; Income Distribution; China Economic Growth; Public Policies in China; Gini Coefficient; Wealth Inequality; Fiscal Redistribution; Urban-Rural Disparity.

JEL. D31; H23; J11; O53; P35.

Book Review

Building an Olive-Shaped Society: Economic Growth, Income Distribution and Public Policies in China, produced by CICC Research and the CICC Global Institute, is a timely and authoritative analysis of China's most pressing socio-economic challenge: restructuring its income distribution system to achieve greater equity and social stability. The book translates China's strategic policy concept—the transition from a "pyramid-shaped" (unequal) society to an "olive-shaped" society (with a dominant middle class)—into a rigorous economic and policy framework. Framed against the backdrop of significant shifts in both internal and external environments, the core mission of the book is to argue for, and detail, the comprehensive public policy needed to balance growth and equity in China's "new stage of development".

The volume successfully blends high-level academic analysis with the practical orientation of a leading financial research institution, offering

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detailed data and clear policy recommendations. It is a translated work from a Chinese-language edition, providing an invaluable resource for international scholars and policymakers seeking to understand the domestic economic rationale behind recent Chinese policy shifts, such as the focus on "Common Prosperity."

Part I: Diagnosis of Inequality and Distribution Structure

The book begins with a candid diagnosis of the current distribution challenges. It confirms that alongside China's remarkable economic growth since the 1978 reform and opening-up, wealth has become increasingly concentrated. This concentration is quantitatively captured by the significant increase in the Gini coefficient of wealth, signaling a structural problem in the national economy.

The analysis methodically identifies the three major disparities that perpetuate the "pyramid" structure:

Urban-Rural Disparity: A historical legacy that continues to drive significant income gaps.

Regional Disparity: Uneven development across provinces and regions.

Intergenerational Disparity: Income and wealth differences between cohorts, often linked to structural issues like the lack of sufficient education services or challenges in childbearing and childcare.

A crucial and insightful section addresses the "missing rich" phenomenon in income statistics, suggesting that the highest-income people may be underrepresented in traditional surveys. This methodological point highlights the difficulty in accurately measuring the true extent of inequality in large, fast-developing economies.

Part II: The Failure of Current Distribution Mechanisms

The volume provides a sharp critique of the existing distribution mechanisms, which are conventionally categorized into primary, secondary (redistribution), and tertiary (charity) distribution. The main failure is located in the secondary distribution (fiscal redistribution).

The authors argue that the high share of the government sector in the primary distribution actually undermines the effect of fiscal redistribution. Specifically:

Regressive Taxes: A large proportion of the government's revenue in the primary distribution comes from indirect taxes (such as VAT). Because the marginal propensity to consume is higher for lower-income groups, certain indirect taxes (like consumption tax) are regressive, thereby lacking a redistributive effect. This structure inherently weakens the ability of the secondary distribution to correct the disparities created in the primary distribution phase.

This analytical finding is a significant contribution, moving the policy debate beyond simply improving tax collection to restructuring the tax system itself to be less regressive and more effective at achieving the policy goal of an olive-shaped society.

Part III: Policy Roadmap for an Olive-Shaped Society

The final and most crucial section presents a comprehensive, multi-layered policy roadmap to engineer the desired structural shift. This roadmap spans

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economic growth drivers, demographic adjustments, and social security reform:

Technological Progress and Digital Economy: The book recognizes that technological progress, especially the development of the digital economy, inherently brings about structural changes to the economy. The policy response must harness this power to support new forms of growth and income generation.

External and Internal Adjustments: Addressing demographic challenges is a key component. The plan includes:

External Adjustment: Stressing that fiscal support is key.

Internal Adjustment: Highlighting that the revision to the retirement age is the primary focus for internal adjustment. The book also touches upon policies to encourage childbearing and reduce the burden of childcare.

Welfare and Public Charity Reform: The book advocates for exploring a path of public charity with Chinese characteristics. This acknowledges the necessary role of tertiary distribution alongside primary and secondary reforms to bridge the income gap. The authors also consider how to improve public services like education to reduce intergenerational and regional disparities.

Overall Assessment and Conclusion

Building an Olive-Shaped Society is an invaluable work of policy analysis, offering a rare, detailed window into the economic thinking guiding China's ambitious modernization strategy. Its strength lies in its unflinching diagnosis of the Gini coefficient and regressive tax issues, and its holistic policy prescriptions that integrate technological advancement, demographic reality (retirement age revision), and fiscal reform. For economists, China specialists, and global policy analysts, this book is essential reading for understanding the internal economic logic driving China's push for "Common Prosperity" and the strategic imperative to transform its society from "pyramids to olives".

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