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# The Chinese *Hukou* System at 50

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**Abstract:** A noted American authority on urbanization in China presents a retrospective analysis of China's *hukou* (household registration) system on the occasion of the 50<sup>th</sup> anniversary of its promulgation, reviewing the history of that system from a broad socio-political perspective. More specifically, the paper focuses on revealing trends in the development of the system over time and identifying many of its important ramifications for modern Chinese society, as well as on the impact of *hukou* on the country's industrialization, urbanization, and social and spatial stratification. The author argues that the *hukou* system now presents a major obstacle to China's quest to become a modern, first-world nation and global leader. *Journal of Economic Literature*, Classification Numbers: O180, O530, P200, R120. 2 figures, 3 tables, 111 references. Key words: China, *hukou*, floating population, urbanization, industrialization, Shenzhen, labor migration, migrant workers, social stratification, command economy, *nongzhuanfei*.

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## INTRODUCTION

The annual, epic-scale mass movement of humanity in China during the Lunar New Year interlude, involving about 100 million people traveling long distances by train and bus, has become a perennial spectacle in the world's media. *The Financial Times* (Mitchell, 2009) has called it "the world's greatest annual human migration."<sup>2</sup> The just-completed 2009 "spring movement" (*chunyun*), as it is called, may have been the largest ever (2009 nian, 2009), and one of the most logistically challenging in recent years. Each year, for almost an entire year, ca. 130 million migrant workers are separated from their families, and the Lunar New Year break is the only time when they can unite with family, thereby giving rise to this annual circulation. This also poses the question of why there are so many dislocated people to begin with, especially in a society that arguably has a long tradition of valuing family togetherness.<sup>3</sup> The answer lies mainly in an institution, the *hukou* system, that is responsible for this somewhat forced separation of families from their working breadwinner. To outsiders, this not so well known system has actually played a significant role in China's spectacular rise on the economic front during the last three decades. It is perhaps China's "secret" recipe for its recent unprecedented economic success.

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<sup>2</sup>This annual "migration" is likened to the seasonal movement of a complete population of animals from one area to another, usually in response to changes in temperature or food supply. In the Chinese media, migrants are often described as the *houniao* ("migratory bird") population.

<sup>3</sup>The tie to land, hometown, and family has always been touted as a virtue of the Chinese peasantry (e.g., see Chi 2001, pp. 4–5).

The year 2008 marks the semicentenary of the promulgation of the *Hukou dengji tiaoli* (Household Registration Regulation),<sup>4</sup> a decree that codified the version of the Chinese *hukou* (household registration) system that we know today. The *hukou* book, which records attributes of a household, has been dubbed “China’s No. 1 Document,” for it has the omnipotent power to determine many important aspects of life, if not the fate of the majority of China’s people (Tian, 2003). The system is recognized by some scholars as the major institutional pillar underlying the deep rural-urban chasm in China in the last half century (Chan, 1994; Knight and Song, 1999; Solinger, 1999; Whyte, 2006), and a system that discriminates against some 800 million rural residents in many basic aspects of life (Wang, 2005; Naughton, 2007).<sup>5</sup> The promulgation of this legislation in January 1958 took away one major basic right of the Chinese citizen, the freedom of internal migration and residence, a right encoded in China’s constitution<sup>6</sup> for the first 26 years of the People’s Republic (Zhu, 2003). The freedom of mobility is a fundamental one, for it not only gives an individual the opportunity to enhance his/her well-being by moving to a better place or a better job (or joining family), but also increases the individual’s political power to rein in the tyranny of a rogue state by threat of exit (Tiebout, 1956; Moses, 2006). As far as commodity labor is concerned, geographical mobility gives the power of the owner of labor to strike a better deal in the process of selling his/her labor than in a situation without mobility, as in the case of slavery or selfdom.

In short, the *hukou* system is an institution that has affected many fundamental aspects of life for hundreds of millions of Chinese for half a century, and it is also intrinsically related to China’s economic development over the last five decades. Most of the attention in the Western scholarly literature, however, has focused on its role in obstructing migration (e.g., Goldstein and Goldstein, 1991; Chan and Yang, 1996). Scholars are increasingly aware of its much broader ramifications on China’s economy and society (see Wu and Treiman, 2004; Wang, 2005; Naughton, 2007; Fan, 2008). It is therefore apt at this juncture, the *hukou* system at its mid-century, to review the entire history of the system by taking stock from a broad socio-political perspective,<sup>7</sup> especially given that this system is likely to last for many more years to come. This may allow us to see the trends, and reflect more comprehensively and accurately on the nature of the system and many of its important ramifications over the past five decades.

Given the complexity of the system and the enormity of the information accumulated on this subject, this review by necessity is selective, focusing on the more significant aspects and points and leaving out details and other minutiae and possible digressions.<sup>8</sup> The purpose and objective of this paper are to paint a broad picture of that system and evaluate its place in Chinese society over the last half century, by linking and synthesizing several bodies of

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<sup>4</sup>The full text in English can be found in Tien (1973, pp. 378–383).

<sup>5</sup>Ironically, this aspect is often not clearly known to people outside of China. The mystique of Chinese urbanization, shrouded in the official propagandist rhetoric of the Mao and post-Mao eras, has often confused even careful non-China scholars. For example, Walter Goldschmidt, an established anthropologist who has published extensively on American rural society and deplored the situation of “a class of underprivileged rural labor” in modern America, sanguinely suggested that in China “(p)erhaps in a communist country with its centralized control of the economy, urbanization can take place without such discrimination” (Goldschmidt, 1997, p. xiv). The opposite is true in reality, as will be examined in this paper.

<sup>6</sup>This includes China’s temporary “Constitution” (the Common Program of Chinese People’s Political Consultative Conference) in 1949 (see Zhu, 2003).

<sup>7</sup>A symposium on the 50<sup>th</sup> anniversary of the *hukou* system, organized by Duan (2008), generated two brief essays published (in Chinese) on various issues related to the system.

<sup>8</sup>Many of these details can be found in the excellent studies by Cheng (1991) and Wang (2005).

research on *hukou*-related topics, such as industrialization strategies, urbanization, rural-urban dichotomy, social and spatial stratification, and migrant labor. The paper thus provides a more holistic and historical analysis than has heretofore been available. The following sections will review the origins and major operations and functions of *hukou*, and changes in its implementation, followed by an analysis of *hukou*'s impact on Chinese society and economy with a focus on four major and interrelated dimensions: industrialization, urbanization, social stratification, and spatial stratification.

### **THE ESTABLISHMENT AND MODIFICATIONS OF THE *HUKOU* SYSTEM**

The *hukou* system is often considered as unique to China (Goldstein and Goldstein, 1991). Although China's system of controlling and regulating internal movements of its citizens is indeed far more elaborate than that in almost all other countries in the world, a broader survey reveals that a similar system existed or still exists in other (former) communist countries, such as the *ho khau* system in Vietnam and the *hoju* system in present-day North Korea (Dang, 2003; Zhu, 2003, pp. 539–540). In fact, these migration control systems, the Chinese one included, owe much of their common origin to the *propiska* (internal passport) system utilized in the former USSR, as those later communist countries modeled their economic and political system and strategy after the that of the world's first socialist country (Zaslavsky and Luryi, 1979; Mathews, 1993; Dutton, 1998).

#### **Industrialization Strategy and the *Hukou* System, 1958–1983**

The system of registering population and households has a long history in China. In the pre-1949 era, the system was used primarily for collecting vital statistics, which were needed for tax collection and conscription purposes. In some limited instances, the system was employed for controlling certain groups of the population, especially during times of unrest and war (W. Wang, 2006). However, the pre-1949 system never functioned as a comprehensive, all-embracing social and economic control mechanism in peacetime. The gradual development of a new, more encompassing version of *hukou* during the 1950s was an inevitable outcome of the establishment of a command economic system, which required meticulous planning and control of all macro and micro facets of society, and pursuit of a Stalinist-type, Big Push industrialization strategy premised on the unequal exchange of industry and agriculture (Chan, 1994; Alexander and Chan, 2004; Naughton, 2007).

Implementing such a strategy, the state siphoned off resources in the rural sector for capital accumulation in industry through the well-known process of “scissors prices” (Lardy, 1983; Tang, 1984; Chan, 1994; Cai, 2007a).<sup>9</sup> As Yang and Cai (2003) observed, to enforce such an extraction, the state needed to exercise coercion using a “trinity” of tools (institutions) simultaneously: the compulsory procurement and monopoly of sales of farm produce, the rural collective (commune) system, and the *hukou* system that controlled population mobility. The first tool was to generate an unequal inter-sectoral exchange, and the second and third were designed to ensure the implementation of that exchange.

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<sup>9</sup>One estimate puts the total value of resources extracted from the rural sector through this process in Mao's era at RMB 800 billion, about three times the estimated value of all assets except land in the rural sector in the late 1970s (Cai, 2007a).

As in many other communist countries, the Big Push industrialization approach (also known as the “traditional socialist development strategy”) was notorious for creating huge disparities between the urban-industrial and the agricultural sectors, and was bound to generate immense outflows from the countryside until mobility controls were fully in place. As China pressed forward this kind of industrialization strategy in the 1950s, large numbers of peasants began to leave the countryside for the cities. Even though the freedom of migration and residence was codified in the temporary “constitution” of 1949 and freshly enshrined in the first Constitution in 1954, the state took measures to stem those flows by imposing travel document checks and other administrative measures at various major transportation nodes (such as railway stations) in 1955 through 1957 (Tien, 1973). These migrants were derogatively labeled “blind blows” in the official documents, as if they were aimless troublemakers. It soon became obvious that a more systematic and powerful coercive mechanism would be needed to prevent or at least regulate such “undesirable” rural-to-urban migratory flows. It was then that *hukou* came into full play as a central component of the command system.

The *hukou* system was first restored in 1951 to record the residence of the urban population and to track down any residual anti-government elements. The system was further expanded to cover both the rural and urban populations in 1955 (Mallee, 1988; 1995; Cheng and Selden, 1994). In 1958, the promulgation of a more far-reaching *hukou* regulation (*Hukou dengji tiaoli*) marked the final step of codification in this direction. The 1958 regulation even today represents the only national legislation on migration and residence promulgated by the National People’s Congress, (China’s highest legislative body) and it remains fully in force (Zhu, 2003). The decree required that all internal migration be subject to approvals from the authorities at the destination. Each person was classified as rural and urban etc. (see below), and for newborns, the *hukou* classifications would follow that of the mother.

The relationship between the industrialization strategy and the *hukou* system has been examined at length in the past (Chan, 1992; Cheng and Selden, 1994; Wang, 2005) and bears repeating here only in brief. To carry out the Big Push industrialization program, a dual economy and society were deliberately created by the state, based largely on pre-existing conditions. The industrial sector, mostly located in cities, was designated as the priority component of the country’s economy and was nationalized (i.e., state owned). It was put under strict state management and received strong state support and protection. Basic state-provided social welfare and subsidies for urban workers and their families were also put in place to maintain social and political stability of this subsystem. Although basic, that welfare was expensive, and could only be provided for a small priority sector (about 15–16 percent of the population in 1955). It was largely maintained at that level until 1978 (see Table 2 below).

The other subsystem was the non-priority, agricultural/rural sector encompassing the rest, roughly 85 percent of the population. Remaining beyond the state’s direct responsibility, it was largely treated as a “residual,” with its main functions being a provider of cheap raw materials (including food grain), labor, and capital for the urban-industrial sector. The rural population and production were collectivized to serve the above functions, with the collectives operating as a state policing mechanism. The farm population, excluded from state-supplied welfare and subsidies, had no claim on national resources and was expected to fend for itself with the possible exception of times marked by extreme duress or emergencies. Its main task was to produce food grain and raw materials at state-dictated (low) prices to support industry, which was monopolized

by the state.<sup>10</sup> This allowed the state to tap the monopoly profits of industry for its coffers for the purpose of implementing the ambitious industrialization programs. By immobilizing the peasantry, forcing them to tend the land at mostly subsistence levels of compensation, and excluding them from access to social welfare and ability to move to cities,<sup>11</sup> this approach created two very different societies (Naughton, 2007). And given the immutable, hereditary nature of the *hukou* classifications, the peasantry *de facto* became an underclass.

To grasp the essence of changes in the *hukou* system and their significance, one needs to understand the *hukou* classifications and the ways of *hukou* conversion. All Chinese nationals' personal *hukou* was categorized according to two related classifications: one by *hukou* type and the other by residential location.<sup>12</sup>

**Hukou Type.** The *hukou* "type" (*leibie*) or "nature" (*xingzhi*) is differentiated into the "agricultural" (*nongye*) and "non-agricultural" (*fei nongye*) *hukou*. Since the early 1960s, this classification has determined one's entitlements to state-provided goods and services, including the critical rationed food grain (called "commodity grain," between 1955 and 1992) and many other prerogatives. The *hukou* type originated from the occupational division in China's economy in the 1950s, but as the system evolved, the "agricultural" and "non-agricultural" distinction bore no necessary relationship to the actual occupations of the holders. This distinction between agricultural and non-agricultural status defined one's relationship with the state and eligibility for an array of state-provided welfare. Non-agricultural status entitled the bearer to state-provided housing, employment, grain rations, education, and access to medical care as well as other benefits (Cheng and Selden, 1994). The non-agricultural population was loosely considered as the holders of urban *hukou* (Chan and Xu, 1985; Naughton, 2007).

One's *hukou* status remained unchanged no matter where the individual moved, unless he/she went through a formal *hukou* conversion. For instance, a person with non-agricultural *hukou* status, regardless of the individual's physical location (or whether he or she resided in a town, small city, or large city, or even in the countryside), was automatically entitled to the basic benefits because they are distributed and funded by the government, making non-agricultural status highly desirable and sought throughout the country. Therefore, *hukou* type was very much a social status, and naturally an important consideration, for instance, in the marriage market (Lu, 2004). This remains largely unchanged today.

**Residential Location.** In addition to the *hukou* type, each person was also categorized according to his or her place of *hukou* registration (*hukou suozaidi*). This was the individual's official and only "permanent" residence. In other words, in addition to the *hukou* type above, each person was also distinguished by whether he or she had or lacked a local (*bendi*) *hukou* with respect to an administrative unit (such as city, town, or a village). The local regular *hukou* registration defined one's rights to pursue many activities and eligibility for services in

<sup>10</sup>Even when the rural sector later was permitted (mainly in the 1970s) to develop manufacturing to support agriculture, only a very limited number of industries (not in competition with state industry) were allowed.

<sup>11</sup>Commenting on the Russian *propiska* system, Zaslavsky and Luryi (1979, p. 139) observed the emergence of "state feudalism" in the 1930s after the imposition of a migration ban on peasants, in which "rather than the land belonging to the peasants, the peasants belonged to the land."

<sup>12</sup>For details, see Chan and Buckingham (2008). In addition, two types of households were distinguished: (a) family and (b) collective households. The majority of the population consists of family households, which are the focus of this paper and the basis for the discussion that follows.

**Table 1.** Major Constituent Groupings of Agricultural and Non-agricultural Populations by *Hukou* Status and Location

<i>Hukou</i> location	Agricultural <i>hukou</i>	Non-agricultural <i>hukou</i>
	A	C
Urban areas	Rural migrant workers	Urban workers
	Farm workers	State cadres and professionals
	Dependents	Dependents
	B	D
Rural areas	Rural (industrial) workers <sup>a</sup>	State farm workers <sup>b</sup>
	Farmers	State cadres and professionals
	Dependents	Dependents of above

<sup>a</sup>In township and village enterprises.

<sup>b</sup>In state-run agricultural enterprises.

Sources: Modified from Chan and Tsui, 1992 and Chan, 1994.

a specific locality—a not inconsequential status given that levels and availability of services, even today in 2009, can still vary from place to place.

Because of tight mobility controls and monitoring during Mao's tenure, almost all people actually remained (i.e., the *de facto* residence) where they were "supposed" to be (*de jure* residence). The number of people residing in a location different from their *de jure* residence was quite small. Even in the early 1980s when the size of this "deviant" group began to grow, the percentage was still minuscule, accounting for only 0.6 percent of the total population (Chan, 2009a, Table 1).

Inasmuch as the two classifications mean different things, cities and towns have both non-agricultural and agricultural *hukou* populations residing within them and, conversely, agricultural *hukou* population may exist in the countryside *or* in the cities. Therefore, excluding foreign nationals, the dual *hukou* classifications yield four types of people (Table 1).

As far as rural-urban migration is concerned, the most sought-after move is from B to C in Table 1. For this to happen, an individual would have to obtain approval from the state to convert one's *hukou* type from agricultural to non-agricultural (a process known as *nongzhuanfei*) and, subsequently, to change the place of *hukou* registration (from a specific village to a particular town or city). In this two-step process, *nongzhuanfei* was by far the more critical conversion and much harder to obtain. The latter process (residential reclassification) usually came with *nongzhuanfei*. The criteria for obtaining *nongzhuanfei* were stipulated by the central government and were designed to serve the needs of the state. In Mao's period, *nongzhuanfei* was conferred mainly on those persons: (a) recruited as permanent employees by a state-owned enterprise (*zhaogong*); (b) displaced due to state-initiated land expropriation (*zhengdi*); (c) recruited for enrollment in an institution of higher education (*zhaosheng*); (d) promoted to administrative positions (*zhaogan*); (e) relocated because of family crises (such as moving to a city to live with and look after a sick parent); (f) joining the army (*canjun*) and demobilized to cities; and (g) deemed to belong to special categories (either recipients of compensation for past policy mistakes or people who had endured personal sacrifices and hardships because of their work for the state). Conversely, people who committed certain crimes could be stripped of their non-agricultural *hukou* status (Yu, 2002).

In each locale, the annual quota of *nongzhuanfei* was set by the central government at 0.15 to 0.2 percent of the non-agricultural population. In practice, the actual rate was higher

**Table 2.** Non-agricultural and Urban Populations and GDP, 1949–2007, percent of national total

Year	A. Non-agricultural population <sup>a</sup>	B. Urban population <sup>b</sup>	C. GDP of non-agricultural sectors	A – C	A – B
1949	17.4	10.6			6.8
1955	15.2	13.5	53.7	-38.5	1.7
1958	18.5	16.2	65.9	-47.4	2.3
1965	16.7	18.0	62.1	-45.4	-1.3
1970	15.3	17.4	64.8	-49.5	-2.1
1975	15.4	17.3	67.6	-52.2	-1.9
1978	15.8	17.9	71.8	-56.0	-2.1
1980	17.0	19.4	69.8	-52.8	-2.4
1985	20.1	23.7	71.6	-51.5	-3.6
1990	21.1	26.4	72.9	-51.8	-5.3
1995	23.8	31.7	80.1	-56.3	-7.9
2000	26.1	36.2	84.9	-58.8	-10.1
2005	32.0	43.0	87.5	-55.5	-11.0
2006	32.5	43.9	88.3	-55.8	-11.4
2007	32.9	44.9	88.7	-55.8	-12.0

<sup>a</sup>Based on *hukou* classification.

<sup>b</sup>Based on *de facto* population.

Sources: Calculated by the author from *China Statistical Yearbook* and *China Population Statistical Yearbook*, various years.

because people and local officials found ways to circumvent the restrictions. Even so, the overall growth of the non-agricultural population was very slow, averaging, for example, 1.47 percent annually for the period 1966–1976.<sup>13</sup> The bulk of the growth of the non-agricultural population was due to natural increase, which was about one (1.00) percent during that period. Even if we were to include the unsanctioned migration, the overall rural-urban migration rate was very low (Wu, 1994), especially relative to China's level of industrialization at that point (to be examined later).

Table 2 shows the percentage share of the non-agricultural population in China's total since 1949. As a result of to mobility and conversion controls, the percentage of non-agricultural population has actually declined slightly between 1958 and 1980, despite the rapid industrialization of the economy, as shown by the non-agricultural share of GDP (Table 2). Geographical mobility controls were not only imposed between the rural and urban areas; as with the administrative hierarchy of the command economy, the controls actually encompassed all locales, being differentiated according to the administrative rank of the locale.<sup>14</sup> The result was a spatial hierarchical system with differing levels of control, discussed in greater detail below.

<sup>13</sup>Computed from annual editions of the the *China Population Statistical Yearbook* (various years).

<sup>14</sup>Therefore, migration between urban places of lower and higher rank in the administrative hierarchy also was subject to control.

### The “Age of Migration” and the “World’s Factory”, 1984–2009

Despite the continued stringency of *hukou* conversions over the past 50 years, paradoxically, “migration” began to rise in the 1980s, culminating in an almost opposite situation compared to the past. This new situation in the 1990s, for example, has been called the “age of migration” by some authors (e.g. Liang, 2001), and refers to the internal physical movements of people changing the place where they ordinarily reside (often induced by job changes and other major life events such as marriages) with or without the conferral of local citizen’s rights and the accompanying access to voting, public education, social welfare, and other benefits at the destination. In the great majority of countries throughout the world, internal “migration” is not simply physical movement, because migrants, perhaps after a short delay (3 months or 6 months in many cases), are also granted the right to vote and equal access to social welfare at the destination.

What is unique about migration in China is that the two aspects of internal migration (movement and citizenship) can be totally disparate; i.e., one can move to a new place (for example, because of a job change) but can be permanently barred access to community-membership-based services and welfare. People who have moved to a new place but do not possess local citizenship (*hukou*) are referred to as the non-*hukou* population, meaning that they are not *de jure* residents even though they are *de facto* residents.<sup>15</sup> Conceptually, this is the group that has moved away from the location where their *hukou* is registered. The situation of Chinese migrants without citizenship, of course, is not unique in the international context of migration. Many so-called “guest laborers” working in foreign countries, sometimes for years, without local citizenship, fall into this category. But few countries have applied such a system to their own citizens in modern times. In China, this group is commonly called the “floating population” or “mobile population” (*liudong renkou*). Its size has grown rapidly from a few million in the early 1980s to the present level of about 150 million (Chan, 2009a). Its largest constituent subgroup is “rural migrant labor” (examined in the next section).

The goal of reforms in the early years of the post-Mao era was to improve the command system then in use, and not to dismantle it. Apart from the more daring reform of decollectivization in the countryside and the “open door” policy, the government actually sought measures to reinforce the command economic system. In migration, measures were formulated and implemented in 1978 and 1979 to tighten various aspects of the migration approval processes and the hiring of contract workers from the countryside (Lu, 2004). However, with rural decollectivization, the existence of a large surplus of rural labor was obvious, and needed to be accommodated elsewhere.

A small breakthrough occurred with the introduction of a new *hukou* category, called “*hukou* with self-supplied food grain,” in small towns in 1984 (Chan and Zhang, 1999). This category applied to migrants moving to small towns who did not have *nongzhuanfei*, meaning that the state was not fiscally responsible for any of the welfare of the new migrants in these towns. A wider door was opened to migration the following year with a national policy of allowing temporary residences (Solinger, 1999). People were permitted to move to stay “temporarily” at a location different from that where they had been registered, including the large cities, but again without local *hukou* and all the associated rights and benefits. This new policy was to accommodate the growing demand for low-skilled workers to fill positions

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<sup>15</sup>This includes children who are born to parents who are not *de jure* residents, no matter where they are born.

shunned by urban locals, and the even larger number of factory jobs created by China's new export-oriented industrialization strategy in the late 1980s.

The exclusionary and discriminatory functions of the *hukou* system have elicited much concern and criticism. Even within China, in the last two decades, hundreds of articles have been published on *hukou*, including calls for the need to abolish the *hukou* system and *nongzhuanfei*. Yet despite heightened media attention to the topic in China and elsewhere, much confusion and many misinterpretations persist.<sup>16</sup> Beginning in the early 1980s, China has gradually implemented various programs to devolve fiscal and administrative powers to lower-level governments (along with the commercialization of some government services). This trend has included changes in the management of the *hukou* system. Local governments have had more control in deciding the levels of both *hukou* and non-*hukou* migration to their respective administrative jurisdictions, especially since the late 1980s. Other measures put into effect include easing *hukou* conversions to small towns where state-provided welfare is minimal (in 1997 and 2001); permitting transfers in family cases that involve either children or elderly parents, when parents or children, respectively, are already urban citizens (in 1998); and offering local *hukou* status to the ones who have money (investors and home buyers) or occupational skills fitting the requirements stipulated by local governments (Chan and Buckingham, 2008).

With the end of food grain rationing in 1992 in almost all of China (Wang, 1997) and the localization of *hukou* management, *nongzhuanfei* has lost some of its symbolic and substantive importance for *hukou* migration. A few locales began to experiment with the abolition of *nongzhuanfei* in the late 1990s or, more specifically, with the elimination of the “agricultural”/“non-agricultural” distinction within the local *hukou* population. The distinction in these places thus simply was between those with local *hukou* and those without. With more local control of *hukou* management, local governments also gained the power to decide the criteria upon which local *hukou* would be granted (called “entry conditions”). This has become the principal mechanism for regulating *hukou* migration in some locales. In short, what used to be a two-step process in *hukou* migration has now been simplified to a one-step procedure in a few places, such as Shenzhen, Guangzhou, and some city districts of Beijing.

An examination of the programs to eliminate the agricultural and non-agricultural distinction within the local population demonstrates that it is not simply a matter of extending benefits to the former local agricultural population (mostly at the urban fringes). Rather, in the great majority of cases, the situation is more complex: local agricultural populations are given a new urban *hukou* (with some welfare benefits) in exchange for their permanent loss of land use right, an asset that can usually provide far greater present and future financial benefits in an urbanizing region (Su and Chan, 2005). Some critics have considered this “equalization” an indirect pillaging of peasants' property (Dang, 2008). As for the “entry conditions” for outsiders to gain local *hukou*, the conditions were set very high so that only a very select group could qualify—e.g., millionaires who were able to purchase a high-end apartment or make large business investments, or those with an advanced degree or professional qualifications. Some spouses and children of existing residents with local *hukou* were also eligible.<sup>17</sup> This has produced some easing in the *hukou* migration system for these select groups. A handful of cities such as Shijiazhuang and Zhengzhou also experimented with

<sup>16</sup>For a detailed analysis, see Chan and Buckingham (2008).

<sup>17</sup>These entry conditions mimic measures and principles used by many national governments in other countries in their “business immigration” or “talent immigration” programs.

plans in the early 2000s to allow some qualified migrant laborers to acquire city *hukou*. But these experiments were very limited in scope and were soon withdrawn.

It is evident from the above that these new initiatives have had little relevance for the great majority of “non-local” rural migrant workers, and that there has been no fundamental change in the *hukou* system. In the post-1984 period, the one substantive change has been the removal of obstacles to geographical mobility outside the *hukou* conversion framework. This allowed peasants to make extra income by working in cities. The rise in the number of non-*hukou* migrants (i.e., the floating population) has become the hallmark of China in the last quarter century.

### THE IMPACT OF THE *HUKOU* SYSTEM

The impact of this mega-social, economic, and political system is multifaceted, and to some extent dynamic over time. This section focuses on only four major dimensions at the broad, societal level, which is closely related to China’s economic development. For a bureaucratic system with such omnipotent power in controlling people’s lives, it is bound to inflict serious suffering upon millions of people, although it may also bring benefits to some others. Recent articles in Chinese newspapers and postings on the Internet and blogs are replete with personal accounts of sad stories and even tragedies primarily caused by the *hukou* system.<sup>18</sup>

#### Industrialization

In conjunction with other mechanisms, the *hukou* system has been a major institutional foundation for the command economy, controlling and regulating population and labor flows. As one scholar observed, the *hukou* system is “the door guard of the command economy” (Wang, 2008, p. 48). Without such a system, China would not have been able to have achieved the paramount goal of the command economy—rapid industrialization within a short time. The fact China indeed has advanced to rapid industrialization<sup>19</sup> albeit at very high cost, during the early decades of communist rule has been amply documented (Tang, 1984; Chan, 1994).<sup>20</sup> Despite this “achievement,” it is no secret that the Chinese leadership publicly admitted that the economy as a whole was on the brink of collapse on the eve of the reform in 1978, and that some 250 million peasants were in poverty. The economy was in dire need of a new direction (Lardy, 1983).

More interestingly, however, despite claims by the Chinese leadership to have abandoned the command economy long ago due to the post-Mao reforms,<sup>21</sup> the *hukou* system, a major instrument of that command system and unlike many other instruments of the old system, has not been tossed into the garbage bin of history. It instead remains potent and alive on its 51<sup>st</sup> anniversary in 2009. Beginning largely as a temporary, *ad hoc* measure, a very small number of peasant workers was brought into the cities under the name of

<sup>18</sup>A good Chinese source is Tian (2003); for an account in English, see Cheng (1991).

<sup>19</sup>The country has attained rapid industrialization in a narrow sense, as measured by such metrics as the physical quantity of steel and other major industrial products.

<sup>20</sup>In addition to its general deleterious effects on agriculture, the forced collectivization and industrialization programs of the late 1950s had contributed significantly to a famine that resulted in at least 20 million deaths in the early 1960s (Becker, 1996).

<sup>21</sup>At least from 1993, when the Party decided to build a “socialist market economy.”

“temporary contract workers” to address labor needs from time to time in the 1970s. These temporary workers did not have urban *hukou* or access to urban social services, as expected. This practice of allowing peasant laborers to come into the cities to fill unwanted (almost totally manual-work) positions was gradually expanded in the early years of the reform. When China’s export-processing industry roared into high gear in the mid-1980s and 1990s, the deployment of rural labor to the cities for the export industry became a major post-Mao strategy; ironically it became the instrument in unshackling labor from the rural collectives.

By the mid-1990s, rural-*hukou* labor had become the backbone of the export industry and more generally, the manufacturing sector. In coastal cities such as Shenzhen and Dongguan, which specialize in exports, migrant labor easily accounts for the great majority (70 to 80 percent) of the labor force (Lee, 1998; Liang, 1999). Even for a more typical urban site, like the inland city of Wuhan, workers without local *hukou* accounted for 43 percent of the employment in manufacturing 2000.<sup>22</sup> Rural migrant labor’s contribution the GDP was also estimated at about 30 and 31 percent of GDP in Beijing and Shanghai in 2007, respectively (Nongmingong, 2009).

More generally, the group referred to as “rural migrant labor”<sup>23</sup> has grown into a large mass, reaching 132 million in 2006 (based on China’s Agricultural Census; see Yu, 2008). Of course, the incomes of rural migrant laborers have now become an important part of peasants’ incomes, accounting for close to 40 percent of their average net incomes in 2008 (Nongmingong, 2009). In the cities, in addition to the lack of access to many basic social services, these migrant workers also face many formal and informal obstacles to securing jobs other than low-skilled ones (Chan, 1997; Solinger, 1999; Li, 2003). The lack of local *hukou* for migrant workers, combined with other unfavorable conditions such as the plentiful supply of labor and lack to access to legal information and support, has created a huge class of super-exploitable, yet highly mobile or flexible industrial workers for China’s new economy, now closely integrated into global trade networks (Lee, 1998; Alexander and Chan, 2004). The “China price,” mainly due to its low labor costs, was the lowest among major developing countries (Chan and Ross, 2003).<sup>24</sup> Even the low wages promised are often not paid for months or years.<sup>25</sup> Many of these workers are vulnerable, and often subject to exploitation and labor abuses (A. Chan, 2001). Their “temporary” nature and lack of local citizenship also make them easily expendable. The current global financial crisis has hit seriously China’s export sector, leading to unemployment of about 20 million migrant workers (Bradsher, 2009), which is widely believed to have contributed to a much larger volume of “Spring Movements” this year (2009 nian, 2009).

The new approach of “freeing” peasant labor has served very well China’s economic growth strategy of being the world’s low-cost producer. Effectively, this has helped defer the

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<sup>22</sup>Based on microdata from the 2000 Census for Wuhan.

<sup>23</sup>This is used in the narrow sense, excluding those employed in the township and village enterprises.

<sup>24</sup>One estimate puts the cost of rural migrant labor at only about 44 percent of the regular urban labor cost in 1995 (Lu et al, 2009). This accounting still excludes many hidden subsidies to urban residents. Statistical analyses by many scholars have clearly demonstrated that, keeping other variables constant, the lack of local *hukou* status results in migrant workers being paid significantly less than those with local *hukou* status (see Knight and Song, 1999; Yang and Chan, 2000).

<sup>25</sup>It has now been widely publicized, following Premier Wen Jiaobao’s impromptu detour to a village in Chongqing in 2003, that millions of migrant workers are routinely not paid on time or not paid at all. Every year just before the Lunar New Year, there is a nationwide campaign, sponsored by the government, to help migrant workers recover their wage arrears (e.g., see CCTV.com, 2007).

arrival of the critical “Lewis turning point”<sup>26</sup> so that China can continue to draw labor from rural to urban areas and export-processing zones at rural-subsistence wage rates. Du Runsheng, one of the most respected and experienced central officials overseeing the rural economy, has remarked that for two decades since 1980, there has hardly been any real increase in the wages of rural migrant workers in the coastal areas, despite rapid economic growth (Sanyi, 2009).

If there is a place that epitomizes China’s reform and new industrialization strategy, it is Shenzhen, which has been touted widely as a miracle of China’s economic reform (Liang, 1999; Fallows, 2007; see also Yeung, 2009 in this issue). By no coincidence, it is also China’s largest migrant labor city, with an official *de facto* population of some 8 million in 2005 by one official figure (cited in Chan, 2009a); the actual population size is likely to be even larger. Of this 8 million, about 7 million<sup>27</sup> do not have Shenzhen’s *hukou* and are excluded from government-provided welfare and beneficence. This practice is not confined to Shenzhen, but widely found everywhere in the Pearl River Delta and in many parts of China. Both the governments of Guangdong and Shenzhen have openly acknowledged that without the rural migrant labor, the province and the city could not have achieved the rapid economic growth of the past 30 years (Chen and Liu, 2006). The fact that the province is China’s model of reform, the largest migrant province, *and* the core of the “world’s factory” is a clear indication of the close relationship that exists among migrant labor, the *hukou* system, and the “world’s factory.”

The above description of the post-Mao practice differs from one prevalent interpretation in the existing literature, which tends to view the rise of rural migrant labor largely as a result of the market’s erosion of the *hukou* system, as if the state was in a passive, largely defensive position (Wang, 1997; Liang, 1999). Arguably, the first use of temporary rural migrant labor in export-processing zones such as Shenzhen might well have had an experimental or *ad hoc* character, but the practice now has been in place for more than a quarter century, at a massive scale, and with the clear support of both local and central governments. Accordingly, it must now be considered a rather conscious policy.

## Urbanization

Typically, urbanization is a concomitant demographic manifestation of the industrialization of an economy. As an economy industrializes, labor from the low-productivity rural sector is gradually absorbed into the higher-wage urban sector. Through this typical process of rural-urban population shift, an increasing proportion of the population gradually improves its standards of living. This is a vital part of economic development. Indeed, urbanization is the transformative outcome of industrialization. In practice, many countries have deviated from that pattern. The most common deviation observed in Third World countries is what has been called “pseudo-urbanization” or “over-urbanization,” referring to a situation of

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<sup>26</sup>This is named after economist Arthur Lewis, a Nobel laureate. According to him, developing countries’ industrial wages begin to rise quickly at that point when the supply of surplus labor from the rural areas tapers off. Wang (2005) has stated that the *hukou* system enabled China to bypass the Lewis turning point. More recently, Cai (2007b) has argued that China has neared that point. This is a rather complex and controversial topic, especially given that China’s export industry employs selectively mainly young workers.

<sup>27</sup>The *hukou* population in Shenzhen was 1.82 million in 2005 (Chan, 2009b), although not all with such status resided in Shenzhen. At least an additional 1 to 2 million of migrant workers were not included in Shenzhen’s *de facto* count because they had resided in Shenzhen less than 6 months.

“urbanization without much industrialization,” resulting in substantial and chronic urban unemployment, as has been examined from various perspectives by such scholars as Todaro (1969), McGee (1971), and Gugler (1988).

In China, the reverse has taken place. There has been rapid industrialization but relatively slow “urbanization,” a phenomenon manifested in various forms under different conditions (Chan, 1994; Zhang, 2004).<sup>28</sup> Chan (2010, forthcoming) proceeded to argue that in general an “incomplete urbanization” approach has been pursued since 1949. More specifically, because of the overriding priority and urgency accorded industrialization in China, the government opted for a strategy that ignores the urbanization of peasants and denies them the benefits and welfare that accrue from being “urbanized.” Therefore, the typically dual, interrelated processes of industrialization and urbanization have been deliberately decoupled by the “invisible walls” erected by the *hukou* system.

During the Maoist era, the strategy was to stop peasants from going into the cities. As a result, relative to China’s industrialization level, its level of urbanization (the percentage of the total population living in urban areas) late in the Mao era was low by world standards, leading to the phenomenon of “underurbanization” (Chan, 1994). This was possible because of the stringent administrative measures forbidding rural-urban labor and population mobility. In addition, greater utilization of the existing urban working-age population (especially women), and suppression of the expansion of urban services employment and of personal consumption in general also contributed to this phenomenon.<sup>29</sup>

In the era following Mao’s death, the “incomplete urbanization” approach has assumed a different form. Physical controls on migration into cities have gradually been lifted, but the extension of urban social and economic benefits to migrants remains largely nonexistent. Thus, migration rates of peasants to cities have risen (as evident in the noticeable increase of the *de facto* urban population) over the past three decades, but a significant part of urban immigration is by rural-urban migrants lacking *hukou* status at the destination (Chan, 2009a). Many of the *de facto* residents thus are denied urban citizenship and benefits that normally accompany it. Therefore, the recent urbanization is true only in demographic terms (as measured by the *de facto* urban population size), and not in the full sense in “legal” (as defined by the *hukou* system) and socioeconomic terms (UBS, 2008).<sup>30</sup> Data in Table 2 further illustrate this point. While between 1958 and 1978, the difference between the percentages of the total population accounted for by the nonagricultural and urban populations remained about the same (about 2 percentage points), this difference began to rapidly widen to more than 10 percentage points after 2000. This 10 percent is roughly the same as the share of rural migrant labor in China’s total population.

China’s under-urbanization is also manifested at the individual city level, causing under-agglomeration of individual cities (Au and Henderson, 2006). *Hukou* conversion restrictions and the lack of access to urban benefits limit the ability of rural labor to move from low-productivity locations and settle permanently in higher-productivity ones, and more generally

<sup>28</sup>The same phenomenon, for similar reasons, prevailed during industrialization in the former Soviet Union and Eastern European countries during a good part of the early and middle 20th century (e.g., see Ofer, 1977; Chan, 1994).

<sup>29</sup>This “industrialization without urbanization” was once touted as a China’s great achievement, purportedly allowing the country to avoid the “pathologies” of urbanization (e.g., slums and squalor) in its cities during the Mao era (e.g., Murphey, 1975; Ma, 1976).

<sup>30</sup>This complexity has been a fertile source of highly complicated and confusing Chinese population statistics at both the national and subnational levels (see Chan and Xu, 2005; Zhou and Ma, 2005; Chan, 2007, 2009b; Chan and Wang, 2008).

limit the ability of the population to agglomerate at different points in space. Urban production is characterized by localized external economies of scale, the exploitation of which requires the population to move and agglomerate in high density cities (Henderson, 1988). China's *hukou* restrictions have prevented population from agglomerating sufficiently (and permanently) in cities to fully exploit scale externalities relevant to the local activity of the area.

Because of under-urbanization, many nearby cities in China unnecessarily develop similar industrial structures or duplicate urban infrastructure (Liu, 1996; Shu and Zhou, 2003; Bai et al., 2004). Indeed, the the Chinese government's jurisdictional system, combined with the power of the *hukou* system, allows individual jurisdictions to erect walls that distort interregional or intercity flows of labor and goods in contravention of comparative advantage and economies of agglomeration, resulting in low efficiency. The combined works of Henderson and Wang (2006) and Li and Li (2005) demonstrate that Chinese cities are undersized at all size levels in the urban hierarchy. A corollary of that are the low levels of urban concentration in China compared to most countries. Even with the largest urban population in the world, China's two largest cities, Shanghai (13.5 million in 2000) and Beijing (9.9 million),<sup>31</sup> are relatively small by world standards, for example. This under-agglomeration has become even more pronounced as cities have become increasingly oriented toward business services, which have higher scale economies than manufacturing activities (Chan et al., 2008).

### Social Stratification

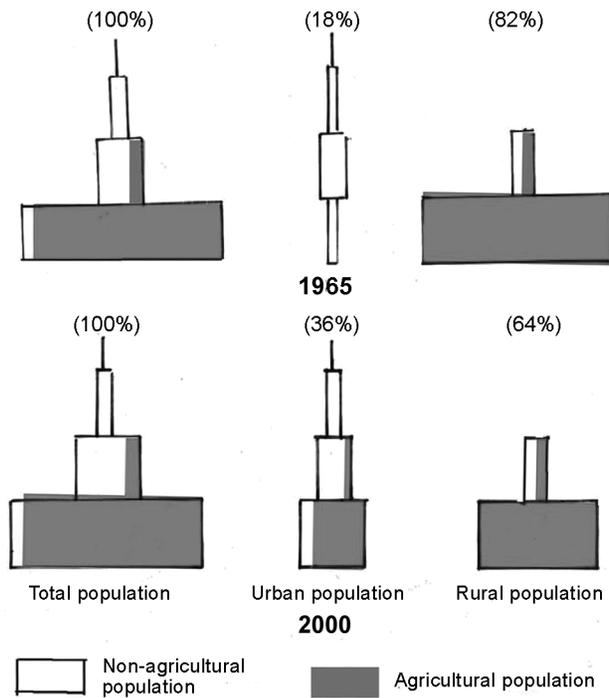
An unusually high level of rural-urban inequality and wide socioeconomic cleavage have been noted by many observers (e.g., Knight and Song, 2003; Yang and Cai, 2003; Whyte, 2006).<sup>32</sup> It is indeed emblematic of China in the last 50 years. This stems from the deliberate policy design for a dual economy and society, as explained earlier, and represents a major divide in social stratification (Li, 2005; Whyte, 2006).

Based loosely on income, social stratification in the post-1949 era can be schematically sketched (Fig. 1). It presents two sets of stylized social pyramids showing four income strata (low, middle, high, and super-high), whose combined rural and urban widths are scaled roughly in proportion to the estimated *de facto* populations in 1965 and 2000. These two points in time can be used to represent the Mao and current eras, respectively. Separate pyramids for the entire nation, urban areas, and rural areas (based on locations) are depicted. Superimposed on each pyramid are the agricultural and non-agricultural *hukou* affiliations.

The major divide for the population as a whole in 1965 was essentially the rural-urban, with almost all in the low-income stratum inhabiting the rural areas, and possessing agricultural *hukou*. In other words, the geographically based rural and urban social structures coincided almost completely with the *hukou*-based agricultural and non-agricultural populations. The only exception was the non-agricultural population in rural areas, consisting mostly of state employees, including cadres (officials) who worked in the countryside (as in category D in Table 1).

<sup>31</sup>These are based on population in the "urban areas" of the city districts (see Chan, 2007).

<sup>32</sup>The oft-cited ratio of urban to rural per capita incomes, drawn from National Bureau of Statistics' household surveys (covering only monetary incomes), are typically roughly 2 in recent years (e.g., see Table 19.2 in Chan et al., 2008). However, the *real* ratio of urban to rural incomes—including all the direct and indirect subsidies that urban-*hukou* families receive—is far more than that (see Yang and Cai, 2003). A more encompassing definition of income can easily push the ratio to 4 or even 5, among the highest in the world. See recent examinations of the complexity of inequality measurements in China in Chan and Wang (2008), and Benjamin et al (2008).



**Fig. 1.** Social stratification by *hukou* type and location (schematic). Percentages in parentheses represent the percentage of the total population. Modified by author from Li (2004, Fig. 1) and Li (2005, pp. 56, 189).

While the social stratification in China as a whole remained largely unchanged in 2000, some obvious rural-to-urban shifts had occurred because of urbanization, albeit rather limited in scope. From the mid-1980s on, with the easing of restrictions on movements of rural labor for work in the cities, rural migrant labor was allowed to enter the cities, and this change began to alter drastically the urban social stratification with rural migrant labor at the bottom of the occupational and social ladder (mostly frontline industrial and service workers in cities),<sup>33</sup> as depicted in Figure 1. But they are not part of the regular urban industrial “proletariat.” This group of urban “rural” poor (i.e., peasant workers in cities), unlike the urban “urban” poor, are excluded from the “urban” welfare and social security system (see Chan and Buckingham, 2008).

In many ways, the rural migrant population is quite different from the typical urban and rural populations, and has a distinct identity and social status (Wang, 2006). At least a dozen books have been written on this new social class by Chinese scholars (e.g., Xie, 2004; Chen and Liu, 2006). Considered “rural” by Chinese legal (*hukou*) designation, despite living and working in the cities, individuals in the rural migrant labor category are generally younger and more educated than the population they left behind in the countryside (K. Chan, 2001).

<sup>33</sup>A tabulation based on microdata from a one percent sample of the 2000 Census shows that, after excluding migrants within county-level units, 56 percent of the non-*hukou* residents (i.e. migrants) in China were employed in frontline manufacturing and transportation occupations.

**Table 3.** Differences and Changes in Social and Economic Characteristics between Rural and Urban Populations in China

Period	Specific differences
1949–1952	Occupations (agricultural vs industry) and residence locations (rural vs urban).
1953–1957	In addition to the above: Food rationing imposed; only urban population had state-guaranteed food grain supply.
1958–1965	In addition to the above: Rural to urban migration strictly banned. Urban population had access to state-provided employment, housing, education, and other welfare.
1966–1976	New change: Rural population allowed to develop and work in non-farm enterprises in the countryside.
1977–1984	New change: A limited number of rural laborers contracted to work in cities.
1985–1992	New changes: Rural laborers allowed to work in some jobs in cities without the urban <i>hukou</i> and eligibility to receive urban services and welfare.
1993–2000	New change: Food rationing lifted.
2000–present	New changes: <i>Hukou</i> migration to small towns permitted (2002); <i>nongzhuanfei</i> gradually phased out in some locales; rural population in some outskirts of cities given urban <i>hukou</i> status, mainly in exchange for giving up the individuals' rural land use rights.

Sources: Compiled by author from Chang and Zhang, 1999, and Lu, 2004.

Their income and social status is higher than that of the non-migrant peasants, but they rank much lower than urban workers according to these criteria. While the basis of the current social stratification is still dualistic along the *hukou*-based segmentation, because of the emergence of the new social group of rural migrant labor, the broad division of Chinese society is more aptly evolving toward a tripartite structure, as noted by Wang (2006). Such a revised schema for analyzing Chinese socioeconomic segmentation has many implications for the study of China's society, geography, and politics.<sup>34</sup>

While incomes and occupations are the two major dimensions of our interest in the comparison of the *hukou*-based "rural" and "urban" populations, the differences are far more extensive. Table 3, updated by the author from Chan and Zhang (1999) and Lu (2004), tallies more comprehensively the major rural/urban *hukou*-based differences, especially in opportunity structure, and their changes. A drastic change occurred in the late 1950s, when the rural population's right to mobility was eliminated, along with other benefits (gradually in the 1960s). The situation improved in the mid-1980s with the restoration of geographical mobility to the peasantry, but large disparities in income and the main opportunity structure remain today, and may well have widened (Shue and Wong, 2007). For example, while the majority of population still resides in rural areas, the number of college students recruited from these areas has now dropped to about 18 percent, compared to about 35 percent in 1980 (Nongcun daxuesheng, 2009). This situation has recently drawn some strong comments by Chinese Premier Wen Jiabao (Nongcun daxuesheng, 2009). And as can be expected, given the above social segmentation, marriages in China, for example, are overwhelmingly also along *hukou* lines.<sup>35</sup> Empirical studies by Wu and Treiman (2004, 2007) have unequivocally demonstrated

<sup>34</sup>Space limitations preclude any further exploration of this topic in this paper.

<sup>35</sup>A study of marriages in a small town in 1998 by Lu (2004) indicates that 91 percent were between people of the same *hukou* category.

that these differences are also transmitted to the next generation. Ostensibly, the inadequate and low quality of education received by children of rural migrant laborers has become a major social issue in China.

### Spatial Stratification

The rural-urban stratification created by the *hukou* system is not only “vertical” as evidenced in the different social strata examined above, but also, more broadly, spatial or “horizontal” (Cheng and Selden, 1997; Wang, 2005). Significant spatial stratification generated by the *hukou* system exists both between rural and urban areas, and also within the urban sector. China’s command economy in the pre-reform era relied heavily on a top-down, unitary administrative hierarchy of work units (both government bodies and economic enterprises) to perform multiple government functions as well as to administer territory. Thus the hierarchy is the machinery of the command system in China’s geographical space (Chan, 2010).

Interestingly, despite being part of the machinery of the command system, the system of hierarchical administrative units (just as the *hukou* system itself) continues to function some 30 years after the inauguration of market reforms. This is despite the fact that China is supposedly already a “market economy,” as claimed by the official media.<sup>36</sup> Despite significant devolution of administrative powers to lower-level governments in the last three decades, the multi-tier hierarchy, consisting of five main levels of government (central, provincial, prefectures, counties, and towns and townships),<sup>37</sup> has remained the same throughout the last half century.

All the units within the hierarchy are charged with administrative powers and responsibilities in accordance with their level, with the central government units at the apex, provincial-level units at the next level, and so on. All localities (including administrative units, such as cities and towns) are differentiated and ranked in the same way. Not unexpectedly, only a few cities occupy the highest level (currently, four provincial-level cities), whereas the number of lowest-level units (villages) is vast,<sup>38</sup> the administrative hierarchy in general resembles a triangle, as shown in Figure 2.

The administrative hierarchy also is a system for disbursing fiscal resources. As has been documented by Chan and Zhao (2002) and Chan et al. (2003), the quantity and quality of state-provided services (such as education and urban infrastructural services) and welfare are highly correlated with hierarchical rank in both the pre-reform and current eras; generally low-ranking areas have a low quantity and quality of services, and high-ranking areas high quantity and quality of services. Indeed, this spatial differentiation shapes the opportunity structure of people residing in different geographical locations.<sup>39</sup>

Schematically, this regressive allocation of public resources can be represented by two triangles pointing in opposing directions (Fig. 2). The arrangement of the different strata in

<sup>36</sup>For example, see Guo (2007).

<sup>37</sup>During the 1980s and 1990s, several special-status cities were established as well (Chan, 1997).

<sup>38</sup>As of December 2008, there were 601,000 villages (“villagers’ committees”), compared to only 83,000 urban neighborhood units (“residents’ committees”; see Ministry of Civil Affairs, 2009).

<sup>39</sup>For example, one of the public concerns in China in recent years has been the inequality in university admission by *hukou*-based geographical locations of the candidates (Wang and Chan, 2005). Basically students in the low-ranked locales (e.g., villages) are faced with higher college admission requirements than those in the high-ranked locales (e.g., provincial-level cities such as Beijing and Shanghai), except for students originating from the minority ethnic regions (e.g., the Nei Mongol or Tibet autonomous regions).

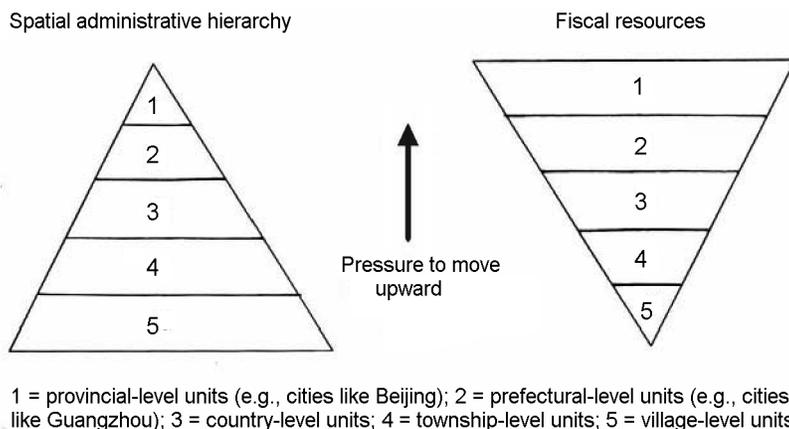


Fig. 2. Spatial stratification (schematic).

the spatial hierarchy produces a roughly normal, upwardly pointing triangle; conversely, the distribution of main fiscal resources corresponding to each stratum produces a downward-pointing triangle.<sup>40</sup> Such a structure obviously cannot be maintained in equilibrium without rigid controls, as there are immense pressures and incentives to move “upward.” The *hukou* system, as the door guard of the command system, has functioned well, keeping the system under control by resisting these pressures. Contrary to the role played by the “public sector” (government) in most other countries, China’s public sector (with its origin in the command economy) actually redistributes benefits in the reverse direction—i.e., toward locations and population groups that already are advantaged.<sup>41</sup>

Even though they all reside within the same country, Chinese citizens do not uniformly have equal legal citizenship and access to many welfare services. Thus, not only are there in essence two “peoples” in China (agricultural versus non-agricultural *hukou*), but each individual also is fixated within his/her own small *hukou* administrative unit (a neighborhood in the city, or a village) at different positions in the hierarchy, which also has a bearing on the level of benefits that can be accessed and varies from one administrative unit to another. *Hukou* also gives local governments the powers to control (legal) residential mobility of the people registered within their respective administrative boundaries, leading to the formation of local protectionist “fiefdoms” (e.g., Tsui and Wang, 2005).

### CONCLUDING REMARKS

Despite the many far-reaching and dramatic social and economic changes taking place in China over the last 30 years, the *hukou* system remains one of the most enduring remnants

<sup>40</sup>The main fiscal resources here refer to “budgetary” (or formal) resources within the command system. The reverse triangle would be somewhat altered by inclusion of “extra-budgetary” resources, which have grown significantly since the 1980s, but this is beyond the scope of the present analysis.

<sup>41</sup>In the post-Mao era, in addition to the expected inequality generated by the market, the public sector has added another source of inequality, mainly seen in the social and spatial stratification generated by the *hukou* system. It is perhaps not surprising that overall inequality has increased over the last 15–20 years.

from the 1950s. Indeed, the 1958 *Hukou Regulation* remains in force today as a valid piece of legislation, and it is still regarded as the anchor of the current system. Its continued potency tells us how far, or little, China has departed from its old “socialist” path. Serving as much more than a migration control mechanism, the *hukou* system was a mechanism for organizing labor in pursuit of Big Push forced industrialization during most of the first three decades of the People’s Republic. By immobilizing the peasantry and putting them under close surveillance, the state was able to orchestrate extractions from the agriculturalists to support the paramount goal of crash industrialization.

In the reform era, the *hukou* system was gradually adapted to serve the state’s new industrialization agenda of making China the world’s low-cost supplier of manufactured goods—this time, ironically, by “freeing” the peasantry to create a vast class of extremely cheap, mobile labor. By moving the disfranchised and unprivileged underclass of peasants to the cities and export processing zones, China guaranteed an almost infinite supply of manual labor at extremely low wages for domestic (including the state) and global industrialists for many years. This rendered China’s economic production very “efficient” and competitive. By turning peasants into “mobile population,” some of their land (often representing the peasants’ lifelines and only form of social security) also could be inexpensively requisitioned to feed the insatiable demand for land for industrialization and urban construction.<sup>42</sup>

Indeed, the history of the past half century of the *hukou* system is intimately and intrinsically meshed with China’s history of industrialization. Both histories represent the processes of industry-making and the associated city-building, as engineered by the state, on the backs of the peasantry. Because of its immense population, China’s greatest resource during the last five centuries has been labor. The *hukou* system in the People’s Republic of China era was designed to harness this immense labor force “efficiently” for socialist industrialization, just as the factory system was invented to exploit labor for capitalist industrialization.<sup>43</sup>

*Hukou*’s history over the past 50 years is therefore also an epic history of the peasantry’s sacrifice in support of China’s industrialization, a burden borne in different ways during different eras. The chronicle begins with the fruits of their labor (i.e., farm produce) being extracted cheaply from 1953 to the 1980s. Then peasants’ physical labor (human bodies) was directly exploited. The milking process subsequently continued, culminating in the expropriation of their land (prevalent from the early 1990s onward). If Karl Marx once remarked that the history of capitalism is a history of exploitation and suffering of the industrial proletariat (who were newly “freed” peasants from land), it may be reasoned that the history of post-1949 industrialization in China has been one of exploitation and sacrifice of the peasantry. This practice has an ironic twist, inasmuch as the peasantry formed the Chinese Communist Party’s pre-revolution political base, but is perhaps not unexpected given the inherently meager concern accorded peasantries in the communist doctrines penned by Marx, Engels, Lenin, and Stalin (Bideleux, 1985), the *de facto* exploitation of the countryside incorporated within the Soviet development model (e.g., Dziewanowski, 1979, pp. 195–197), and more broadly, the strong urban bias in most modern development ideologies (Lipton, 1977).

Over the last 50 years, the *hukou* system served the state well by helping it achieve the goal of making China a major industrial power, first through Mao’s forced industrialization

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<sup>42</sup>Critics have likened this process to the Enclosure Movement in 18<sup>th</sup> and 19<sup>th</sup> century England, as a necessary condition for its primitive capitalist industrialization (Quandi molu, 2004).

<sup>43</sup>Alexander and Chan (2004) have argued that the apartheid system in South Africa, despite its racist appearance, was mainly a system for exploiting low-skilled African labor. They also examined the interesting similarities in the South African system and the Chinese *hukou* system in buttressing cheap-labor economies.

program and second through the post-Mao “world-factory” strategy. The latter yielded an unprecedented economic boom that is the envy of the world, but also reinforced the immense and perverse rural-urban socioeconomic chasm created by Mao and sustained serious and protracted social and spatial stratification. Ironically, the *hukou* system, with its attendant social discrimination and exclusion, is now a major obstacle in China’s path to becoming a modern, first-world nation and global leader.

An imbalanced approach to development that ignores or sacrifices the interests of the peasantry cannot persist forever. This point has become clearer to many, as recent rampant forcible conversions of farmland (most initiated by local officials) and the attendant large-scale displacement of peasants from the land have sparked various forms of mass peasant protests and outrage. Unrest in the countryside appears to have reached a point that threatens China’s political stability and longer-term economic sustainability. Such a realization is evident in the recent crescendo of central government rhetoric in favor of prohibiting further land conversions and protecting the interests of peasants and migrants, and is especially evident in the communiqué promulgated by the latest Communist Party Plenum held in October 2008 (Xinhua News Agency, 2008). It thus appears that this critical issue commands the attention of central government officials. But will the center’s good intentions to protect peasants and migrants be implemented under the country’s current, more decentralized political structure? Or, as one Chinese saying puts it, are they simply “dry thunders with very little rain” (*leisheng da, yudian xiao*)?

China has made tremendous economic and social progress over the last 30 years. But to move forward in the 21<sup>st</sup> century, it cannot continue to rely on a dual economy and a dual society. China must build a single society. The path to this goal, however, as noted by Chen Xiwen, a high-ranking official in charge of rural work in China, will still be “long and arduous” (Sanyi, 2009). As I finish this retrospective on the Chinese *hukou* system at its semicentenary, it is my earnest wish that no one will have occasion to write on its centennial. The present version of the system is not deserving of such longevity.

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