

Van Beek seemingly insurmountable deficit and are expected to file for bankruptcy protection at about the time that students should be settling down in a new school year.

with a starter. He resigned last year, pleaded guilty to obstruction of justice, and was sentenced to four months in jail. Had he been an effective mayor, he might have also been a powerful advocate for students.

and secondary schools in First-Class Districts"—defined as those with more than 100,000 students. Detroit was the only First-Class District. In 2003 the state, under pressure from the Detroit Federation of Teachers, turned down a

High School was shot an Henry Ford i forced schoo rity measure number of po

Meanwhile 11th graders so this year on th Merit Examinat

statewide. Detro scores are just schools that spe student than the

The school sy: rocked by corrupti an audit revealed ti system misused mo on insurance and ot was forced to sue ve of its money back. Tw employees were rece allegedly embezzling the school system over of years.

To clean up the mess control of the district ea and brought in Robert "emergency financial r June, to stem pay-check quired that employees p paychecks in person. Paych suspected "ghost" employe who had improperly bee checks—went unclaimed.

Mr. Bobb has been energet ling problems. At the outset, h \$306 million shortfall in a \$1. budget. He responded by clo schools, laying off 2,500 emp and cutting 80% from the budge department that draws up the di curriculum. He plans to overha schools and has hired private co

Rich China, Poor Peasants

By Willy Lam

China recently announced its GDP grew by more than 7.1% in the first half of this year, putting the country on course to displace Japan as the world's second-largest economy by year's end. But it's not time to celebrate just yet. Peasants and migrant workers, who compose more than 65% of China's 1.3 billion people, aren't benefiting much from this growth.

Much of it is hoarded by the central government. Last year, Beijing collected taxation and other levies of more than six trillion yuan (\$878 billion), an eye-popping four trillion yuan more than five years ago. Since the turn of this century, funds flowing into the Beijing treasury have increased by around 22% a year, more than double the average 10% GDP growth for the past two decades.

This wouldn't be a problem if worker incomes were growing in tandem with tax revenues. But according to official statistics, salaries and other income of workers and peasants declined to just 41.4% of GDP in 2006 (the last year when data was available) from 53% in 1998. Salaries typically equal 50% to 60% of total GDP in developed countries like the United States or Japan.

A lion's share of national wealth is

being snapped up by about 140 state-held business groups such as the three oil-and-gas giants, four major state-owned banks and other government monopolies. Under the nominal control of the state-owned Assets Supervision and Administration Commission of the central government, the assets and sales of these behemoths grew massively over the five years ending 2008.

These firms are heavily supported by the government. State-owned banks issued loans worth \$1.08 trillion the first half of this year, a figure which exceeds the full year of loans last year. Barely 5% of these loans went to small- and medium-sized companies, most of which are privately owned. The central government bars private firms from about a dozen of the most profitable sectors.

The top executives of these state-owned firms are mostly retired ministers as well as the offspring of party elders. Li Xiaolin, the daughter of former premier Li Peng, is chairman of China Power International Development Ltd., an electricity monopoly. Her brother Li Xiaopeng used to head Huaneng Power, another energy heavyweight. President Hu Jintao's son Hu Haifeng is chief of Tsinghua Holdings, which oversees state-held high-

tech firms spun out of the prestigious Tsinghua University.

Today China boasts around 300,000 super-rich citizens with assets of more than 10 million yuan. This wealth hasn't trickled down. Official statistics show Chinese peasants make about one-third of what their urban counterparts earn. Tsinghua University sociologist Sun Liping estimates the standard-of-living discrepancy between cities and the countryside was actually closer to six times. He says the average global urban-rural differential in living standards is around 1.5 times.

Poor Chinese face other adversities, too. Rural residents are not allowed to permanently settle in cities and cannot enjoy the health, education and pension payouts taken for granted by urbanites. A 2008 Ministry of Health report said up to 200 million workers and peasants suffer from occupational ailments.

President Hu's mantras include "upholding social justice" and "creating a harmonious society." Yet social inequality is yawning ever wider in China.

Mr. Lam is a professor of China studies at Akita International University, Japan, and an adjunct professor of history at Chinese University of Hong Kong.

ALL 25-26, 2009