

## BOOK REVIEWS

### **China's Great Migration: How the Poor Built a Prosperous Nation**

Bradley M. Gardner

Oakland, Calif.: The Independent Institute, 2017, 219 pp.

China's rise in a generation from poverty and isolation to become a global economic power would have been impossible without the mass migration of people from the countryside to the city. In *China's Great Migration*, Bradley Gardner describes the role that this unprecedented movement of people has played in "the greatest development story in human history."

Market reforms in agriculture, trade, and industry all played major roles in China's emergence from the legacy of Chairman Mao, but the most underappreciated reform was the growing freedom of the Chinese people to move to cities to better their condition. Gardner tells this important story with sound analysis but also with firsthand accounts from his time on the ground in China.

The movement begins with the agricultural reforms of the late 1970s, which freed millions of Chinese workers from the shackles of collective farming. The rural laborers then migrated to the cities to work in the factories that had begun to produce labor-intensive goods for global markets. As a result, Gardner writes, "Between 1978 and 2012, the population of China's cities grew by half a billion people, swollen by more than 260 million economic migrants moving to urban centers to look for new opportunities."

From 1980 to 2010, the population of Beijing rose from 9 million to 21 million, Shanghai from 11 million to 20 million, and most

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incredibly Shenzhen, the area surrounding Hong Kong, from 300,000 to 10 million. New York and London had also seen their populations swell during the industrial revolution, but not by nearly so much nor during such a short span of time.

The most direct impact of this great migration of people was on the migrants themselves. By moving to the city, their output and incomes rose immediately by 500 percent. The factory work was hard and the conditions far below western standards, but “for China’s poor, the difference is life changing,” Gardner observes. “An extra 8 to 9 dollars a day is the difference between struggling to buy clothes and struggling to buy a phone; between an empty field and a flush toilet; between illiteracy and a technical education.”

For China as a nation, the great migration has been responsible for an estimated 20 percent to 33 percent of its economic growth since reforms began. That amounts to an additional \$1.1 trillion in economic output over a 20-year period. The number of people in China living in absolute poverty fell from 1981 to 2011 by more than 750 million, creating a middle class that has fueled China’s rise as the world’s largest consumer market for automobiles, luxury goods, and smartphones.

The great migration was not a deliberate part of the government’s development strategy. In fact, as Gardner documents, China’s communist authorities had traditionally tried to thwart the movement of its citizens. Beginning in 1951, the Chinese government enforced a household registration system known as *hukou*, which required residents to obtain the permission of police before they could move. Under Mao, *hukou* was “uniquely disastrous,” trapping peasants in the countryside just as the Great Leap Forward of 1958–62 was starving them of food.

As reforms took hold in the 1980s, China’s government generally looked the other way as tens of millions of technically illegal migrants moved to the cities. It was only in August 2003 that the *hukou* system was effectively abandoned when then Prime Minister Wen Jiabao abolished the accompanying law that allowed police to detain and repatriate migrant workers. “With one announcement,” Gardner writes, “the Chinese people were now free to move around their country without needing government permission.”

Remnants of the *hukou* system remain in place, but as a soft rather than a hard restraint. Many migrant workers still live a kind of second-class existence, free to work but not able to tap into

government services such as education for their children that are available to more long-time residents. Even so, the large majority are still much better off for moving.

Gardner's book is more than an academic work. A veteran of the Foreign Service and the Economist Intelligence Unit, he speaks Chinese and has lived and traveled extensively in China. He interviews migrants themselves and describes telling scenes such as the train stations crowded with Chinese workers headed home to the countryside during the Chinese New Year. This is a bottom-up story of the Great Migration.

Another strength of the book is how Gardner links the great migration to other reforms. For example, fiscal reforms in 1994 allowed the central government to collect more revenue but left local governments responsible for schools, local infrastructure, and social spending. To raise revenue, local governments engaged in land expropriation, undercompensating farmers for land on the fringes of urban areas and then reselling it at huge profit to developers to build industrial sites and high-rise apartments. While unjust, this system did open up land for development in a way that was accommodating to the incoming migrants.

For China, the great migration made possible its rise to middle-income status, but it has also covered up China's demographic decline and its inefficient use of capital. Because of its one-child policy, China's total working age population has already begun to decline. The internal movement of people peaked in 2007 and is expected to run its course by the mid-2020s, when there will be no more excess labor from the rural sector to fuel its industrial growth.

Thus time is running out on China's current model. "More people have migrated under the Great Migration than ever before in history but rural migrants are still a limited resource," Gardner writes. "China has yet to make the transition from an economy based on mobilizing labor to an economy based on capital efficiency. If it fails to make this transition in the next decade, it may run out of room to grow."

Gardner notes that even with all its reforms and progress, China's economy remains burdened by too much state intervention. To avoid a hard landing, "China needs to finish the reforms that it started more than thirty years ago. That means introducing full rural land rights, privatizing [state-owned enterprises], ending the *hukou* system, and most importantly making sure that local governments have

legitimate means to pay for legitimate costs. Absent these reforms, growth in China could quickly stagnate as debt and demographics take their revenge.”

For the rest of the world, China’s great migration reminds us once again that the freedom to pick up and move from one place to another is essential for human happiness and progress. This can be the freedom to move from a poor to a rich country, or from the countryside to the city within a country. In both cases, workers can experience a sharp increase in their productivity, benefiting themselves and their families while boosting total economic output.

“Giving people the opportunity to cross borders and pursue economy opportunities creates wealth for migrants, those around them, and the global economy. The largest barrier to migration is political, but political opinions can change rapidly,” Gardner concludes. “Fifty years ago, a common labor market in Europe would have been unthinkable; there is no reason that changes on a similar scale could not happen globally over the next fifty years.”

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### **Taxing the Rich: A History of Fiscal Fairness in the United States and Europe**

Kenneth Scheve and Daniel Stasavage

Princeton, N.J.: Princeton University Press, 2016, 259 pp.

Kenneth Scheve and Daniel Stasavage’s *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* is an attempt to investigate the politics of inequality through the lens of taxation. The authors place themselves in explicit dialogue with recent left-leaning scholarship on the economics of inequality, especially the work of Thomas Piketty and Emmanuel Saez. Piketty’s thesis in *Capital in the Twenty-First Century*, which appeared in 2013 and was an instant bestseller, is that capitalism stokes an ever-widening inequality of wealth and income due to the tendency for returns on capital to exceed returns to labor. He argued that only a scheme of highly progressive income taxation can halt or reverse this inherent source of inequality.