

Sustainable Growth or Not?

Hukou, Land and Rural-Urban Development in China

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Can China Sustain High Growth?

- Has China entered an era of lower growth?
 - Factor accumulation?
 - Aging population
 - Saving will decline?
 - Productivity? (education, innovation)
 - Structural change!!

Current situation

- *Hukou* system
 - Labor market, social security, education, public housing...
- Land quota system
 - To preserve 1.8 billion acres of agricultural land
- Interregional and rural-to-urban migration constrained

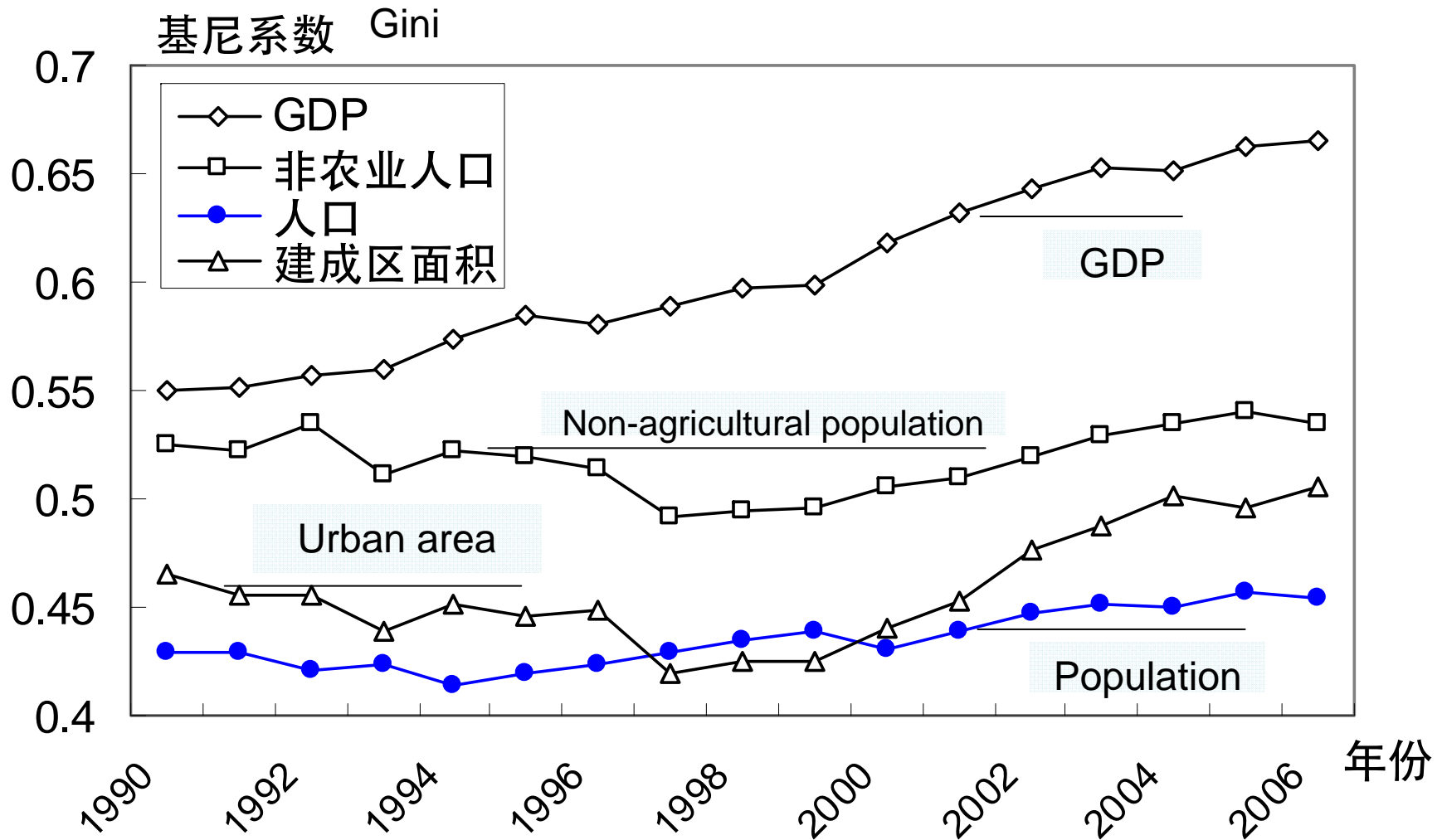
Consequences (1)

Poor land use efficiency

Non-agricultural Population Growth and Urban Land Expansion (1990-2006, annually)

	national	east	middle	west
Non-agricultural Population Growth	4.56%	6.80%	3.28%	3.40%
Urban Land Expansion	7.77%	8.60%	6.23%	8.63%
Difference	3.21%	1.80%	2.94%	5.23%

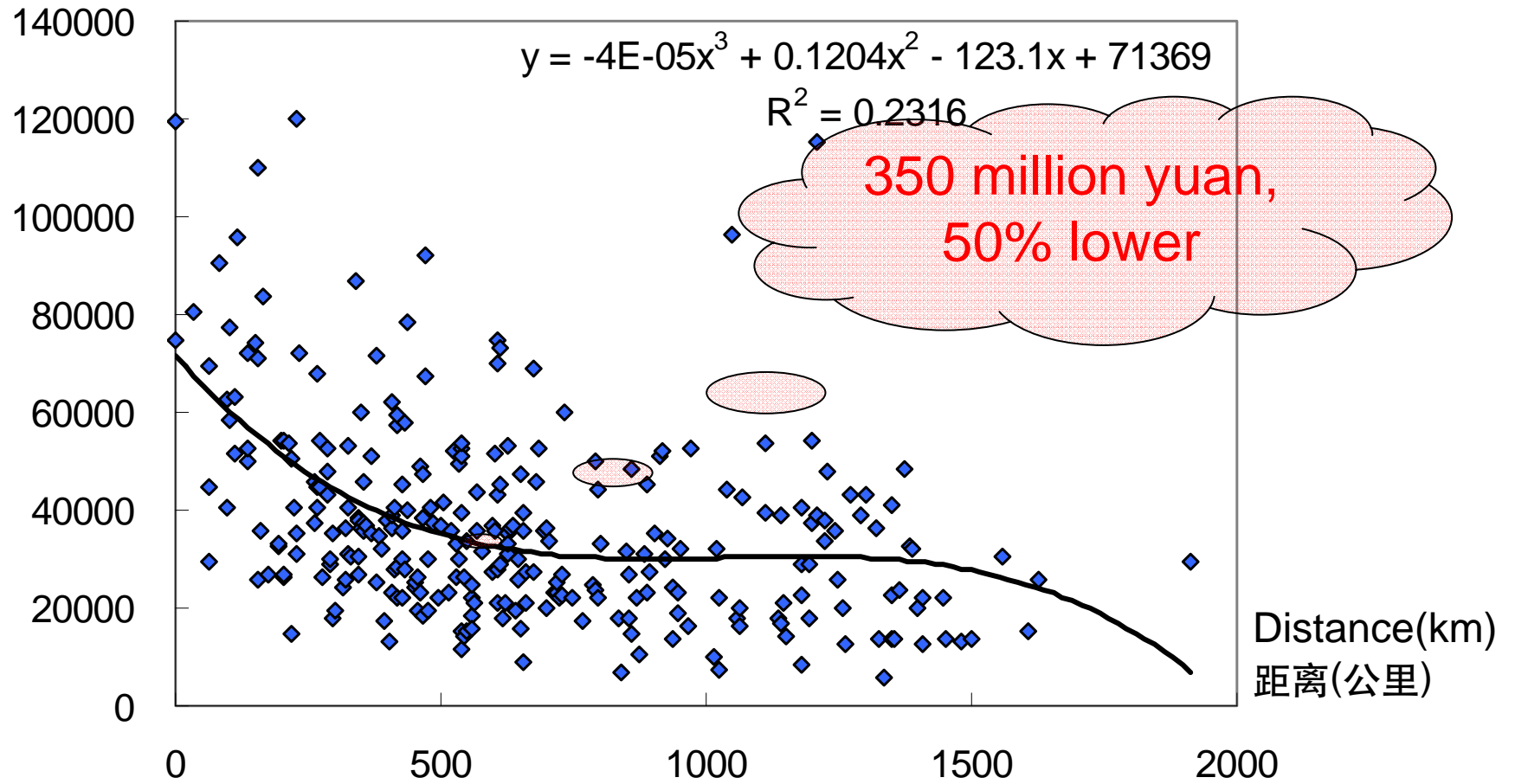
Distorted Spatial Distribution of Cities



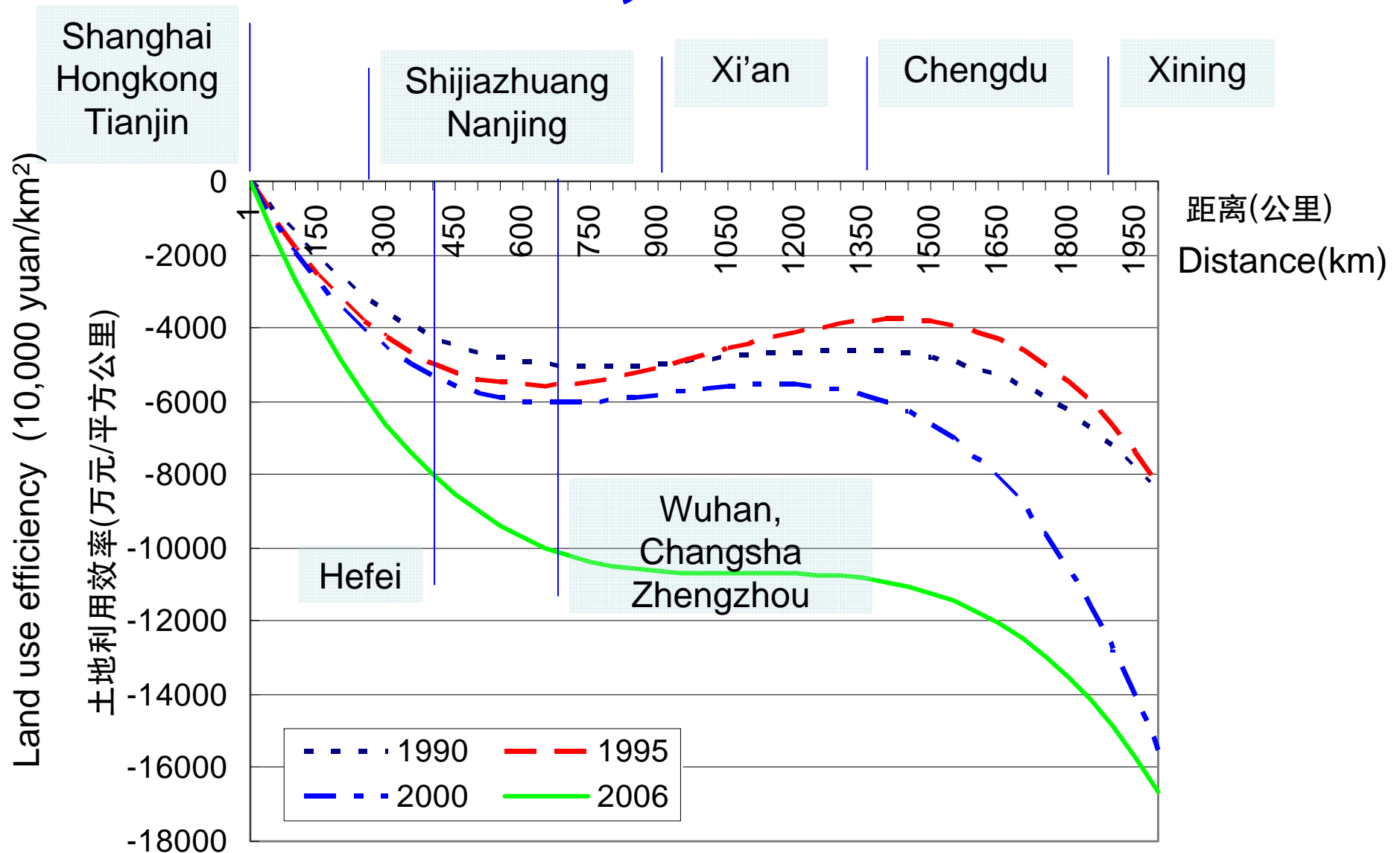
Geography and Land Use Efficiency in 2006 (1)

土地利用效率
(万元/平方公里)

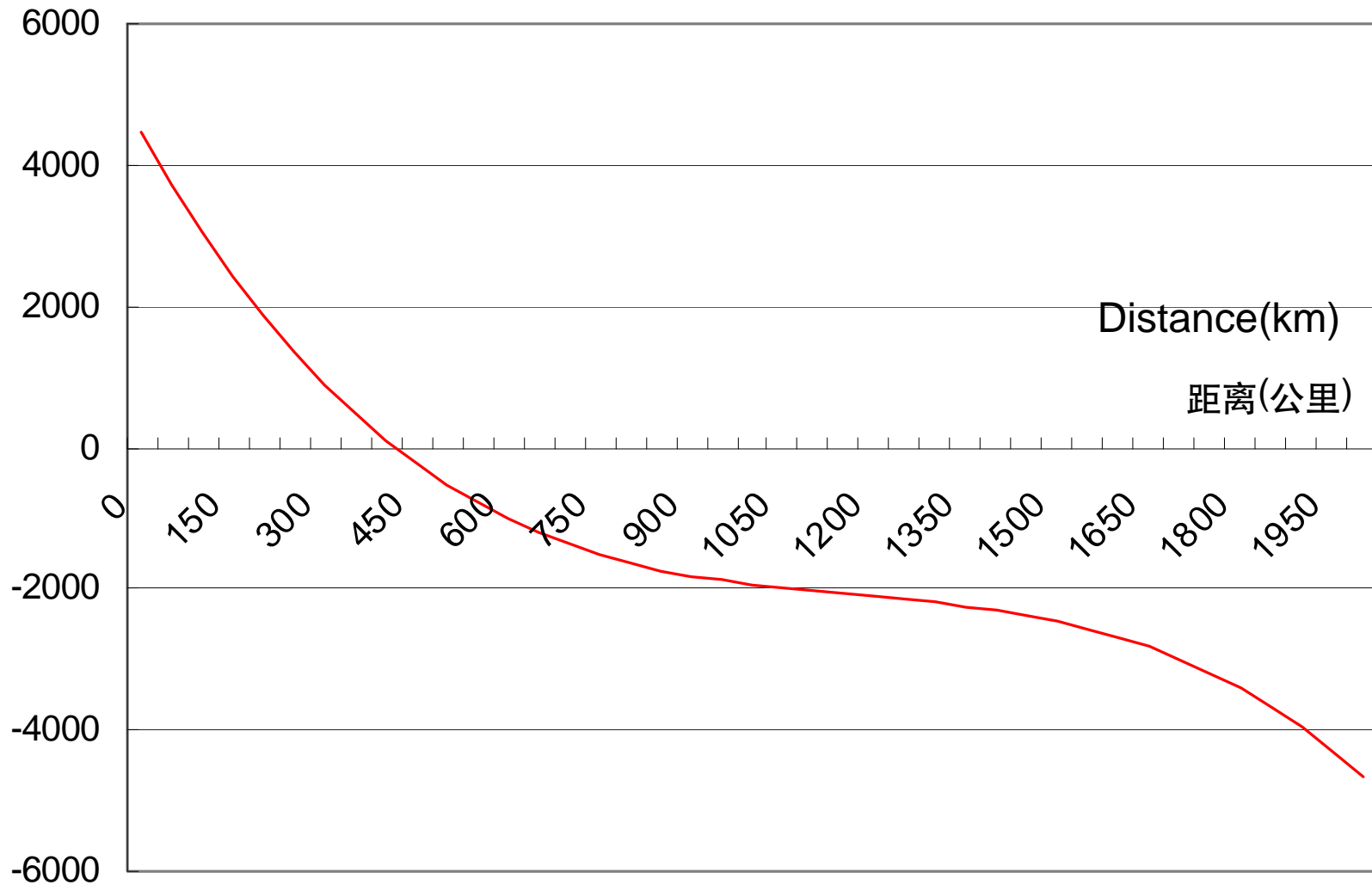
Land use efficiency(10,000 yuan/km²)



Geography and Land Use Efficiency in 2006 (2)



Geography and Land Use Efficiency in 2006 (3)



Consequences (2)

Hukou and rural-urban divide

Hukou Increases China's Saving

(Chen, Lu and Zhong, 2010)

- The marginal consumption rate of migrants is lower than that of urban residents by about 15.2 points.
- If restriction of *Hukou* were removed in 2002, average consumption of migrants would rise by 21%, and aggregate consumption would rise by 2.2%, which could explain about 48.4% in the decline in household consumption during 2002-2003.
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- During the period of 2000-2005, consumption constrained by *Hukou* can explain about 42%-66% of the decline in aggregate consumption rate.

Urban Social Segmentation

- Migrants without local urban *Hukou* suffer from:
 - Inequality of income and returns to education (Meng and Bai, 2007 ; Zhang and Meng, 2007)
 - Residential segregation (Lu and Chen, 2010)
 - Unhappiness because of between-group inequality (Jiang et al., 2010)
 - Lower trust (Wang, Chen and Lu, 2009)

Rural development problems

- Aging
 - Left-behind children
 - Poor land use efficiency
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- These are **NOT** problems of urbanization, but of distorted urbanization

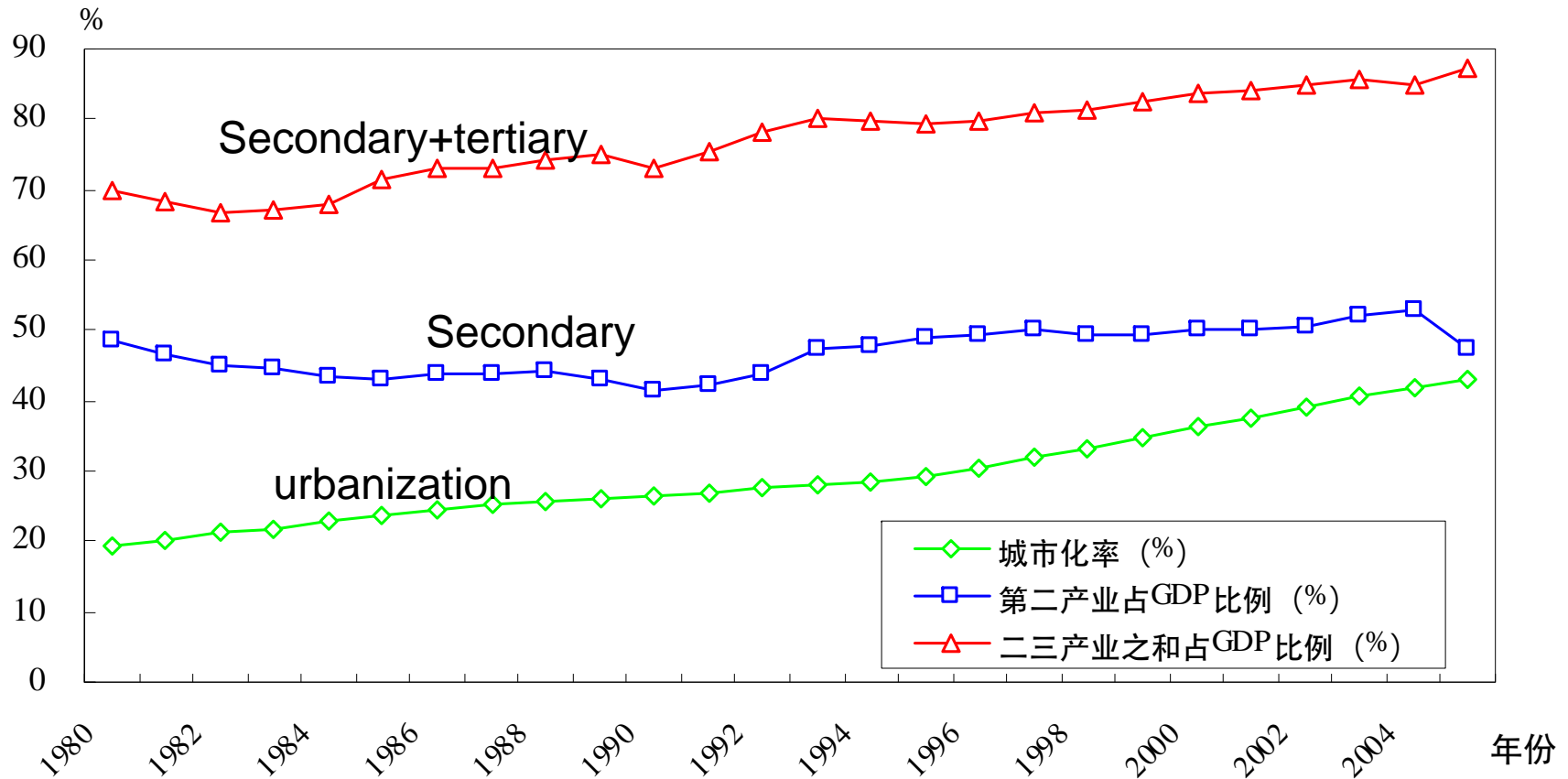
Consequences (3)

A false Lewis turning point

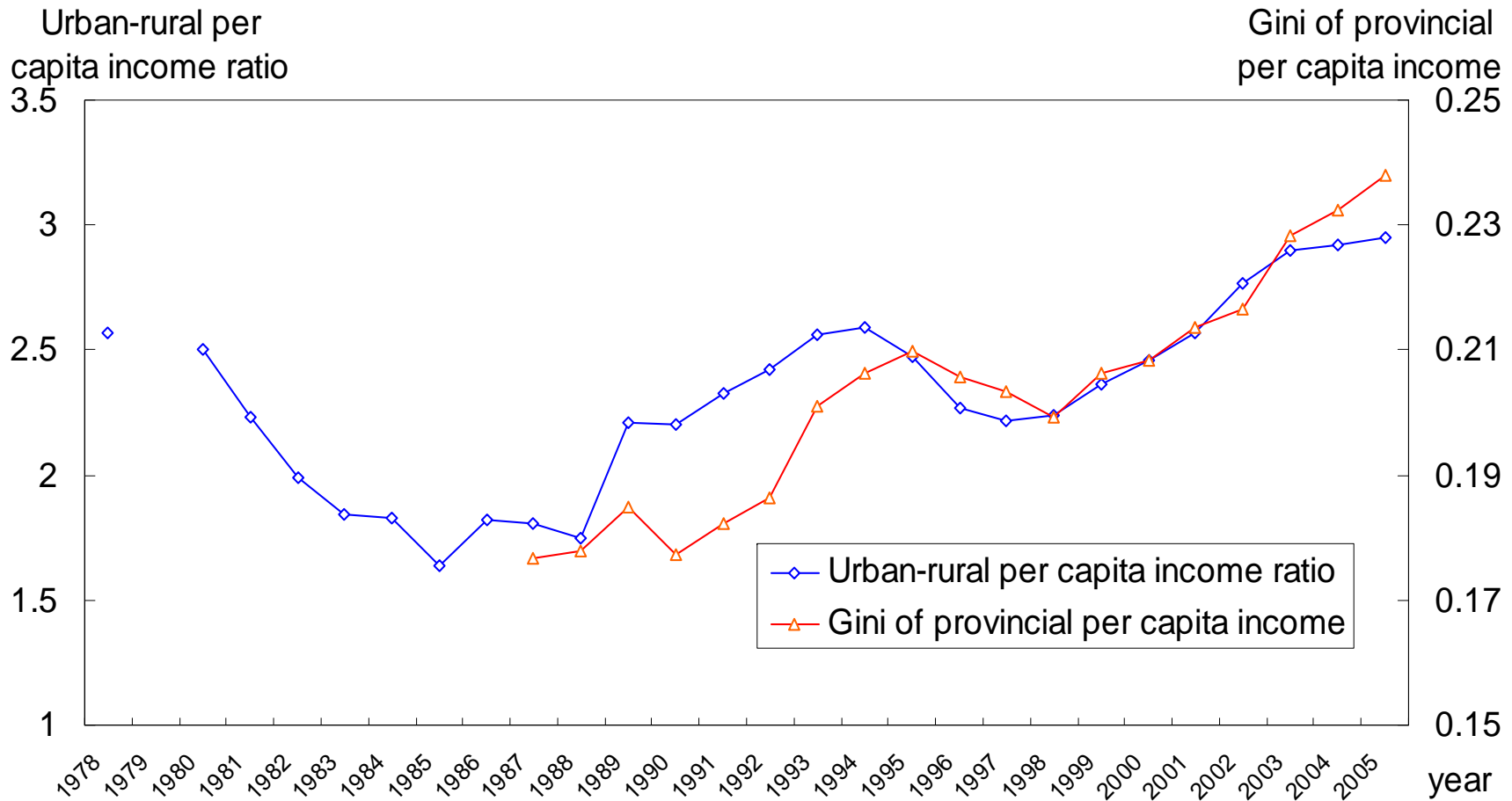
Lewis turning point?

- Seemingly Yes
 - Labor shortage?
 - Wage growth?
- Actually **NOT**. Lewis turning point should not accompany:
 - Lagged urbanization
 - Widening urban-rural income disparity
 - Urban social segmentation and inequality
- The wage growth is only compensating what migrants should have got.

Industrialization and Urbanization (1980-2005)



Interregional and urban-rural income disparity



Policy

Combining land and *hukou* reform

- Reallocate land quotas (housing land use rights) across provinces
- Reform the incentive scheme for government officials
 - Per capita GDP growth vs. total GDP growth
- Fiscal reform
 - More fiscal transfer for public goods provision₁₈

Thanks !