

Comparing Educational Inequality in China and the United States: Institutional vs. Market Mechanisms

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Abstract

Education is often regarded as an important tool for promoting social mobility and changing personal destinies. However, the education systems of China and the United States have instead exacerbated social inequality during their operation. This article takes China and the United States as comparative objects, aiming to analyze the formation paths of educational inequality under the institutional-dominated and market-dominated education systems. The research adopts a comparative analysis method and conducts discussions from aspects such as institutional arrangements, financial input, the degree of marketization of education, and the payment capacity of families. Research findings indicate that educational inequality in China mainly stems from institutional factors, including the household registration system, regional fiscal disparities, and enrollment policies. These institutional arrangements objectively restrict the access of different groups to high-quality educational resources. In contrast, educational inequality in the United States is more characterized by price-driven inequality. High tuition fees, student debt burdens, and the cost structure of higher education have led families to selectively withdraw after rationally weighing risks and returns. This article holds that educational inequality is not caused by education itself but is the result of the combined effect of institutional design and market mechanisms. The improvement path should focus on institutional reform or market supervision rather than simply relying on an increase in educational investment.

Keywords

Educational Inequality; Institutional Mechanisms; Marketization of Education; China-U.S. Comparison; Social Mobility.

1. Introduction

Education is often regarded as an important way to enhance social mobility and change an individual's destiny [1]. However, the differences in institutional structure and economic operation among the education systems of various countries have made education not only fail to eliminate inequality but also become a mechanism for solidifying social classes [1]. China and the United States both face the problem of educational inequality. Although there are significant differences between the two countries in terms of institutional structure and the form of the education market, the underlying driving factors are largely similar, mainly reflected in the imbalance of regional development and the differences in families' ability to pay for education costs. In China, educational inequality is more manifested through institutional arrangements, such as the household registration system, the gap in financial input between urban and rural areas and regions, and the enrollment policies for higher education. In the United States, educational inequality is more concentrated in areas with a higher degree of marketization, manifested as rising tuition fees, increased student loan burdens, and cost pressures brought about by the supply and demand structure of higher

education. By comparing the different manifestations of the two countries at the institutional and market levels, it is possible to have a clearer understanding of how similar structural pressures shape different paths of educational inequality in different institutional environments.

2. Theoretical Background

Education is commonly understood as a mechanism for promoting social mobility and equalizing life chances. In theory, education enables individuals to improve their socioeconomic status through the accumulation of human capital. However, this function is not automatically realized. The extent to which education promotes equality depends largely on the institutional and economic structures that govern access, financing, and distribution of educational resources. When these structures are uneven, education may instead reinforce existing social hierarchies. The increase in tuition fees is not an accidental phenomenon but is closely related to broader economic structural changes. Especially in the United States, the importance of higher education in the labor market is constantly rising, making a college degree an important threshold for entering high-return careers [1]. From a structural perspective, educational inequality can be generated through two primary mechanisms: institutional arrangements and market dynamics. Institutional mechanisms operate through administrative systems, policy designs, and public resource allocation, shaping who is entitled to educational opportunities. Market mechanisms, by contrast, allocate educational opportunities through price signals, cost structures, and households' ability to pay. This distinction provides an analytical framework for understanding why educational inequality manifests differently across national contexts. Against this backdrop, Baumol's cost disease theory can serve as a supplementary explanation for understanding the long-term cost pressure in the field of higher education, but it is not the main driver of the increase in tuition fees for higher education in the United States [2]. Since teaching is essentially a labor-intensive service, teachers cannot serve more students within a unit of time, and their productivity is difficult to increase. Therefore, costs will continue to rise. However, cost disease alone cannot fully explain the scale and persistence of tuition growth in market-oriented higher education systems. To better understand this process, it is necessary to examine how institutions respond to competitive and reputational pressures. Meanwhile, colleges and universities are also affected by the Bowen Rule. As the Kauffman Foundation points out, Institutions tend to spend all the money they can raise in pursuit of prestige, creating upward pressure on tuition [3]. In order to maintain their rankings and attract outstanding students and staff, American universities are constantly expanding facilities, increasing administrative staff and service programs, which further drives up costs. Eventually, all these costs are passed on to students. Together, these theoretical perspectives indicate that educational inequality in market-driven systems is not merely the result of individual educational choices, but is structurally embedded in the cost dynamics of higher education. When access to education is increasingly mediated by price and debt, the capacity of education to function as an equalizing force becomes constrained by households' financial resources. This theoretical framework provides a basis for analyzing market-driven inequality in the United States and contrasts with institutionally structured inequality observed in other national systems.

3. Literature Review

In China, the institutional environment largely shapes the basic framework of educational opportunities. First, the household registration system has had an extremely profound impact on educational opportunities. Because the distribution of public educational resources is

highly dependent on household registration status, even if many children of the floating population have lived in cities for many years, they often still find it difficult to enter public schools on the same starting line as local students with household registration and can only be forced to choose private schools with poorer educational conditions. Relevant studies have pointed out that institutional barriers related to access to the urban public education system, especially tuition burden and enrollment restrictions, have significantly limited the possibility of migrant children having equal access to urban public schools [4]. This institutional barrier has nothing to do with students' individual abilities, but it directly determines their educational starting point and is restricted by factors such as family background, place of residence, and administrative identity. Secondly, the disparity in financial input between urban and rural areas, as well as among different regions, has further exacerbated educational inequality. Multiple studies have shown that there are still significant differences in per capita educational expenditure in China, and these differences are particularly evident in different regions and at different times. According to data from the World Bank, the proportion of China's government education expenditure in total government expenditure has fluctuated significantly in different periods: in the early stage, this proportion roughly remained between 9.5% and 10.7%, then rose to approximately 20.1%, and later dropped back to the range of approximately 12%-15% [5]. This significant change in educational financial input reflects the uneven degree of financial commitment to education in different regions and at different times. The inequality in educational funding directly affects the quality of education and the distribution of opportunities, which is specifically reflected in aspects such as school hardware facilities, teaching staff levels, curriculum Settings, and support for continuing education. As a result, rural students find it difficult to obtain educational resources of the same quality as urban students. This long-standing imbalance in fiscal input often translates into the solidification of social and economic status many years later. Furthermore, China's regional college entrance examination policy has also exacerbated inequality. For instance, the admission rate to first-tier universities in Beijing has long been between 30% and 40%, while in high-population provinces like Henan, it might only be 5% [6]. This uneven distribution of admission quotas not only affects the opportunities for further education but also the returns on education, making education an extremely scarce resource in some regions [6]. It can be seen from this that the root cause of educational inequality in China lies in institutional arrangements and the allocation of public resources, rather than short-term choices made by individual families [4,5]. In contrast to China, educational inequality in the United States does not stem from institutional access but is the result of market mechanisms. The cost of higher education in the United States has been rising continuously for many years, and more and more families find it difficult to afford the expenses of college education. In the EducationData.org report, the cost of college tuition has increased 36.8% since 2010; adjusted for inflation, tuition has increased 0.92% [7]. The increase in tuition fees has far outpaced the growth in wages, gradually transforming university education from a public opportunity into a commodity determined by price.

4. Discussion

4.1. Rising Tuition and Student Debt in the United States

The constantly rising tuition fees have prompted more students to rely on loans to go to college. According to the data of the US Federal Reserve in 2023, Outstanding student loan debt in the United States exceeds \$1.7 trillion, making it the second largest category of consumer debt after mortgages [6]. For low-income families, high debts not only limit their options for school enrollment but may also restrict their freedom of employment and life

choices for many years after graduation. This makes higher education present a higher economic risk in specific groups, especially in low-income families.

4.2. Institutional Versus Market Mechanisms of Educational Inequality

By comparing the causes of educational inequality between the two countries, the essential differences between institutional mechanisms and market mechanisms are significant. In China, educational opportunities are often determined by institutional variables such as household registration, region, and finance. A child's place of birth, family household registration, and the development level of the region determine the quality of schools and opportunities for further education. This is a kind of administrative inequality, which leads to the continuous expansion of the intergenerational gap between rural and urban areas as well as between regions. The educational problems in the United States are mainly concentrated at the higher education level, which is mainly manifested as price-driven inequality, that is, whether one can receive a quality college education depends on family wealth and loan capacity rather than the status system [6,7]. Inequality in China is rooted in institutional barriers, while that in the United States is rooted in market logic. The former demands institutional reform and fiscal redistribution, while the latter requires market regulation and public subsidies.

4.3. Education, Social Structure, and Policy Responses

The two unequal mechanisms jointly reveal a profound fact: education does not automatically bring about equality of opportunity; it is mostly the result of a social structure shaped by both the system and the market. If the system design is unreasonable, education will become whoever the system favors will succeed. If market regulation is insufficient, education will turn into a situation where whoever can afford it will succeed. Facing these problems, China needs to focus on the reform of the household registration system, the balance of educational funds between urban and rural areas, and the fairness of regional enrollment, so that public education can more truly reflect its public nature. The United States needs to strengthen the regulation of the cost structure of universities, expand the funding system for low-income groups, and slow down the pace of tuition fee increases. Only when the system and market mechanisms are reasonably adjusted can education once again become an effective tool for enhancing social mobility and reducing inequality.

4.4. Intergenerational Mobility and Family Decision-Making

In addition to the differences in systems and market mechanisms, the educational inequality between China and the United States is also reflected in the differences in the paths of intergenerational mobility. In China, education has long been regarded as a keyway to change one's destiny. Therefore, families often invest all their resources in their children's education, hoping to break through institutional barriers through the efforts of a generation. However, when educational resources are determined by household registration, geographical location, and financial input, the space that individual efforts can leverage is very limited. Many families, even at a high cost, find it difficult to change the unbalanced structure of educational opportunities. In contrast, educational inequality in the United States is more reflected in the differences in educational investment paths and constraints rather than whether education itself is valued. In the United States, education is also regarded as an important path to quality job opportunities, and most families still invest in it. However, due to the significant tuition and debt thresholds at the higher education stage, families often need to make more cautious economic trade-offs when deciding whether to enter and how to enter the high-cost higher education system. This inequality is not manifested in the general inability to access quality education, but rather in the differences in rational choices made by different families when facing tuition fees, debt risks, and income expectations. In other words, inequality in the

United States often stems more from opt-out under economic rationality, while in China, it is frequently due to the absence of choice under the institutional structure [1,7]. This disparity not only alters family strategies but also influences society's expectations of education - in China, education carries the hope of social class advancement; In the United States, education is increasingly becoming a high-risk and high-cost investment. Both paths have led to unequal educational opportunities, but the social impacts they have caused at the psychological and behavioral levels are completely different, and they also pose different challenges to the educational governance of the two countries.

5. Conclusion

In conclusion, although both China and the United States share the common feature of limited opportunities for disadvantaged groups in terms of form, the paths of inequality, the mechanisms behind them, and the solutions are completely different. Inequality in China stems from institutional arrangements. Household registration, fiscal, and regional policies form structural barriers, causing educational resources to exhibit the feature that identity determines opportunity among different groups of people. The inequality in the United States stems from market logic. Tuition fees, debt, and cost structures have transformed educational opportunities into a situation where the ability to pay determines opportunity. These two mechanisms jointly demonstrate that education is not inherently fair. It must rely on institutional reform or market regulation to truly become a driving force for promoting social mobility. Understanding the differences between China and the United States not only helps to analyze the crux of their respective problems but also reminds us that whether it is institutional mismatch or market failure, they may erode the public value of education. Only when education returns to its original intention of giving everyone a chance to start can it truly become a force driving society forward and towards goodness.

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