China’s Middle Class Is Pulling Up the Ladder Behind Itself

The rural poor are increasingly unwelcome in China’s big cities.

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You may not be surprised to learn that the largest shopping center in the world isn’t in Southern California, glittering Dubai, or the garden city of Singapore, but China. Would you guess, however, that it’s in Chengdu, the capital of Sichuan province, deep in the interior of southern China? Better known for spicy food and giant pandas, Chengdu is also home to the New Century Global Center, the world’s largest building by floor space, nearly three times the size of the Pentagon.

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New Century and shopping malls like it are emblematic of the rise of China’s middle class, which is expected to expand from 430 million today to 780 million in the mid-2020s. Although Chengdu’s GDP per capita was around $13,500 in 2016 (according to official statistics), typical middle-class living standards in a second-tier city like Chengdu are on par with those in some of the poorer states in the United States (not least because the cost of living is about half as high as in the United States by purchasing power parity estimates). Meanwhile, living standards for wealthy families in Beijing and Shanghai can match the best the United States has to offer. Ordinary Chinese urbanites can afford to shop at mega-malls, own their own cars, and even take overseas vacations.

But the distribution of Chinese shopping malls also shows that middle-class life in China is an overwhelmingly urban phenomenon. Even a relatively
poor city like Chengdu has enough middle-class families to support a New Century, while life in rural areas remains tough. For China’s floating population of rural-urban migrants, life can be tougher still.

The fact that China’s urban middle classes are doing pretty well says little about whether China has anything like a true middle-class society. Income inequality is a problem throughout the world, but in China, inequalities run much deeper than in the West. Hundreds of millions of ordinary Chinese are still excluded from full participation in the country’s rapidly developing urban economy. And that exclusion is in danger of ossifying into something resembling a permanent caste system.

**Rural realities**

China’s economic growth is legendary, and China really has come a long way since Deng Xiaoping declared China open for business 40 years ago. The three big urban agglomerations of eastern China — the areas centered on Beijing, Shanghai, and Hong Kong — have already converged in GDP per capita with developed Asian countries like Taiwan and South Korea, at least in purchasing power parity terms. And even poor, inland cities like Chengdu are doing well compared to secondary cities in other middle-income countries.

But rural China still lags far behind. That’s not surprising; rural areas all over the world tend to be poorer than cities.

**That’s not surprising; rural areas all over the world tend to be poorer than cities.** Even in the United States, rural households are on average 4 percent poorer than urban households.

But in China, the rural income deficit averages 63 percent nationwide, and that’s in a country with a lot of very poor urban areas that outsiders rarely hear about.

China’s population is still 43 percent rural, compared to 18 percent in the United States. China’s official statistics don’t report average wages for rural areas, since rural residents are expected to live off the land, but they do offer an urban-rural split for disposable income. These statistics show that urban incomes are on average 2.7 times as high as rural incomes. Put these figures together, and rapidly rising urban incomes alone can’t begin to lift China as a whole to developed-country living standards.
Much of the story of China’s economic transformation of the last 40 years has been the story of urbanization. Hundreds of millions of people have moved from farm to city as China’s urbanization rate increased from 19 percent in 1979 to nearly 60 percent today. Less well-known is the migration from west to east, from the interior to the coast. Western, rural Sichuan province has lost one-fifth of its population since 1980 as cosmopolitan coastal provinces have boomed.

Today, China has started to declare its rich eastern cities to be “full.” The Chinese government intends to cap Beijing’s population at 23 million, just 1 million above its current level. Shanghai’s population is to be capped at 25 million by 2040, a goal that may prove difficult considering that its population already exceeds 24 million. While these limits are certain to be breached, China’s repressive party-state does have the capacity to coerce would-be city-dwellers to move elsewhere.

**Destroy the evidence**

It’s not just glamorous megacities like Beijing and Shanghai that are closing their doors. Even second-tier cities and provincial capitals like Chengdu are increasingly pushing out the poor. Forcible slum clearance in China often involves the destruction of so-called urban villages: densely populated but often chaotically planned former villages that have been swallowed up by the growth of nearby metropolises.

The most notorious of these forced relocations was the clearance of the urban village of Dachong near south China’s tech city of Shenzhen, just across the border from Hong Kong. Home to an estimated 70,000 people, Dachong was destroyed in 2011 to make way for redevelopment. The even larger urban village of Baishizhou, in Shenzhen itself, is in the process of being demolished, turning a reported 150,000 people out of their homes. Many of them likely have nowhere to go but home — to the countryside.

Well out of view of the lenses of Western journalists and documentarians, Chengdu also went through a period of massive urban clearances for forced relocations. Its former Mayor Li Chuncheng was popularly known as Demolisher Li before being removed from office and imprisoned for corruption. The New Century Global Center was one of the projects he made possible, in conjunction with the local party secretary, Huang Xinchu (inevitably with a nickname of his own: Digger Huang). How many people were dispossessed to make New Century Global Center possible is unknown, but one, a middle-aged homeowner named Tang Fuzhen, infamously burned herself to death in a final, futile protest against eviction.

**A permit — for a price**
Where do you go when your entire neighborhood has been demolished?

The Chinese government’s preferred solution is to hope for a repetition of the economic magic of its first-tier megacities in the lower tiers of provincial capitals and regional centers. China is allowing developers to build like crazy in small third- and fourth-tier cities (those below the level of provincial capitals), to little avail. The government is even trying to get rural-urban migrants to move back to the countryside to start rural businesses.

In theory, Chinese people now have the right to live more or less wherever they want — if they can afford it. But the hukou system of household registration still limits the level and lifts the price of accessing city services for migrant workers who lack local hukou status. The denial of basic services such as education and health care is a powerful tool of population management, and the population concerned is not small. Roughly one-fifth of China’s population, some 250 to 300 million people, have irregular hukou status. They often have to leave their children behind in rural villages while they look for work in the big eastern cities.

The reform of the hukou system was a major plank of the 13th Five-Year Plan, covering the period from 2016 to 2020. Under the reforms, at least 100 million migrants are supposed to have their hukou status regularized by 2020. This was to be accomplished by encouraging cities to experiment with local transition plans. Most first-tier cities opted to regularize their populations by simply discouraging irregular hukou applicants. Second-tier cities like Chengdu are happy to grant local hukou status — to migrants who have a master’s or doctoral degree. Third-tier cities will take you too, if you make a minimum investment in local real estate. But what’s the point of legally owning an apartment in a third-tier city if you can’t find a job?

An unevenly prosperous society

Groucho Marx was famously unwilling to belong to any club that would have him as a member. China’s floating population seems to face the same dilemma. They’re often unwelcome in the big eastern cities, but they’ve long since outgrown life on the farm. With even inland cities like Chengdu prospering as major centers for foreign investment, small cities and rural areas just can’t compare as places to live, work, and flourish.
China’s President and Communist Party General Secretary Xi Jinping has staked his reputation on a promise to turn China into a moderately prosperous society by 2020. It’s not much of a gamble. China already is a “moderately” prosperous society. The real challenge is to grow China into a fully prosperous society.

**The real challenge is to grow China into a fully prosperous society**, and that can only be done by raising the rest of the country to something like the income levels that prevail in the eastern coastal cities — or at least those of second-tier inland cities like Chengdu.

That means expanding the middle class, not just by getting a few more people over an arbitrary income line, but by expanding economic opportunities and fighting social exclusion. Here, the politics get more difficult. In a distinctively Chinese form of discrimination, the natives of cities like Beijing and Shanghai often look down on their country cousins from places like Sichuan. China may not be a democracy, but articulate middle-class professionals do have the ability to influence policy, especially in their own cities. Increasingly, the policy they want is exclusion.

China’s prosperity is clearly on display in glitzy shopping centers like Chengdu’s New Century Global Center, with its waterslides, ice-skating rink, and obligatory luxury boutiques. But you can’t build a truly prosperous country on the back of a socially excluded underclass of migrant workers and rural poor. China’s Communist Party (and the mainly middle-class people who form its core constituency) must learn how to share the opportunities and benefits of economic growth if China is ever to become a fully prosperous society.

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