

## **A Middle-Class China is in Both China's and the West's Interest**

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Under Mao Zedong, poverty was the destiny of most Chinese. Indeed, starvation stalked the People's Republic of China during the misbegotten "Great Leap Forward." The PRC was about as far from market capitalism as a country could be.

However, Mao's death liberated China economically. His successor, Deng Xiaoping, was a pragmatist who believed in results and began relaxing socialist economic controls. Four decades later, much of the PRC is unrecognizable. Beijing and Shanghai are First World cities. Noted Salvatore Babones, a sociologist at the University of Sydney: "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."

It is this China which foreigners typically see. Business executives, diplomats, and tourists all visit Beijing. Shanghai is a commercial center which also appeals to tourists. Other major cities offer diverse business opportunities. Even a "second-tier" urban area like Chengdu, the capital of Sichuan province, is prosperous. Babones pointed out that the city hosts the New Century Global Center, the world's largest mall (and building, nearly three times as big as the Pentagon).

Today the PRC's middle class is thought to number about 430 million, larger than America's entire population. As this number grows so will China's buying power, offering one possible antidote to the Trump administration's trade complaints. One reason the PRC enjoys a large trade "surplus" is because its people are poorer and thus cannot afford to purchase more foreign products. However, a more prosperous population would increase Chinese purchases of U.S. goods and services. Thus, an increasingly middle-class China would be an economic boon for American exporters.

Equally important, however, might be the political impact of broader economic growth. Spreading prosperity and employment across the PRC would reduce social unrest in the countryside and relax pressure on workers to leave their families to find jobs in the cities. China's leaders would be less tempted to respond to economic dissatisfaction with nationalist and populist remedies.

With the end of Mao's totalitarian state, Chinese economic growth has been fueled by drawing unemployed and underemployed workers from the countryside to major cities. This labor force was a massive economic resource whose use offered the PRC huge economic gains. Even today many workers are migratory, fueling the massive population movements during the Chinese New Year.

However, despite the PRC's large population, the number of "excess" workers has dried up, eliminating one of the sources of Chinese economic growth. Moreover, cities which for so long proved to be magnets for internal migration are attempting to pull up the drawbridge. Both Beijing and Shanghai have declared themselves to be almost "full" at 23 million and 25 million, respectively. For now, lesser cities are keeping their doors open—seeking better educated and skilled migrants, not those who account for much of today's rural transfer. To the contrary, noted Babones, "Even second-tier cities and provincial capitals like Chengdu are increasingly pushing out the poor," destroying irregular "urban villages" dominated by migrants and driving tens of thousands of people back to their rural communities.

Although today people are free to move in principle, the lack of legal household registration, or "hukou," limits access to essential services, most importantly education and health care. Babones cited estimates that an astounding 250 to 300 million people lack proper hukou status. The central government realizes that it has a serious problem with what is essentially a pariah population, but most cities remain hostile toward legitimizing a continuing flow of unskilled labor.

Nevertheless, pressure for people to move remains strong. The disparities within China are stunning, as great as the difference which once separated the PRC from the West. More than four of ten Chinese still live in rural communities. On average, urban dwellers earn nearly three times as much as their rural cousins. In the U.S. the corresponding gap is just a few percent.

That difference has become a significant political issue in China and fueled a "New Left" of neo-Maoists and more moderate social democrats demanding a return to communist purity. Some ambitious Chinese pols played the inequality card to ascend politically. One who embraced Mao's reputation if not record was former Politburo member Bo Xilai, ousted in 2012 as much for his ambitions as his crimes. He had promoted a "red culture" revival as provincial chief.

Such efforts may have waned as President Xi Jinping expanded and extended his control. Nevertheless, the income gap remains. To the extent that it continues to generate discontent, it might unnerve the PRC's rulers sufficiently to tempt them to try to point the population outward.

Chinese nationalism is strong and today generates far more passion than communism. In recent years the Beijing authorities have used but also limited popular antagonism toward Japan, for instance. Even younger Chinese, who disdain state controls over their lives, support a more powerful and active PRC abroad. And there are plenty of international issues ready for exploitation.

Already heating up is Taiwan, which continues to move away from China culturally even as the two integrate economically. Ownership of a bewildering mix of islands, islets, reefs, shoals, and

other territories throughout East Asia are disputed: most notably the Paracel/Xisha, Spratly/Nansha, and Senkaku/Diaoyu Islands (contested, most importantly, with Vietnam, the Philippines, and Japan). India has proved as aggressive as China in asserting its claims to Aksai Chin and Arunachal Pradesh. Behind the first two disputes sits the United States. A “splendid little war” eventually could be seen as a means to distract a large rural population grown angry at not sharing equally in the PRC’s rise.

The more Americans come to see Beijing as a rival and adversary rather than partner and friend, the more Chinese economic growth may come to look double-edged. Nevertheless, the creation of a larger middle class offers hope of a more settled and less adventurous PRC as well as additional customers. The challenge for the West, people as well as governments, is how best to use such growth to encourage more liberal currents in a system turned sharply authoritarian. Doing so would benefit Americans and Chinese alike.

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