

China's Emerging Global Middle Class

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Paper Abstract: This paper aims to throw new light on the emergence of the Chinese economic middle class using data from the China Household Income Project from 2002, 2007 and 2013. The approach is to define “middle class” as having an income high enough to not be regarded as poor if living in a high income country but also low enough for being regarded as not rich living in such a country. We find that between 2002 and 2013 China’s population structure was transformed from a pyramid shape with a majority having rather low income and declining numbers at higher incomes to a more olive shape as the middle class emerged. In 2013 according to our definitions a third of China’s urban households were middle class in contrast to only a small minority of the rural households and rural migrants living in urban areas. A simulation shows that if household incomes grow by 6.5% per annum to 2020 uniformly for all households in China, the middle class would almost double and a majority of urban residents would be classified as middle class in 2020; however, only 13 percent of rural inhabitants would in 2020 be classified as middle class. In the paper we also examine the characteristics of middle class versus lower income persons, for example, location of residence, education, Communist party membership, and savings rate.