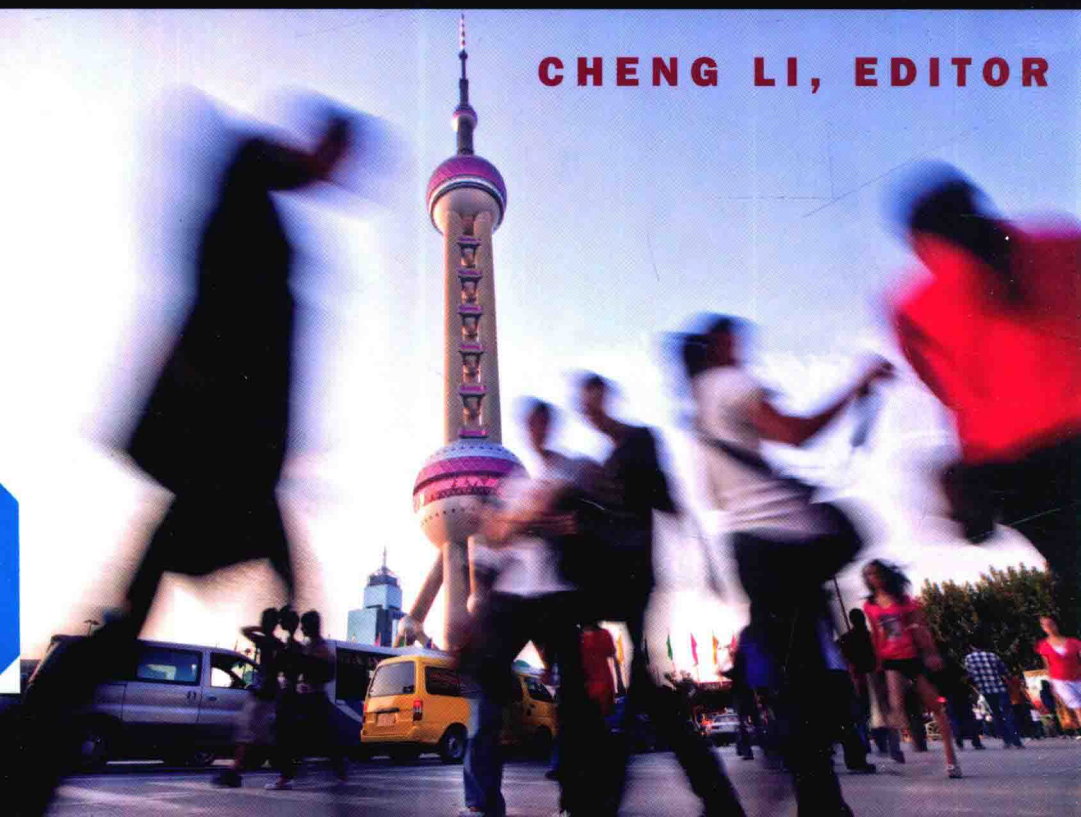


China's Emerging Middle Class

Beyond
Economic
Transformation

CHENG LI, EDITOR



China's Emerging Middle Class

BEYOND ECONOMIC TRANSFORMATION

CHENG LI

editor

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Foreword

KENNETH G. LIEBERTHAL

John L. Thornton China Center

China's development of a middle class is of potentially enormous consequence for its domestic future, for the global economy, and even for the world's capacity to limit climate change. Yet the growing body of work to date that studies this phenomenon and its implications has been characterized, overall, by imprecise descriptions, little agreement on data, and a great deal of speculation (based in no small part on analogies from the West's historical experience). Against this backdrop, this volume provides the best basis to date for further work on this important subject.

Despite its phenomenal record of sustained GDP growth, the People's Republic of China's domestic social and political evolution remains uncertain. For China has, in tandem with its exceptional decades-long surge in GDP growth, transitioned from a remarkably egalitarian society to one of extraordinary inequalities in wealth. Given the state's pervasive role in the economy and the importance of connections to the state for accumulating wealth, serious political repercussions may stem from this combination of economic growth and inequality. China's simultaneous embrace of the information revolution has arguably further upped the ante, for Chinese citizens now know, to an unprecedented degree, what others are experiencing, liking, and disliking.

The emergence of a middle class, as well as the popularization of its attitudes and consumption habits, may provide the bridge to a stable

and prosperous future for the PRC. Clearly, a large number of Chinese citizens have, since the early 1990s, acquired sufficient personal wealth to turn them into the types of discretionary consumers—of housing, appliances, vehicles, clothing, home-use products, information, and services—that are the hallmarks of a middle class. But overall China still ranks below 100 in a list of countries sorted by per capita GDP. It is likely crucial for stability, therefore, that opportunities to join the middle class continue to expand at a pace sufficient to enable those who are still poor to feel they or their children have a realistic chance of becoming middle-class citizens.

In brief, the middle class in China is still in many ways inchoate. It is less than two decades old and consists of some who got there through private entrepreneurship, others who joined via educational achievement and jobs in foreign-invested enterprises, still others in the state system itself (both officials and middle management in state-owned enterprises), and increasingly also members of the intellectual and cultural backbone of China's educational, entertainment, and *belles arts* circles. These are very different groups, with appropriately diverse sentiments.

It appears that many of the integuments of the middle class elsewhere—extensive civil organizations, a particular social ethos, and fundamental conservatism with respect to the value of the system itself—are still not dominant features of the Chinese middle class. Indeed, the way the emerging Chinese middle class shapes itself along these several tangents will likely be very consequential for the evolution of the overall system.

Systemic reforms since the Maoist era have permitted the development of China's middle class, but this increasingly important social stratum may become a destabilizing element if the system does not continue to evolve with sufficient speed. There is already widespread anger that rapid escalation in housing prices is creating obstacles to new entry into the middle class and is barring people's return to it when health expenses or some other exigency adversely affects their fortunes. In addition, many feel that the very wealthy are exempted from paying for the state's obligations, while the middle class faces increasing burdens because it both has resources and is not powerful or unified enough to defend its interests.

China's middle-class lifestyle is also still not fully formed. Until recently middle-class aspirations were quite clear: American living standards—including high-quality housing, one or more family cars, good

clothing, travel opportunities, and relatively conspicuous consumption overall—provided the gold standard of what it means to be middle class and modern. Because of the global financial crisis and, increasingly, the reality of climate change, these views may change if given sufficient guidance by China's government and propaganda apparatus. The simple truth is that the world cannot sustain a large Chinese middle class that continues to strive for American levels of consumption (especially of fossil fuels). The sensibilities and social ethos of China's middle class will thus potentially have profound global repercussions.

Indeed, sociopolitical stability in China and the country's greenhouse gas emissions will have enormous impacts on Asia and globally. To an extent not widely acknowledged in the Western media, China's emerging middle class will shape the broad parameters of China's future on these issues. This volume cannot delineate precisely how China's middle class will develop: too many variables are in play, and too little empirical information is available. With so many things changing so rapidly and on such a large scale in China, it is not possible to model accurately their dynamic interactions and likely consequences. But this volume succeeds in examining the issues from every important angle—the conceptualization of the middle class, data describing its characteristics and evolution, questions about the implications for systemic change in China, and comparisons with developments elsewhere—and provides the best available data on each of these approaches to the overall issue. Chapter authors, moreover, represent each generation, from current graduate students to senior scholars in the field. As such, this volume significantly advances our ability to understand and research two of the biggest questions of our time: How is China's middle class evolving? And how will it interact with the state to shape the future of China?

The right way to read this volume, therefore, is as a set of contemplations, each supported by both evidence and expertise, on the nature, aspirations, and potential consequences of the emerging Chinese middle class. Cheng Li, as editor, has not imposed a single analytical scheme on the contributors but rather has sought to ensure consistent quality while allowing the diversity of views and approaches of serious scholars to show through and inform the reader. This is in the best tradition of edited volumes in that it addresses a subject that warrants both the richness of the data relied upon and the uncertainties inherent in the topic. As a whole, this volume provides a significant foundation for the ongoing examination of the current and future middle class in China.

Acknowledgments

For a subject of such intuitive importance, it is no small wonder that this is the first edited volume of scholarly work on the Chinese middle class to be published in English. The project, whose research phase culminated in an international conference of scholars, held at the Brookings Institution in September 2009, grew out of a creeping awareness that English-speaking scholarly circles had begun to lag behind PRC scholars—especially a small coterie of pioneering PRC sociologists—when it came to studying the Chinese middle class. And yet at the same time the English-language literature still had much to offer in terms of the breadth of analytical perspectives represented and the sophistication of certain scholars' approaches to the topic. This innovative and eclectic volume is the fruit of this international meeting of the minds.

Many thanks are in order. First and foremost, thank you to John L. Thornton, chairman of the board of the Brookings Institution, for his impassioned and farsighted leadership, both of the center that shares his name and of the institution as a whole. This volume is merely the latest of many projects that would be unimaginable without his enduring personal commitment to in-depth, holistic analysis of change in China at both the grassroots and the elite levels.

I am also grateful to Strobe Talbott, president of the Brookings Institution, who has lent his unwavering support to the John L. Thornton

China Center since its inception by presiding over its rise to prominence in the Washington policy scene. Martin Indyk, vice president of Brookings and director of the Foreign Policy program, is also owed a debt of gratitude, both for overseeing the progression of this volume and for giving a stirring set of opening remarks at last September's conference. The volume also benefited substantially from the incisive observations and very constructive comments of Michael O'Hanlon, senior fellow and director of research for Foreign Policy, who reviewed an early typescript of the book.

A special note of appreciation goes to Kenneth Lieberthal, director of the China Center, whose knee-deep involvement in all of the center's activities over the last year has already placed it on firm footing for many years to come. It was kind of him to take time out of his schedule to write the insightful and comprehensive foreword that graces this volume's first few pages. Jeffrey Bader, former director of the China Center and current senior director for Asian Affairs on the National Security Council, lent his support to this project at its earlier stages. Ted Piccone, senior fellow and deputy director for Foreign Policy at Brookings, helped steer the China Center through a period of transition and remains a major source of support for all of its activities.

The conference "China's Middle Class: Beyond Economic Transformation," held at Brookings on September 23–24, 2009, was itself an elaborate endeavor to which many contributed. Thanks go to our panel moderators, Richard Bush, Erica Downs, Kenneth Lieberthal, Margaret Pearson, and Dennis Wilder, as well as to our two distinguished keynote speakers, the Harvard University professor and historian William C. Kirby, who offered illuminating remarks on the role of educational development in the formation of the Chinese middle class, and James Fallows, one of our most thoughtful public voices and a longtime national correspondent for *The Atlantic*. Thank you, as well, to all of this volume's contributors for presenting earlier versions of their chapters as conference papers.

Several leading Chinese sociologists were especially helpful in the earliest stages of the research process, helping to frame the debates and set the volume's agenda. They include Li Peilin, director of sociology at the Chinese Academy of Social Sciences (CASS), Zhang Wanli, also a professor of sociology at CASS, and Li Lulu, professor of sociology at Renmin University.

Thanks are also owed to Evan Greenberg and ACE Charitable Foundation, without whose generous financial support this project would not have been possible. Evan Greenberg has taken a personal interest in the John L. Thornton China Center's activities from very early on, and several of the center's signature accomplishments have stemmed from his support.

I am profoundly indebted to Jordan Lee, my research assistant, essay collaborator, and the most brilliant graduate student any professor or researcher could possibly hope to have, for his thorough research in the relevant literature and meticulous scrutiny of the manuscript. From start to finish, he played a critical role in brainstorming for the volume, in conceptualizing its organization and major themes, and in editing it line by line.

The China Center's tireless staff deserves a special mention. Thank you to Kevin Foley, the center's assistant director, and Iris An, center coordinator, for keeping everything on track. Their predecessors, Elizabeth Brooks, Dewardric McNeal, and Pavneet Singh, were crucial in acquiring the green light for the project and in preparing for the conference. Several other friends and research assistants reviewed individual chapters and offered helpful suggestions on how to clarify the presentation of these chapters. Thank you to Sally Carman and Yinsheng Li (both have worked closely with me since my previous position at Hamilton College) and to Robert O'Brien and Matthew Platkin, both at Brookings, for their generous help. Eve Cary, Henry Fung, Scott Harold, Teresa Hsu, and Paul Wozniak also aided in the process of completing this volume in myriad small ways.

Deep appreciation is owed to everyone at the Brookings Press—Robert Faherty, director, Chris Kelaher, marketing director, Janet Walker, managing editor, Diane Hammond, copy editor, Larry Converse, production manager, and Susan Woollen, art coordinator—all of whom performed, unfazed throughout the process, with the high level of intelligence, creativity, and professionalism for which the Press is known.

Finally, I would like to dedicate this book to the late Brooke Shearer, a close friend and constant inspiration, whose thoughtful reflections on the Chinese middle class helped first animate this project in the fall of 2006, when we traveled together in China with a large delegation of Brookings trustees and friends. In the course of our lengthy discussions about the subject—and about China generally—as well as about her

own area of expertise, India's modern development, I would recurrently note to myself how much more peaceful and tolerant the world would be if only her characteristic style of American goodwill were generalized to more U.S. policymakers and the public at large. One can only hope, in this time of rapid global change, when the stakes are so high for the world, that perspectives as thoughtful as hers will begin to acquire greater resonance.

China's Emerging Middle Class

In memory of
BROOKE SHEARER
(1950–2009)

*Personal friend, inspiring member of
the extended Brookings family,
and American goodwill ambassador
to an ever-changing world*

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PART I

The Global Significance of China's Emerging Middle Class