

Middle Classes in China: Force for Political Change or Guarantee of Stability?¹

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A well-off society

Most of the recent literature on the new rich and the middle class in China has been focusing on the potential consequences for newly emerging social strata to produce change, or to embody social change. But whose interests does a growing middle class really serve? And why is its emergence accompanied by an increasing support by official discourses, policies and practices at both the local and central level? This article argues that a dramatic status enhancement for wage-earning Chinese professionals was among the major determinants of social change in the late 1990s and that it happened *despite* the market more than because of it. The development of a high-consuming urban society has been as much the outcome of the social engineering project of the contemporary reformist state and its agencies as it has been a consequence of the opening up of the economy and society (Li & Niu 2003; Tomba 2005).

At the same time, the idea that wealth is not for everyone has been engraved in China's reform policies since Deng Xiaoping formulated the target of a 'well-off society' (*xiaokang shehui*) and the strategy of allowing some to 'get rich first' (*xian fuqilai*) in 1979. In the 1980s and early 1990s the Chinese who benefited most from this strategy were those with the ability to extract public resources from the economic system and to reinvest these in productive activities in the form of private or collective enterprises. In

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the 1990s, however, the picture of the high achievers became more complex and began to include a larger group of urban professionals and skilled employees in both the public and private sector.

The problem of what the middle class means for political stability or political change requires a much more significant analytical effort than I can provide in this essay, and significant contributions have recently appeared that deal with the complexity of the Chinese middle classes in a much more substantial way (Goodman 2008). At a recent conference organised by the Brookings Institution in Washington, the discussion seemed to be between ‘optimists’ and ‘pessimists’ or better between those who believe that the middle class will bring democracy to China and those who believed that the middle class will bring stability. The core of this discussion, it seems to me, should not be as much about quantity, as it has been in many cases until today—how large is the middle class, how democratic, how motivated or right-conscious?—but rather of quality: what kind of autonomy has it achieved through wealth, what kind of participation, right consciousness? Things in China are changing rapidly but where they are leading, for the moment, is anyone’s guess. In thirty years of reforms, however, they have not lead to democratization, and the middle classes do not seem to be pushing the government towards such an outcome.

Picking the winners

The 16th Party Congress in November 2002 marked the strengthening of a policy, in the words of Jiang Zemin, of ‘building a well-off society in an all-round way’ (Jiang, 2002). Among the features of this strategy, the idea of co-opting private entrepreneurs into the Party has been the most eye-catching, because of its revolutionary implications for the very foundation of Party ideology. Nonetheless, while the role of entrepreneurs as power brokers and supporters of economic liberalization must not be underestimated, the project of a middle-class society is of greater importance as it has focused on expanding the purchasing power and status of significantly larger groups of urban employees and professionals.

The rationale behind the policy to stimulate consumption, first and foremost, stems from the need to sustain economic growth. As much as the initial stage of reform in the 1980s entailed a ‘liberation of productive forces,’ the later drive away from ‘heavy production and light consumption’ (*zhong shengchan qing xiaofei*) is hailed as the

necessary ‘liberation of consumption forces.’ A recurrent opinion in China’s academic literature is that the traditionally low consumption rate constitutes a major bottleneck for economic development (only in 2007 the contribution of domestic consumption to GDP growth surpassed that of investments, but overall China remains one of the countries with the lowest consumption rate). A second and possibly equally important reason, however, is embodied in the argument—supported by a now imposing academic literature on ‘middle classes’ and ‘middle strata’—that a large middle class improves social and political stability. The idea that ‘only if a large number of people will enter the middle income strata will it be possible to protect the existing stability of the social structure’ (Zhou 2001: 2) has repeatedly appeared in the recent public discourse and academic research on stratification.

During the second half of the 1990s, groups of Beijing public employees whose income had been stagnating during the early reform years experienced a sharp increase in salaries. Employees in the healthcare sector, for example, saw their salaries rise by 168 percent between 1995 and 2000, and their average salaries are now around 40 percent above the average (they were average in 1995). The same thing happened in tertiary education and in scientific institutions (increasing 158 percent in five years, 31 percent above the average, whereas they stood below average in 1995). Shortages in specific areas of the labour market also contributed to the competitiveness of professionals’ salaries. A breakdown of salaries among the professions shows that skills often provide higher remuneration than do administrative responsibility. Such highly demanded occupations as telecommunication technicians (42,305 yuan/year), software engineers (33,201 yuan/year) and even bank clerks (24,100 yuan/year) today earn higher salaries than the average state factory director (24,070 yuan/year) (Labour Yearbook, 1996-2001).

While the market amplified the advantages of certain social groups, government policies also played a major role in picking winners, and in lifting the livelihoods of skilled personnel in the public sector. While enjoying a shorter working week since 1995, employees in the public sector have seen their salaries raised four times between 1999 and 2003, in what Zhu Rongji himself described as attempts ‘to boost consumption demand’ (2003).

For some positions in the administration of public affairs, the call for a clean and efficient government modelled on Singapore and Hong Kong has also been behind the policy of paying a ‘high salary to foster honesty’ (*gaoxin yanglian*). While many of the 45 million public servants are benefiting from this boost, some especially sensitive categories such as judges—where bribe-taking would be particularly egregious—are expected to experience a fourfold increase in salary by the end of this decade. In Beijing, the city with the largest concentration of officials, the effect on public employment has been remarkable: the capital’s employees in public administrative units (*shiyedanwei*), who are recruited today on the basis of examinations and educational credentials, saw their average salaries more than double in the 1995–2000 period (an increase of 133 percent) (Labour Yearbook 1996–2001).

Another indication of a state commitment to increase consumption is the post-1995 policy to provide additional leisure-time. With the declared aim of increasing consumer spending, in May 1995 a compulsory 5-day working week (*shuangxiuzhi*) was introduced that suddenly brought the number of non-working days in a year among urban employees to 115, while major national festivities were progressively extended to week-long holidays. According to one recent study carried out in three major cities, the average amount of leisure time available to urban employees has already surpassed actual working time. Those who have been given the greatest number of days of leisure time happen to be skilled employees (in the cultural, health, research and education sectors) as well as Party cadres.

After being portrayed as perennial under-achievers until well into the reform era, these public employees, professionals and skilled employees are sharing the experience of sudden upward economic mobility. This includes more than higher salaries. Equally important are their perquisites in accessing resources such as education, welfare and housing, which depend on their type of work-unit and their administrative status. Under these conditions, it is not surprising that high-income households in Beijing have a higher than average number of their members employed in the state sector, as well as a higher level of education and professional training. This emerging social class enjoys the economic stability that is increasingly slipping from the hands of the working class, at a time of massive layoffs of unskilled and redundant personnel. Workers in Beijing’s manufacturing sector, for example, were at the short end of a growing income gap.

Their salaries expanded less than the average (up 72.5 percent, against a general average salary growth of 93.1 percent between 1995 and 2000). The manufacturing sector lost over 520,000 employees in the same period (Labour Yearbook 1996-2001).

Middle class spaces: homeowners and housing reform

'If you look for the Chinese middle class,' I often heard from my interviewees in China, 'look no further than the *gaodang xiaoqu*,' the high-class neighborhoods that are springing up like mushrooms in China's metropolises.² In fact, with the cities almost entirely built around the idea of gated spaces and large-scale neighborhoods, the residential settings where the new citizens are concentrated provide some idea of what people might be behind the gates. A large number of middle-to-high income earners live in such private spaces (Giroir 2006; Miao 2003; Read 2003; Wu 2005; Webster et al 2002). Residents share the relatively new experience of home ownership, are generally highly educated and put substantial resources into education, and are largely employed in positions that imply some levels of responsibility, either managerial, technical or administrative, often in the public sector. They have in common a well-defined consumer identity and share the benefits of privileged access to the real-estate market and an awareness of the rights that this arouses. To borrow an evocative expression used for Japanese professionals, these residents are overwhelmingly 'salary men' (Vogel 1963), and are vociferous about the difference between those who have earned a deserved high salary thanks to their skills and loyalty to an employer and those who earned early riches through means that, in their view, were often corrupt. Somewhat surprisingly, it is not only the entrepreneurs who succeed in inhabiting these compounds, but increasingly public servants, technicians and public employees.

While successful entrepreneurs might in some cases have accumulated greater capital, the salaried professionals have been well positioned to obtain the most out of recent efforts by the central state to create a consumer society. While the progressive privatization of the economy and growing urban unemployment meant for many in the traditional urban working class a 'downward' social mobility and an 'informalization' of their work situation, with less job security and fewer guaranteed benefits, those who managed to maintain a good position within the formal employment system could take

² In depth interviews were conducted in numerous Beijing neighbourhood with residents, local officials and property managers, between 2001 and 2003, as part of a large project on neighbourhood politics in China that involved work in other cities.

advantage of policies aimed at increasing their consumption. In the emerging market environment they have also cashed in on status privileges inherited from the socialist distributive system.

Marketization amplified the original policy intentions. For example, early access to the privatization of housing has become a major discriminant between social actors and groups, and it often determines social status more than income does. In the words of geographer Wu Fulong (2002: 1591), ‘the privatization of real estate itself becomes a source of socio-spatial differentiation, because through the real-estate market households are able to capitalize properties that were not distributed equally during the socialist period.’ But beyond the macroscopic effects of a differential access to housing (Wang & Murie 1999; Tomba & Tang 2008), the emergence of a professional middle class was also the consequence of intensive, ideologically justified and coordinated policymaking.

The state’s social engineering to enlarge the ranks of a consuming middle class has had the most visible effects in housing policies. At the present stage of China’s development, higher salaries and a better bargaining power in the labour market would not be enough to account for the dramatic rise in status and consumption levels experienced by some employees and professionals. The patterns of housing *acquisition* are also proving to be decisive in changing the lifestyles and consumption abilities of the professional middle-class.

Even after the dismantling of the virtually free allocation of rented accommodation that prevailed until the early 1980s (Wang & Murie 1999), both housing and the financial tools necessary to make its purchase possible have been circulating in a less than perfect market. The administrative role of urban gate-keeping institutions and the interest structure inherited from the earlier socialist modes of distribution have helped to decide who was going to ‘get rich first.’ Despite the progressive decline of traditional redistributive institutions such as work-units, other agents of the state’s project to ‘create’ a middle class—such as state-owned real-estate developers and state commercial banks—have contributed to shaping this strategy.

The massive sale of public housing to employees throughout the 1990s occurred at highly subsidized prices for the existing housing stock, or alternatively employees were

given the option of buying newly built houses while the work-unit carried the lion's share in the construction or purchasing costs. Although the share of housing directly built by work-units declined from the first part of the 1990s, to the advantage of major real-estate developers, public employers remained the engine of the real estate market, buying extensively to cater for the needs of their professionals and other employees. Contracts often included clauses that link the property rights to a long-term working relationship with the employer.

Beijing's experience is emblematic. According to 2001 data, about 58 percent of the city's resident families purchased properties from or through their work-units. Almost 90 percent of all residential housing units sold by Beijing work-units to their employees went for less than 100,000 yuan (around US\$12,000), a very low price considering the average costs of housing in the capital.³ This selling-off of public housing stock at uneconomic prices enabled well-placed employees to obtain a low-cost entry into the real-estate market, effectively boosting the new owners' incomes. According to a 1988 survey, the housing situation at the beginning of the labour-market and housing reforms was greatly affected by employment status: cadres had a per capita living space about 30 percent higher than that of workers, Party members did better than non-Party members by a margin of 20 percent, employees in centrally administered units had more space than those in locally managed units, and state enterprise employees' housing was more spacious than that of employees in the collective sector (Li 2002: 81). Since the housing reform was carried out on the basis of actual housing conditions, rights to subsidized sales of existing housing or newly built apartments varied greatly among employees and between work-units. Its effects were to amplify an old distortion with the help of a new market environment.

While in the early days of housing reform buying the apartment one was already living in virtually for free seemed a waste of money, in the second half of the 1990s a speculative rent market, an emerging mortgage market and a secondary property market finally turned these properties into wealth multipliers. In order to boost a secondary market, the Beijing government progressively reduced restrictions on property rights, and properties bought at ridiculously low prices became marketable at increasingly inflated market prices.

³ *China Economic Information*, 9 August 2002

However, the introduction of housing provident funds in the 1990s did not enhance egalitarian distribution of housing assets. The funding schemes ended up advantaging employees in the financially and economically most viable enterprises and, within this group, privileged employees with a high level of employment stability and prestige who could rely on a long-term relationship with the enterprise and were less at risk of sudden unemployment. Enterprises with a better economic performance were able to make higher contributions to the funds, helping the accounts grow faster. Collective and private enterprises largely did not participate in the scheme, thereby excluding most of the non-state-sector urban employees, numbering about 45 million (Li 2002: 81)

A policy step that improved the chances of middle-income earners becoming homeowners was enacted in 1998 when all major cities were instructed to begin construction of so-called ‘economy housing’ (*jingji shiyong fang*). This is not public housing but a subsidized form of commercial buildings, comparable in quality and location to commodity housing, but whose price is kept in check following an agreement between the local government and the developer. When assigning land-use rights to the developers (which in most cases are state-owned companies), the local authority stipulates that, in exchange for free or cheaper land and reduced fiscal charges, the developer must sell a portion of the units at a discounted price decided by the local authorities. Access to this indirectly subsidized housing is formally granted only to households with a yearly income below 60,000 yuan, who have no property of their own and who have been occupying substandard rental housing.

Also stimulated by government policy, a commercial mortgage market emerged rapidly after 1998. In China as much as anywhere, mortgages typically reward those with stable incomes and pre-existing property. Ownership of assets or an employer’s endorsement are important credentials in accessing commercial bank loans, enhancing the chances of the usual suspects. Reformed commercial banks in search of relatively low-risk private consumption markets began to enter the arena aggressively from 1998, relying on the long-term consumption-stimulus policy of the central bank. The outstanding balance of individual housing loans issued by commercial banks countrywide increased from 190 billion Yuan in 1999 to 2.6 trillion Yuan in October 2007 (Liu 2007).

Exemplary middle class

While consumption stimulus and economic growth might be the reasons behind some of the policies to promote a high consuming cluster in Chinese society, the emergence of a middle class also serves the long-term civilizing mission of the present regime and indirectly contributes to underpin its legitimacy and authority. Significantly, the language of the middle class has been promoted as a marker for the construction of modern, post-industrial cities (Tomba & Tang 2008; Tomba 2009). In urban settings increasingly characterized by a complex population, an increase in stratification and a growth of residential segregation, the language and the idea of a the middle classes is used for different purposes.

First, the ‘middle class’ (*zhongchan*) produces monetary value. In Mao’s time, cities were destined to be cities of production (*shengchan chengshi*) and to facilitate the concentration of industrial activities. Today, Chinese cities are competing with one another to become post-industrial cities. Almost entirely, production is being moved to the periphery or to a wide array of ‘special zones,’ while the centre of the city is being redeveloped to provide residential, commercial and business facilities. In this re-design of the city, district governments compete to define themselves as the preferred ‘middle class heaven.’ Obviously, being able to attract the middle classes means higher returns on land use rights, and a lower risk of social instability. In almost every city entire areas are being redefined from dilapidate industrial districts to ‘high quality’ neighbourhoods. Daily, traditional neighbourhoods built for the workers on what, today, have become prime real estate locations, are knocked down and re-branded as the next big thing for the middle classes (Bray 2006; Zhang 2006).

Second, this process does not only produce an increase in economic value. With the middle classes comes the rhetoric of Quality (*suzhi*) (Anagnos 2004; Yan 2003; Kipnis 2006; Jacka 2006). Both developers and local governments use the idea of quality to sell the new areas to would-be homeowners. Residential areas are sold not only for the quality of their buildings but also for the quality of the people who inhabit them. Services provided by management companies (parks, sporting facilities, social clubs) and by the local government (quality primary schools, easy access to amenities), are all designed to be attractive for a certain idea of a middle-class lifestyle. By inhabiting these areas, the loosely defined ‘middle classes’ will end up adding value to areas that

would have been considered inhabitable a few years earlier, and attract other ‘people of quality.’ In this respect ‘middle class’ is a discourse more than it is a reality. The idea of the middle class (with its better lifestyle, better education, higher income and better overall ‘quality’) becomes almost a contagious force that produces value wherever it decides to settle down.

Finally, the high-quality middle class is a behavioural model, one that is expected to improve social cohesion, as well as maintain social and political stability. The idealized and ‘civilized’ behaviour of the urban middle classes is reproduced in countless handbooks on ‘How to be ...’ that aim to instil urban manners in the migrants arriving in large cities; it features in advertising campaigns that encourage quality consumption; and is a prominent characteristic of all social campaigns by local governments. The exemplary role played by this greatly differentiated group—from entrepreneurs to academics to public servants and professionals—therefore, is crucial to the way society is governed and to how individuals and communities, including residential communities, govern themselves. Increasingly, becoming a member of a higher cluster of society is connected directly to behavioural norms that inevitably imply that there is a ‘civilized’ way to resolve conflicts.

Conclusions

The creation of a consumption-oriented professional middle-class has been among the key objectives of China’s economic reforms in recent years. Public policies, economic conditions and the allocation of resources have all contributed to the rapid upward socioeconomic mobility of professionals. This middle class, however, is far from the champion of democratization that Western observers have often relied on to predict China’s impending democratization. Rather, the middle class remains deeply intertwined with the destinies of China’s political and economic elite and it is perceived as a force for social stability rather than one for political change. It is also broadly conceptualized as a tool of the process of modernization and civilization that drives China’s economic and social development.

The need to boost consumer spending and to stimulate economic growth, the quest for social and political stability, and a desire to foster a more efficient and dynamic bureaucracy have convinced the state to raise salaries and improve conditions for officials and to professionalize their recruitment processes. The middle-class strategy of

the Chinese government has employed a redistribution of public assets—especially of housing—based on the interest structures that existed during the years of planned socialism, in a way that has greatly favoured sectors of urban society with strong ties to the state and to public employment. The social legacy of the traditional distribution of welfare and of the housing patrimony has put those with skills who ‘held on’ to the state into a position of earning higher incomes and of profiting from a relatively inexpensive acquisition of valuable resources.

The middle classes are also playing an important symbolic and discursive role in the creation of a new China as one of the new ‘value-makers’ of China’s new cities. These values are at once economic, behavioural and symbolic, and encourage individuals and groups to govern themselves, thus contributing substantially to the ability of the present regime to maintain control of a changing society.

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