

Wealth gap brings fear of strife in China.

By LJIA AND CALUM MACLEOD IN NANJING.

1081 words

15 April 2001

Independent On Sunday 18

English

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IN CHINA the rich are getting richer and the poor poorer at a rate that is alarming the government and infuriating the losers in the new economic order. The country has even published its first "rich list" - a red rag to some, a natural sign of progress to others.

Red-faced from cheap alcohol, "Old Chen" paces angrily on Tiger Hill. "What socialist country?" he shouts. "China is a society for the rich!" Inside the former army barracks behind him, he has made a one-room home. His makeshift bed competes for space with the roots and herbs from which he scratches a living in Nanjing, a city of 2.8 million people. Other residents enjoy water, electricity and similar basic amenities, but not Old Chen and his neighbours in this slum of flophouses on the verge of collapse. "Who'd like to live in this f***** place?" he asks.

From his hillside vantage point, Old Chen is a witness to profound changes sweeping this Yangtse river port in eastern China. He doesn't like what he sees. "Look at these rich people, living in big high rises and luxurious villas! Damn them!" He spits emphatically, and points down Tiger Hill to one of many building sites reshaping the land. "Take a walk in the park," say banners hung over every approach road to the Yanheyuan Garden complex. "First instalment only 60,000 yuan [#5,128]."

A good deal, says businessman Liu Rong, born in the same year as Old Chen. The 48-year-old is cashing in on his city's real-estate boom. Living in a low-rent flat allocated by his wife's state-run work unit, Liu made his first property investment two years ago, 400,000 yuan (#34,200) for a Western-style flat. "I want to buy a better and more expensive house this time," he says, "because the more expensive it is, the more investment return you make."

Liu and Old Chen live in the same city, but they have grown worlds apart. After two decades of economic reforms, the polarisation of Chinese society has become a major concern for Communist Party officials, law-makers and academics. Many express fears that the growing income gap, dividing east and west China, town and country, and even communities with the same city, is a timebomb threatening social stability and China's future development.

"Look at the recent series of bombings in Jiangxi and Shijiazhuang," says Beijing-based economist Han Deqiang. The blasts last month killed scores of schoolchildren and cotton workers. "There is a clear if indirect link between the incidents and the gap between rich and poor. I worry that China's entry to the World Trade Organisation will widen the gap further. There will be more victims, as many firms go bankrupt, and the whole of society will be affected by the greater competition."

As local authorities throughout China face ever more frequent protests by workers laid off from state-owned factories, and peasants whose incomes have stalled in recent years, word of the crisis is troubling the top echelons of power. Last month the Prime Minister, Zhu Rongji, said that a 1999 survey put China's Gini Coefficient, an international index for income equality, at 0.39, "close to the international danger level" of 0.4. Would he were so lucky. Most experts agree the current estimate is 0.458, though some claim a much higher 0.59. Zero represents perfect equality on the Gini Coefficient.

Through decades of brutal social experiments, Chairman Mao pursued an egalitarian society. In 1978, two years after his death, the Gini index stood at just 0.15, among the lowest in the world, for most Chinese were poor together. Then came Deng Xiaoping, with his radical call to "let some people get rich first", as examples for others to follow.

Millions heeded his advice, sparking spectacular achievements in poverty alleviation, yet many millions remain behind. Chen's monthly earnings of 200 yuan (#17) put him above the official bottom line for poverty, yet far below Nanjing's average of 850 yuan (#73). He feels that neither Mao's nor Deng's revolutions dealt him a good hand. His parents were condemned to rural exile as "rightists" in the Fifties. After they died, he returned home in the early Eighties, demanding justice for his parents and the much cherished right to urban residence. He was rejected, and could remain in Nanjing only by squatting on Tiger Hill.

Most of his two dozen neighbours are fellow immigrants from the countryside. At least 100 million peasants have fled the land to compete for scarce jobs in the cities.

Liu is fully switched on to the opportunities of the reform era. A technician turned salesman, he built his small fortune selling electrical appliances from his state-owned firm to smaller township enterprises, and peddled the firm's know-how on the side (few fortunes are built in China without corrupt practices). Recently he moved to the more profitable IT business, working for a private firm for 150,000 yuan a year. He is reluctant to reveal his full wealth, or real name, but his teenage son will not need to work, he says proudly. He plans to send the boy to study in England.

China's first survey on the new rich, conducted by the National Statistics Bureau, is just out, to considerable interest. In Beijing, average annual income of 301 rich families interviewed is now 238,600 yuan and property 2.36 million yuan, though the figures are highly conservative as the rich often try to cover their wealth.

Many legislators are pressing Zhu to introduce more rational wealth distribution via a minimum wage, stricter tax collection from the rich, and relaxation of the rules on internal migration, which would benefit such people as Chen. Others insist that market forces must decide. It is all a far cry from Maoist class war.

Back on Tiger Hill, the mood is tense, as rumours run rife that the homes are to be pulled down. Last month, a local journalist described the residents as a "primitive tribe" living in "unhygienic and shocking conditions". "They threw me into the countryside and deprived me of the right to live in Nanjing," says Old Chen. "If they try to drive me away, I'll start a fire and destroy Tiger Hill!"

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