

Abstract

Can China's Urbanization Save the World?

China's 700 million urban dwellers now account for more than half of China's population. Definitely a historic event of global importance, China's urbanization has now assumed even more significance for the global economy. With Europe's debt crisis, and the US and Japan struggling to maintain growth, many look to Asia as the saviour of the world economy. The huge potential of the Asian market, based on the assumption of a rapidly rising middle class across the continent, has fuelled hopes for a global rebound and growth for the next two decades. Not surprisingly, China has played a major role in that scenario of Asian consumer growth. A popular narrative has been to equate China's continuing urbanization with a forthcoming consumption boom fueled by a burgeoning middle class.

This lecture challenges the above urbanization-consumption model. Through an analysis of China's hukou institution and a detailed examination of recent urban population and hukou statistics, the author argues that "rural migrant workers", a group widely presumed to act as a major driver of China's consumption in coming decades, actually have played only a minor role in the consumption expansion process to date. Their moving-up pathway is severely blocked by the still powerful hukou system. If the current system persists, urbanization in China will lead to greater "Latin Americanization" of cities, including the emergence of a mammoth migrant underclass and prevalent urban slums. This will pose serious threats to social stability and economic growth and has serious implications for the world.