

Diversity in China; Economic Growth or Financial Expense?

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Abstract: China economy is faced with different people with different races, genders, languages, cultures and religions. The diversity may be a source of creativity and competitive advantage but a good management and accuracy are needed. Although in the last years, political freedoms in the china have been reduced, but the china has become a leading economical power in the world. So, what are the lessons behind this economic growth? And how diversity can lead china to gain a competitive edge with different peoples? This paper focuses on the challenges and opportunities in front of china resulting from diversity.

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Introduction:

Decades of social engineering under the present model of “economic development first” have produced an invisible cost to China’s economy, namely, a deficit in the diversity of values among its people. Why does this matter? Because in any country, diversity of values is reflected in choices that individuals make about their lifestyles and consumption habits. It’s a key ingredient in creating a consumer-based economy that is vibrant, creative and more likely - through competitive pressures - to produce excellence in products and services.

Surveys in the mainland suggest that an impulse as basic as “consumption capability” is presently a key factor in the behavior of many Chinese consumers. In other words, they buy simply because they can. Meanwhile, personal likes or dislikes, interests or passion to create a more meaningful life take a back seat, along with imagination.

Consider, for example, a survey conducted last year among urban residents of the central city of Taiyuan. Thirty-five per cent of households indicated that they would buy a car within 12 months, while the rest indicated that they would buy a car as soon as financially feasible. When asked why they needed a car, most of participants did not give specific reasons.

Surveys that have created the most noise in recent years, such as this one published on Xinhuanet, concern the housing market. These invariably show that between 40 to 60 per cent of city-dwellers engaged to be married feel obliged to purchase a flat before the wedding as a precondition of their marriage. The social pressure for them to do so is so intense that couples who marry without first buying a flat enter what Chinese citizens call “a naked marriage.”

Another term, coined by the real estate sector, is that of the “mother-in-law economy”. It’s well-known that, in China, the mother of the bride-to-be considers full or partial ownership of a home to be the strongest proof of the groom’s love and loyalty to her daughter.

Developers, analysts and others have latched onto this when seeking to explain higher and higher house prices. Diverting attention from their windfall profits they even argue that pressures surrounding engaged couples – especially from mothers of brides – are a major reason why house prices keep surging.

For those in the marketing profession, the above might be cause for celebration because it suggests that Chinese consumers are easy targets for those selling big ticket items: put such items on the market and anyone with money will buy. But if things continue on an “economic development first” track, the implications for a country with a population as large as China’s are disturbing not just for China but for the world.

Beijing, along with China’s other leading cities, already suffers from debilitating traffic problems as a result of booming demand for private car ownership. There are also concerns over environmental damage and land disputes linked to development. Meanwhile, global prices for many commodities and minerals are sky-high because of demand from China.

There are predictive calculations based on hypotheses such as “if every Chinese lives like an American/European...” Put another way, China’s current drive towards material prosperity is likely to place unbearable stress on the sustainability of its own development model, in addition to straining the world’s resources.

Yet who is entitled to tell China to rein in its dreams of greater consumption, higher lifestyle and faster economic development, and to opt, instead, for more rational outcomes that ease pressures on the environment and resources? The advanced economies, whose citizens already enjoy the material comforts Chinese aspire to? The Chinese state, with its long history of planned economic development?

Some believe the answer has to be Chinese people themselves. A truly modern state not only grants citizens freedom to achieve financial prosperity and material abundance but enough social space to choose to develop in different ways and to different degrees according to different value systems. An economy whose lifestyles and consumption patterns are based on such diversity of values will have less to fear from a future of further environmental degradation and depletion of resources.

Challenges Created by Diversity for China

According to Andrés Tapia the China is faced the following diversity challenges in its economy: As everybody knows, China is faced with Myriad ethnically and Language Diverse Groups. As a result of a survey published in Wall Street Journal, in China the Han culture (the main culture of Chinese people), 8 different languages exist. And there are also 55 different cultures except Han culture in the China.

Also ethnic conflicts have become a major challenge in front of Chinese economy. According to the reports, China is investing billions of dollars for removing the results of the ethnic crashes in the economy.

China obviously is faced with the problem of gender imbalance. As the results of Hofstede's research showed, China has been a culture with masculinity. Also, 1 child policy has led to the fact that families have become more interested to male children rather than females. One important issue from this fact is the unemployment of many nursing and caring graduates in future.

Because of the 1 child policy, China will face the aging problem in the few new years. This also will become another challenge for China economy.

All of the mentioned issues are important because as we know, it is the management of the diversity that can lead to economic growth. Considering the above diversity problems, we can expect that China economy may not be able to have a competitive edge in today's business environment and may decrease in economic growth be the result of diversity policies and issues in China.

Also, Fleisher and Chen (1997) concluded that, the average growth rate for coastal states was much higher than the growth rate for other provinces.

Discussion

Reynal-Querol (2005), discusses that ethnic diversity leads to poor quality of institutions, poorly designed policies and poor growth. In the other hand, observations and documents show that China's economic growth in the last years has been most obvious. Also, Fleisher and Chen (1997) concluded that, the average growth rate for coastal states (that are more ethnically diverse) was much higher than the growth rate for other provinces. Also a report by Susan Welch, showed the best practices of the impact of diversity in the China's economical growth. Also Huang (2011) discusses of an effective strategic planning scheme for the management of the diversity toward raising sustainable economical growth in China.

As stated in the paper, China is facing some challenges by the diversity but the main question become unclear yet: is the diversity will lead to greater economical performance in China? If yes, the limitations of China government on the minorities and also population policies that limit the diversity how will function in future? And is in future the economic growth of China greater than today or not.

However the authors suggest that diversity can be managed effectively in China toward economic growth.

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