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CHINA'S EMERGING MIDDLE CLASS: BEYOND ECONOMIC
TRANSFORMATION

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PANEL 3 - THE CHINESE MIDDLE CLASS IN COMPARATIVE PERSPECTIVE

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Moderator:

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P R O C E E D I N G S

MS. DOWNS: Good morning. My name is Erica Downs, and I'm a fellow in the China Center here at the Brookings Institution, and I will be moderating this morning's panel on occupation and education.

Our first speaker will be Jianying Wang, who will be discussing a paper she coauthored with Deborah Davis on China's new upper middle classes. And our second speaker will be Jing Lin, who will be talking about China's higher education expansion.

I'm going to invite the speakers to come up and present one-by-one, and, after they're finished, they'll come back up and join me for a question and answer session.

And, with that, I'll turn the floor over to Jianying Wang.

Thank you.

MS. WANG: The paper I'm presenting today is coauthored by Professor Davis and myself, and we look at one particular stratum of the middle class, which is the upper middle class. And, in addition to looking at the difference between the upper middle class and other social groups, we also tried to differentiate between different groups within the upper middle class, hence our title, "*China's New Upper Middle Classes*."

Now, as our panelists yesterday have already mentioned, the class structure in China has experienced a lot of changes up to 1949 and then up to 1978. Basically, we saw that this appearance of an autonomous class position for the urban managers and professionals up to the establishment of the socialist system as they were incorporated into the rank of the state cadre and their unique lifestyles were basically eliminated under the socialist system. But, up to 1978, as China entered

the reform stage, we gradually saw the reemergence of an autonomous upper middle class. On the one hand, with the rise of private sector, managers and professionals were now able to seek opportunities outside of the state, which enables them to distinguish themselves from the state cadre, and, on the other hand, people were also allowed much greater freedom to crop their own distinctive lifestyles, and, of course, there were also many more means to actually do so.

So, in our study, the question we ask is: What is the relative position and lifestyle of urban China's new upper middle class, if there is such one. We argue that, as the market matured and with the increasing commercialization and the greater affluence, the upper middle class actually were able to develop an increasingly distinct and advantaged position compared to other groups. And, specifically, we look at the differentiation between upper middle class and other groups in income, home ownership, financial assets such as ownership of stocks, bonds, CDs, and also their attitudes toward lifestyle and income inequality.

Now, before we proceed with our analysis, we have to define upper middle class, so, as was discussed yesterday, there are various ways to do so.

For example, one way is based on income using a certain threshold that is necessary to provide a middle class lifestyle.

So, this is a figure that shows the average per capita household income adjusted for the 2005 yuan of each quintile group from 1990 to 2007. So, basically, if we use 10,000 yuan as a threshold, we would find that, in 2000, 20 percent of the population is already in middle class and the size would actually increase to 60 percent. But if you use

15,000 as threshold, the size of middle class would be 10 percent in 2000 and 40 percent in 2007.

So, basically, the size really depends on what is the threshold that you choose. But, in our analysis, instead of using income, we use the criteria of occupation and education to define the class groups. And the group of interest to our analysis is the upper middle class, consisting of the college-educated managers and professionals.

So, the data we use is from the China Household and Income Project. It's a set of national surveys conducted by the National Bureau of Statistics and designed by an international research team with samples drawn from urban and rural areas separately. We used the urban samples of 1995 and 2002.

So, the 1995 urban sample has more than 20 thousand individuals in almost 7,000 households. The size of the 2002 survey is kind of similar.

So, we developed an eight-category, occupational class scheme based on the respondents' self-identified occupations. Basically, we have workers, cleric, which are ordinary office workers, lower managers, which are non cadre managers with lower than college education, lower professionals with less than college education, and these three groups of cleric, low managers and lower professionals would then roughly fall into the lower middle class, and then we have the upper managers, which are the non cadre managers with college education and the professionals with college education, and finally cadre we define as the managers who are party members and who work in government or state institutions, and these three groups of upper managers, upper

professionals, and the cadre would roughly constitute the upper middle class.

Finally, we list the self-employed as a separate category, as we think this group has its own distinct characteristics in terms of attitudes.

So, let's first look at the distribution of urban individuals by their occupational class.

In 1995 and 2002, basically, we see that the majority of the urban individuals are still in the working class, followed by the cleric and the lower professional, lower manager, upper professional, and then cadre, upper manager, and self-employed. This is just the pattern for the households, which is similar, but the size of each group is a little bit different, presumably because the household size for each class group is different.

Basically, the change we can see from these figures from 1995 through 2000 is that the size of the non-cadre middle class, which is the upper-level managers and professionals remained relatively stable. The size of the cadre have declined. The lower middle class have also slightly declined. We actually see an increase in the size of the working class and also a dramatic increase in the size of self-employed.

And one thing I want to mention is that these surveys have not really been able to cover rural migrants in urban areas very well. So, they are largely absent from data, but we all know that during these years, there is a dramatic increase in rural migrants in urban areas. So, if we include that category into the working class, we would actually find that the upper middle class actually has become a much more exclusive group over time.

So, now we go to our specific analysis in terms of to what extent do the upper middle class distinguish themselves from other groups in terms of income, assets, and attitudes?

This is the figure for the average individual income by these eight occupational class positions in 1995 and 2002. So, we can see that in both years, those three, upper middle class groups, the upper managers, professionals, and the cadre they have higher average income than all the other social groups, but the difference is much more pronounced in 2002 than in 1995. This is just for the per capita household income, for which the pattern is basically similar.

So, basically, from this average income, we can see an increasingly income gap between upper middle class groups and other groups from 1995 to 2002, and, on average, they do have distinctively higher income levels than other groups, but we know that the income distribution is highly skewed, so, we also want to look at the difference in terms of the distribution of income between these different groups.

So, this is the box plots of the individual income in 1995. Basically what these boxes show is the income range of the middle 50 percent of people in this group, and the vertical line shows the income range of most people within this group. I say "most people" because usually in the box plot you may also see the extreme values, but because in terms of income, they are quite a lot of extreme values because income distribution tends to have a skewed distribution, and they're all on the positive side. So, when we include the outliers, it kind of pushes all the boxes down to the bottom. So, we exclude these extreme values from these figures, which basically it would mean the difference between these

groups would actually be more pronounced than what is represented in these figures.

So, this figure shows that, in 1995, the middle 50 percent of upper managers earned from 5,700 to 10,000, whereas the middle 50 percent of workers earned between 3,300 to 6,600. And half of workers earn more than 5,000. Eighty-percent of upper middle class earn more than 5,000.

So, in 2002, we can see that the middle 50 percent of upper managers earned 12,500 to 21,000, whereas the middle 50 percent of workers only earned 5,000 to 10,000. And, also, less than one-quarter of workers earned more than 10,000, but more than three-quarters of upper middle class have earnings higher than 10,000.

So, this figure shows us that the income ranges of upper middle class, not only the mean income, are also distinctly higher than those of other groups, and it also shows greater income inequality within the upper middle class groups from 1995 to 2002, and we also look at a pattern for per capita household income, which is basically similar.

Next, we go to the assets. First, the ownership and values of home.

This table shows us the home ownership rate from 1995 to 2002. In 1995, 40 percent of the urban households own their home, but the rate increased to 78 percent of the households, and we also can see some variation between class groups.

Basically, in 1995, because only 40 percent of them own their homes, many of those who do own their homes don't really report a positive value. Many of them actually live in public subsidized homes, so,

they just are reluctant to actually give a value for their homes. And, as a result, almost 70 percent of the surveyed households did not report a meaningful home value, which is basically zero.

But, in 2002, 78 percent of surveyed households now own their homes and 85 percent of surveyed households reported a positive home value, so, we think the data for 2002 may be more reliable compared to the data in 1995.

This is the box plot of the home value in 1995. Basically, this shows the medium home values of all these groups. Relatively undifferentiated except for the self-employed, however, the home values of the upper-level managers do vary enormously.

But, in 2002, we do see now the marked inequalities between groups in terms of their home values and the upper middle class have distinctive higher home values than all the other groups.

Now, we go to the financial assets, the values of stocks, bonds, and CDs that they own. This is the figure for 1995, which shows that, actually, more than one-quarter of workers, cleric and self-employed, do not really have any financial assets at all, whereas the upper middle class groups have much more financial assets, whether measured by the medium-level or by the ranges than other groups.

We also see that the medium financial assets of the upper middle class groups are kind of similar to each other, but the range is much wider among the upper-level professionals.

This is the data for 2002. In 2002, the gap between groups in terms of their financial assets became much more pronounced, and, also, a special pattern is that the upper-level professionals actually now

have distinctly the higher medium than other groups of the upper middle class.

Okay, now we go to the attitudes. So, we know that previous data did allowed for such on the attitudes of middle class and they generally find that middle class are less likely to support democratic politics than low middle class. They tend to mobilize around local, rather than larger social or political issues. So, they are generally comfortable with the so-called legal rational authoritarianism, supporting political status quo that has provided their success. So, due to the space, I did not list the references, but it's in our paper.

So, for the 2002, they have some questions about attitudes, and the three questions we want to look at are: Do you think current national income distribution is fair? Do you think current income distribution in your city is fair? And, in general, do you feel happy?

These questions I only ask to the household heads. So, and the majority of them are male. So, in a subsequent multivariate analysis, we had to drop women from the analysis.

This is the percent of household heads considering national or local income distribution as fair. So, basically, we see that the percentage of people who actually think income distribution is fair is relatively low, ranging from 11 percent to 23 percent, but we do see that upper-level managers had the highest approval rate, followed by the cadre and self-employed.

This is the last satisfaction level of household heads in different class positions. Basically, as we go up the class ladder, we see

that people become happier. So, basically, the upper-level managers are the happiest among all the groups.

And we also did a multivariate analysis of the facts of class status on attitudes. We used a logistic regression model for perception of fairness and the regression model on life satisfaction.

To facilitate the interpretation, we use a six-category class scheme instead of the eight categories. Basically, we have working class, lower middle class, self-employed, and those three groups we deemed as the upper middle class.

Okay, so, this is the results on the attitudes toward fairness in national and local income distribution. This is only for male household heads. We see that richer people are generally more likely to think of income distribution as fair, but what I'm highlighting here is the class groups whose attitudes are distinctively different from the comparison group, which is the upper-level managers.

So, just as an example, the workers are much less likely to think of the income distribution as fair. Their odds to say so is like 45 percent of the odds of upper-level managers to say that distribution is fair.

Basically, for the attitudes about fairness of income distribution, most men in these eight groups believe income distribution are unfair, however, workers, lower middle class and upper-level professionals are significantly more likely than upper-level managers to hold this view, whereas officials and self-employed share similar views as upper-level managers.

Now, this is the result of the regression model on the life satisfaction of the male household heads. Again, rich people are more

likely to be happy, and we see a significant difference between all these class groups.

At least half of the men in all the eight occupational groups are happy, but the degree of happiness varies significantly by class positions after we control for both age and income.

We saw a shift in the pattern then in the income distribution is that the self-employed now joined the workers in the lower middle class as significantly less happy than upper-level managers and officials, even though they share similar political views. Officials are as happy as upper-level managers, but other professionals are significantly less happy than upper-level managers.

So, in conclusion, based on our results, we argue that middle class and upper middle class must be disaggregated instead of treated as a single category, and we think cadre officials need to be examined in contrast to other groups of comparative education, income, and authority at workplace, i.e., professionals and managers. And we found this interesting result that self-employed are generally kind of politically conservative and as more and more managerial self-employed increase in China, we suspect maybe there would be the emergence of a conservative group of managerial self-employed.

And, finally, in terms of the support for democracy by different groups, we kind of see an alliance between the upper-level managers and officials, but maybe there is more dissent among the professionals.

That's it. Thank you.

(Applause)

MS. LIN: Good morning. First, I would like to thank Professor Li Cheng for inviting me and giving me this opportunity to share some of my research over the last decade or so and some of my own reading observation.

Today, I want to talk about China's high education expansion and the creation of a massive, new middle class.

First of all, I want to give you some basic information. China has 2,263 public universities, about 640 private universities. Of them, 332 are independent colleges, 400 learning institutions, and 20 million students now are starting in universities. And China's high education in the past 30 years has undergone tremendous quantitative and qualitative changes, but I don't have time to go into that.

Enrollment in China in the 1980s was extremely low. Yesterday, Professor Li Cheng mentioned 3 to 4 percent of each cohort. So, it was very, very rare that a village, let's say in China, can get more than five students or two students to get into colleges and universities, but in urban areas, it's better. And things improved in 1990s in the beginning, but it was very, very slow.

So, in 1995, you can see 7.2 percent of age cohort were enrolled in universities, but there was a big jump in 1999, when the Chinese Government began to expand high education enrollment in order to boost GDP growth during the Asian Financial Crisis. So, in 1999, 47 percent increase of enrollment was registered. So, that increase in enrollment continued.

So, you can see, in 2003, enrollment of age cohort students reach 17 percent. 2005, 23 million students study in universities, and, for

the first time, China proudly claimed that China has more university students than in the United States.

So, combining all forms of high education currently, 29 million students are studying in universities and colleges. In the next 10 years, China will increase the enrollment by another 10 percent. It's recently announced by the Minister of Education. So, in the foreseeable future, China will have 50 percent of age cohort in universities, studying in the significantly revamped and upgraded universities.

So, the expansion is huge. It was very, very impressive. I call it a revolution because it has a huge impact for China politically, economically, socially, and culturally.

I have done a lot of research in China directly or indirectly related to social class, transformation, stratification, but mainly through the lens of education. I conducted a study of private schools and universities in China from 1995 to 1999. I visited about three dozen, four dozen private schools and universities. And then I worked with private universities in the action research for three years, and then my most recent research was with a group of colleagues. We studied China's high education expansions. It was civil society and Chinese universities aspiring to become work class.

So, based on the fieldwork, I want to examine the impact of high education expansion on the new middle class and look at mainly two different types of universities: the elite and the private. And, also, I want to examine the civic awareness of the new generation.

Just to give you a flavor, this is one building Fudan University. This is another building. This is another building.

So, universities in China, now they're no longer the small ones in the 1980s, where they have 1,000 to 3,000 students, now, they have large numbers, and very impressive buildings and equipment.

So, what's the relationship between high education expansion, high education, and middle class in the making?

I want to quote Professor Li Qiang, who is a well-known professor who's doing research on class stratification in China. He mentioned that there's a sharp increase of urban, upper middle class or middle-level class. Why there's a sharp decrease of the rural population? But then he debated about the idea of a middle class, so, he would call it a middle-level income strata. But he mentioned that the middle class would be a stabilizing force for a society, and he also says that the formation of a middle class requires a transformation from the first industry that is agriculture, to the second manufacturer industry, to the third, which is service industry mainly.

So, it is in the transition from the second to the third industry that a middle strata appears and they are of the strata of the managers, technicians, engineers, businessmen, clerks, and the like.

So, this is a process of occupational change and has direct connection with educational levels, especially high education. This is what Professor Li Qiang says. He said universities are the machines, manufacturing the mid-level strata, a very important function of the university to enable people to embrace mainstream norms and mid-level strata norms.

In my own research, I found that the restoration of the national university entrance exam laid the foundation for the reappearance

of the middle class and first of all professionals, intellectuals, government workers who are coming into those positions through high education.

In the 1980s and 1990s, the first group of the so-called middle class was mainly private entrepreneurs and many of them were peasants or farmers, or township people who ran a small business or industry, what they call rural industrial enterprises. And, so, they were the first group of so-called "Wan Yuan Hu" or people who became rich in the economic reform. However, in the 80s and early 1990s, there was also a group of government officials and intellectuals who became rather well to do with their position or with their techniques and skill and knowledge and position.

So, I observed that when I visited elite, private schools all over the country. These people, they have a certain lifestyle, they have cars; they have video camera. At that time, nobody had those kind of things, but elite private schools at that time mainly were for the children of the rural or industrial entrepreneurs or the urban, self-employed entrepreneurs.

But then, in the 21st Century, high education has become the necessary credential for one to join the rank of the middle class. As government officials and professionals have relied on their position for decent income and benefits to live comfortably, let me say also that now, in order to find any decent jobs or positions in China, you need to have high education, and in order to become a government worker "Gong Wu Yuan" you need to go through vigorous tests. I had learned that in Beijing, like a dozen of openings would attract 4,000 people to take part in exams.

Especially government officials, they have a lot of perks and great income, and people also rush into hot fields like law, accounting, trade, computer, management, and so on.

So, more than ever in the 21st Century, wealth, occupation, and education are interconnected, which provide people a class status.

So, yesterday, there was quite some discussion of the definition of the middle class, and the first, I think, debate people have is the income level, and we have seen a wide range in areas by criteria for income level, we have 10,000 or 20,000, 30,000, and so on. I think this depends on what timeframe you're talking about. In the 1990s, if you make, say, 5,000 yuan a year, it's already a really good lifestyle in the early 1990s, but then, now, you need maybe to have 5,000 really in a major city to just survive.

So, in 2005, after serving more than one-quarter million people, the National Statistical Bureau announced that the income between 60,000 yuan and 500,000 yuan is the criteria for the middle class categorization. So, that's 2005; today, it may have changed.

In another study, the bar for lower middle class, households with any income of -- you can see that 25,000 yuan to 40,000, and for the upper middle class household income, it is 40,000 yuan to 100,000 yuan. And, so, the researchers, they claim to have taken this into the purchasing power of households.

Sometimes when you look at the income of Chinese people and you divide it by seven or eight, right, it's not that much. So, you really have to look into the context, where people are living, just as the previous

speaker mentioned, that a lot of people own their house and apartments and so on.

So, in this study, I don't want to say university graduates necessarily will become members of the middle class, but I think they're potential members of the middle class. Upper middle or lower middle or marginal semi-professional, lower professional, whatever name you want to give them, depending on where they are.

I want to say that the new middle class, massive new middle class has been created through high education expansion. It allows them to come from all sectors of the society. The expansion is in all levels in China, from vocational technical schools to private universities to ordinary universities to elite universities, but there's a difference though in the pattern of expansion. I will talk a little bit about that later on.

In the following, I want to focus on the 12 case studies that we carried out during 2006, 2008, looking at China's high education expansion, and I want to speculate a little bit on the formation of middle class.

First, it's about the examples of expansion. Beijing University, this is the most elite, right? The elitist. The most elite university in China. It has undergone expansion, but the scale of expansion is much smaller than most other universities because Beijing University wants to maintain its privilege and its status and so on. So, you can see, but still, the undergraduate enrollment has increased from 9,280 in 1995 to 13,300 more, right, to 15,125 in 2005. So, it's a pretty significant and very significant increase, but, compared with other universities, it is not that significant.

And, interestingly, that Beijing University maintains the enrollment level for humanities and social sciences without significant change. They mainly want to improve increased enrollment in medical, science, and the engineering. So, later on, I will show you that Beijing University students don't make as much as a lot of universities because many of them are humanities and social sciences students.

So, Beijing University, the Chinese University of Science and Technology, Nanjing University, and some of the most elite universities in our case study, they have capped their enrollment increase to maintain their prestigious status. They won't want to dilute their student body, dilute their quality of education.

Huazhong University is a different case. You can see that it has increased undergraduate enrollment in 1990 from 8,000, almost 900, to 21,000 more and more by 2000, and to 35,000, about 600, in 2005. So, it's a very, very significant enrollment, three times, four times. You do the math for me.

Graduate enrollment also increased a lot. You can see in 1990, it has only 1,448 students. But in 2005, it has 25,484 students. So, you can see the enrollment, it has gone up tremendously, and the campus is huge, and it takes a long time to walk from one side of campus to the other.

Some of the increasing enrollment was due to mergers. I didn't have time to talk about the 211 Project "211 Gong cheng" that many major, good universities merged together, but many of the increase also took place after 1999, when the Chinese Government mandated expansion of high education.

So, this is East China Normal University or it's for teaching and mainly it enrolled female students, but, also, the enrollment was significant, from 5,900 to 12,259, and what's interesting is that many of the so-called single, disciplined universities, normal universities, now they all become comprehensive, multidisciplined universities, like Beijing Normal University, now they all have a college of international relations, a college of law, a college of engineering, and a college of this and that.

So, gradual enrollment also increased five times more. You can see so the enrollment expansion is in every sector, in every discipline.

This is the university that Professor?

MR. KIRBY: Kirby.

MS. LIN: Kirby mentioned yesterday. I did a lot of research and action research with the university, and it's one of our case studies. Xi'an International University was founded in 1992, and when it was founded, it had several, 800 students, but then, in 1994, it had 2,400 students, and in 2000, it has 6,000 students. Six thousand students because Huang Teng the founder wanted to cap the enrollment so that they wouldn't dilute their quality, but then he found that was not doable in China, not feasible, so, he began to expand the enrollment. So, in 2007, it has 36,000 students.

And then, most of the private universities in China enroll what they call self-studying students, and this is big money-making business. I don't have time to tell you. And, also Higher Education Equivalency Diploma examination and they prepare students to participate in certification of high education exams. So Xi'an International University also have about 25,000, 28,000 students in this, and they want to increase

it to 45,000 students. And, eventually, the college wants to have 80,000 students. It has three campuses.

In sum, the pattern of expansion in several cases of universities in our project illustrate that the enrollment increase is huge in China. And these university graduates become professionals, white-collar workers, grey-collar workers. They'll fill up the government positions, management positions, professional positions, and become self-employed, private entrepreneurs, and so on.

So, but there's a big difference among the universities, whether you belong to the 985 Project or Project 211. So, mainly the elite universities, they prepare people to be government workers, managers, upper-level professionals, but then the other universities and the private universities prepare people to become semi-professionals or professionals, especially the private universities, they aim to train what they call grey-collar workers. That is between white-collar and blue-collar workers, who have a niche in practical skills and have learned some theory.

So, am I supposed to stop?

Anyway, I want to show you quickly, these are some of the beginning salaries of the highest-paid graduates in public universities, and if you can read Chinese, if not, I'm sorry.

(Laughter)

MS. LIN: So, you can these are monthly. These are monthly beginning salaries for the graduates of this university. So, you can see that foreign language or technology. And, interestingly, I want to show you Beijing University because of this huge enrollment in social

science and humanities. It doesn't fall into the top category, okay? And, also, I want to just mention to you those are just beginning salary. Usually after one or two years, that salary can increase by 30 percent, 50 percent, and then you can go up.

Private universities, usually, they make between 800 yuan to 1,500 yuan, depending on when you talk about it. It has gone up. And these are some of the top private universities, so, they look pretty good, right, comparable to some of the good, public universities, but these are the best, and they focus a lot on engineering, computer science, automobile, and so on. And foreign language and international trade.

So, the private university students, mostly, they want to become grey workers. And I don't have time to go into this private university stuff.

I just want to show you a few things. The awareness of the new middle class, this is based on a survey we did for our project, but I draw this bar charts from Li Jun's publication. He's a post-doc for our project.

Students' feelings of Chinese nationality, most of them, over half of them strongly agree we should love our country, love our government, and so on, but, also, a good proportion, they say agree somewhat only.

Channels for students to learn social events gather information. You can see that this one, most students gather information from Internet, newspapers, magazines, TV programs, and where only 5 percent mention that they get this from political studies.

So, and the students' engagement in social life, they're very, very much engaged in all kinds of activities, but the largest majority mention Communist Youth League because it's still the most powerful organizer of all student activities, and it's good for your employment and desirable for your future.

And different types of voting. What's interesting is that most students, they would vote for the People's Representative, the People's Congress.

Okay, I want to just go down to the end. I don't have time to talk about the low quality of the graduates, job competition, high cost of living, delayed marriage, which is something I observed. Very interesting. Globalization of destiny. That is that they're affected by the global market.

But, in conclusion, I think that a massive middle class is being created through the breathtaking, high-education expansion in China. And expansion allows the new middle class to come from all sectors of the society, and education will be the key credential for people to obtain white-collar, professional jobs, grey-collar jobs for the lower middle class. And I just want to say a lot more research remains to be done, and I don't have time to go into that.

Thank you.

(Applause)

MS. DOWNS: Thank you, Jianying and Jin.

It's now almost 10:00, and this panel is scheduled to end at 10:10, and since this is the first panel of the day, I feel a great responsibility to make sure that we start off on schedule.

I've invited our paper-writers to join me up here, and I will now open the floor to questions and answers. And, for those of you that do have questions, I'd like to ask you to start by identifying yourselves. Thank you.

Dennis?

MR. WILDER: Dennis Wilder, I'm a visiting fellow here at Brookings.

The expansion of higher education, as you said, is "breathtaking." But we do hear that not everybody gets a job when they get out of these higher-education institutions. I wonder if you could tell us your views on the absorption of such a large number of graduates of higher education into the Chinese economy.

Is it feasible? Is it possible? Does it create a group of people who are resentful of the system that offers them an education and then makes it difficult to live up to the aspirations that they want?

MS. LIN: Yes, this is the biggest problem in China's high education expansion. Since, I think, 2004, the graduates reach 4 million, but this year, the graduates of universities reach 7 million. So, it's a big burden for the government and, also, a big headache for the graduates.

So, how does society absorb these people? Let me first say that. How do I say it? China still has a support network that will allow the parents to support the kids or relatives pitch in and so on, and many graduates would find whatever they can to make an income, and I learned that some Chinese medicine universities, their employment rate is like 15 percent. But then they find ways to sell drugs or do whatever, and then they come back to their profession later on when they have an

opportunity. But I would say that Chinese support network is still very much in tact there from families, relatives, community, and so on.

MR. WILDER: Can I ask a follow-up to that, which is that I have heard that there's a government program that sends people sometimes to the countryside and other areas.

MS. LIN: Yes. Well, there are several ways to take care of the employment issue. One is to enlarge the graduate enrollment, and, secondly, is to encourage people to go to the west of China, Western China, or to go to the countryside, so that they are not concentrated in the larger metro cities where they can have a lot of anxiety and have dissatisfaction and so on.

So, the government has put in measures on encouraging people, like you get 10 points lower for graduate enrollment admission or you get certain amount of money when you have finished your service in the rural areas, or you can become a "cun guan" a village head and so on if you go to the countryside.

MS. DOWNS: The gentleman in the back in the grey jacket?

MR. GRINDSTAFF: My name is Hugh Grindstaff.

With the number of colleges booming, in America, we have an accreditation system that, unless you get approved by this accreditation system, getting an education there is zero.

How does that type of system working in China or is there on?

MS. LIN: Well, in China, the accreditation agency is the Minister of Education. Since there was a lot of criticism of the decrease of quality of education in the past four or five years, the Minister of Education

has forced all public universities and private universities in China to undergo what they call evaluation of high educations. But then some private accreditation agencies are booming, growing in large numbers.

For example, especially for private universities, they have their own semi-professional retired professor association to help evaluate them. They also form their own organizations because they cannot be compared with public universities.

MS. DOWNS: The woman in the red shirt.

MS. TITH: Good morning. Pat Tith from Global Workplace. I am someone who was in the old university context at Bei da and Bei shi da in the 80s. My question is: Who is doing the instructing, the teaching of this tremendous increase in enrollment, and, number two, quality is always a concern.

MS. LIN: Yes. Well, first of all, a dilemma or an irony of an expansion is that most universities, they are forced to expand, but they don't get any additional faculty lines. They means then a department that used to enroll only 30 students let's say every year, they enroll now 300 or 1,000. So, they have huge classes, like faculty who used to teach a class of 10, 20 students, now they teach 200, 500 students, and, so, this is a major, major issue.

Now, the Minister of Education forced the universities to say that now you have only one faculty to 20 student ratio, but, in our survey, in our research, most of them have reached 40 or higher, but they have a way to fool the Ministry of Education. Yes.

MS. DOWNS: Over here.

MR. LEVIN: Herbert Levin. We were told in the past that the National Examination System for admission gave extra points for minorities, and if you were in Heilong Jiang and you were willing to go to Guangzhou, you got in easier.

So, the first question is: Please explain the admission system for the public and private universities after this great expansion.

And, second, if you traveled around China after June 4th the students said well, we couldn't do anything because we're such a small number. But now there seem to be more students in Xian than policemen.

Are the students conscious of being so huge and potentially having some ability to have an effect on the society?

MS. LIN: Okay. First of all, the enrollment system, admission system in China, China has a process. I don't know how to say. Like by a score. There's a score range. So, Beijing University or Tsinghua University and a few others, they were the top universities. They will pick the students first. They're the first category, first tier. And then, so, the leading universities, Project 211, Project 985, and then the second category will be secondary tier. Those are provincial, key universities or local universities.

And then the third tier will mainly be private universities, but, usually, in the past, private universities were the last to enroll students. When all the public university students have already gone to the campus, they're beginning to enroll students, but, now, many of them have managed to be fourth tier rather than third tier. So, the fourth tier post secondary vocational professional training schools and so on.

What's the second question? I forgot.

MS. DOWNS: The political force.

MS. LIN: Oh, the political force. Oh. Well, I tell you, the Chinese Government is really good in managing students, I tell you this.

(Laughter)

MS. LIN: There are all kinds of offices. The Security Office, the Student Work Office, the Teaching and Management Offices and so on. And (inaudible) the students, so, the political studies and so on. So, and a lot of measures to divert the students' attention. So, even though you have a larger number of students, I mean, the way to maintain them in places is still very powerful.

MS. DOWNS: Since we only have a few more minutes left, I wanted to ask if anyone had any questions for Jianying Wang and Deborah Davis about China's new upper or middle classes.

MR. BALSER: Thank you. I'm Hurley Balser from Georgetown University, and I've done a lot of work on Russia's middle class and some comparative work. And I'm a little curious about how valid the income and education criteria really are for gauging a middle class. And socialism was the system where your relationship to the means of production didn't mean very much, but your relationship to the means of distribution meant everything. A lot of the wealth in the transition away from socialism comes from all kinds of informal arrangements, and Hu Jing Tsung has written about this quite a bit.

Does income really tell us what people are worth more now than say 10 or 20 years ago? And, on the education criteria, one of my best friends in Moscow once wrote an article, a leading sociologist, saying

that half the middle class lives in poverty because the definition was purely higher education.

Is that enough of a criteria in the current environment or do we have to look at something beyond that?

MS. DAVIS: In this study, as you saw, we combined education and occupation and power in the workplace. So, this is a standard, sociological approach, and we also are very uncomfortable with anything that just translates income into class. Right?

(Pause)

MS. DAVIS: Okay. So, the bottom line is what is class, and, for sociologists, it's going to be multi-dimensional. So, in this particular study, we use income and occupation and position in the workplace. So, it's a standard (inaudible) approach, and it is a response to an article that I published in 2000, which looked at what the transition to socialism did to what we call the upper middle class.

So, what happens to professionals and managers. So, we never use income as an indicator. Income is particularly bad because, generally, the measurement is on annual per capita income and that fluctuates enormously. Class is not something that you change from one year to another; class is an enduring position.

It also, if we move into the area of socialization, values, consumption, is something that primarily is reified or if you want to take negatively or consolidated in the household setting. So, in this study, as in most studies, we're interested in the household, and then we get into the issue of the household head. So, what you found then when Jane did the last part, where we did the analysis of individual attitudes, you have these

people who are placed in their position by virtue of their income, their education, and their occupational authority, which we believe is an enduring issue.

So, if one wants to talk about middle classes, the sociologists are going to tell you income only gets you one place, and if you go back and look at the analysis, what we did is control for income.

MS. DOWNS: Okay, I'll take one more question.

Over here.

MR. TOMBA: Thanks. My name is Luigi Tomba from the Australian National University.

My question is again to Deborah and Jianying about the attitude part of the paper because I found quite intriguing that you were using those three questions because two of them had to do with fairness, so, somehow an evaluation of the government's work about distribution of resources, et cetera.

But the other one was about happiness, which is something which is very much of a personal pursuit, and one wonders whether the two parts of those question or the set of questions in a way are connected or not, and whether, for example, different scores about happiness have anything to do with the anything people understand the government's work or not and whether people who are less happy are more likely to be active to do something to change the way the government does the distribution of resources.

So, I'm just wondering how that connection somehow has come out.

MS. DAVIS: I will give the first part and then let Jianying close because she's thought a great deal about this. The thesis she just finished is on the self-employed.

First, this was using the CHIP data. This is not a project we designed. This was a paper we wrote in response to Li Cheng's initiation. So, and Jianying had worked with CHIP data for the thesis, as well as the CHNS, as well as the (inaudible) and we were looking, first, okay, we'll do consumption, we'll do the various things that are in the first part of the paper, but then I saw that there were these attitude questions, and since one of the questions of the group is the political attitudes and actions, we looked at okay, what attitudes did they give us? So, we had to deal with the questions that were in the survey, and then I think Jianying can speak to why actually I think happiness does have a political piece and why attitudes of fairness might, and I'll let her close with her comments.

MS. WANG: Yes. So, our choice of the questions was restricted by data itself. We did have a set of questions, but we just find these three are the most interesting. And I guess I do feel like there is some kind of connection between these questions, basically the happiness is kind of measures the life quality, and I guess the quality of your life would, to some extent, be affected by your sense of these general level of inequality in the society, and then, of course, your life quality would also affect your assessment of the general (inaudible) of inequality as we see rich people are not more likely to be happy and more likely to think of the income distribution as fair. Yes, I think they are kind of connected and, in a sense, can imply somewhat people's possible political attitudes when it comes to political situations.

MS. DOWNS: Okay, thank you. We're now going to take a break for a few minutes, and the next panel will start up at 10:20.

(Applause)

MR. BUSH: -- Why don't we get started? My name is Richard Bush and I am the Director of the Center for Northeast Asian Policy Studies here at the Brookings. And here is my great pleasure to chair this section. It's on the Chinese middle class in comparative perspectives. Doing comparison is a great way to get a better of the handle of the significance on China's middle class. Professor Zhou Xiaohong from Nanjing University, the second by Michael Hsiao Hsin-Huang from National Taiwan University and Academia Sinica, and the final one is by Professor Han Sang-Jin from Seoul National University.

And, as you will see, as we go through, we start from a fairly broad perspective and move to a narrow one, but all three are really valuable.

So we will start with Professor Zhou -- where's Professor Zhou -- and he has a PowerPoint.

MR. ZHOU: Good morning, everybody. I'm very happy to be given this opportunity to talk about my new paper. My paper title is "Globalization, Social Transformation and the Construction of the Middle Class."

Globalization and the social transformation are two basic issues in the discussion about the emergence and the growth of the Chinese middle classes. As far as the topic in my discussion is concerned, the social transformation, more than anything else, has contributed to changes of class relations and the social structure within a social country like China. These dominant changes, domestic changes are also inevitably being influenced by global variations in industrial structure, vocational structure, the labor market and consumer goods market.

My paper includes five parts:

Part One, Globalization. How has the middle class become a topic of international discussion? Ever since the Industrial Revolution and the French Revolution, the middle class in a modern sense has been existing for centuries. Nevertheless, it has never been a topic of global importance until the 1970s and 1980s.

The growth of the middle class in the world has been motivated by two major facts. First, one is the transformation of western capitalist society from the industrial to the post industrial. Second, the second is the spread of western-style industrialization throughout the world, termed as globalization.

Part B, the Chinese Road: Power of Social Transformation. Based on European and American history, the middle class has been a fruit of industrialization, but the Chinese story typically followed their own logic. From 1949 to 1978, in spite of many trials and tribulations, the three

decades saw the Chinese world recognize the achievements in industrialization with average annual growth amounting to 6.1 percent. Nevertheless, industrialization development during the three decades didn't have a considerable bearing on the reshape of the Chinese class struggle or class structure, let alone give birth to a middle class.

Unlike its counterparts in the West, the Chinese industrialization process from 1949 to 1978 failed to mould middle classes because China has a unique political and economical way.

First, guidance of the class struggle ideology not only suppressed land owners – “bourgeoisie “ -- were regarded as rival classes, but also all classes other than workers and the peasants were excluded. In such a situation, further class differentiation was checked, not only politically but also culturally and psychologically.

Second, we think the so-called people – “ren min” -- egalitarian distribution policies were implemented which led to -- (inaudible) -- de-stratification structure after 1966.

Third, affected by the economic -- (inaudible) -- of China's industrialization has been re-conditioned by the priority of heavy industrial, including military industrial. Therefore, the development of lighter industrials and the service industrials, which are highly relevant with daily compensation lagged far behind the Chinese people's need for improvement of life quality.

In the following three decades, after the reform and opening-up in 1978, it has been a different story. During these 30 years, accompanied by a direct increase in China's economics, especially social transformation since 1978, Chinese society has changed a great deal in class relations and social structure which established a base for the emergence and the growth of the Chinese middle classes.

Part Three, Pace of the Construction of the Chinese Middle Classes. We'll talk about construction of the Chinese middle classes in two respects: A, under the microscope of institutional labor, rebirth of the Chinese middle class after 1978 has been undoubtedly interwoven with the market-oriented reform and the transformation in the -- (inaudible) -- accompanied by the GDP boom.

In the three decades past 1978, the direct drivers of the changes in social stratification and the emergence of the middle classes have been the following market-inclined distribution modes: First, the practice of paying rewards based on the market pricing has inevitably widened income gap..

Second, the transformation from a redistribution system to a market system has changed resources -- (inaudible) -- of the two basic powers, namely, the state and the market. The infrastructure has been rebuilt, which, in turn, has reshaped the structure of the Chinese middle classes.

Third, along with the advance of the marketization, the tax reform and housing reform has somewhat restrained the widening of the income gap and facilitated growth of the middle class.

B, under the microscope of psychology of labor, the conception points of the Chinese middle class become more mechanical of their constructing self-identities and the winning social recognition: First, historically, even the introduction of the English term, middle class, into Chinese, its Chinese translation has remained *Zhong Chan Jie Ji*. As a reminder, *Zhong Chan Jie Ji* means the class with a medium amount of property.

This is a middle class community in Nanjing. To the Chinese middle class, the property, housing and a car means not only consumer goods that help them build a self-identity and win social recognition, but also property is a phase for molding a new conception notion,

Looking from the economic perspective, consumption has become a major means of self-identification by the Chinese middle class. Third, after the beginning of the reform and the opening-up, especially after the 1990s, the mainstream of this class has transformed the notion of the consumption because the government is better aware of how low consumption can play in advancing the national economy.

Part D, Globalization, Social Transformation and the duality of the Middle Classes. The contradiction of the dual characteristics of the Chinese middle class, first, the rearguard of politics. This is a point of

American sociologist, Wyatt Amias (ph). Second, the vanguard of consumption-- this contradiction of dual characteristics have been cultivated during their formative years, the fact when globalization, the fact to social transformation, the civil society in Eastern Europe.

The parallelism between the rise of the Chinese middle class and the expansion of the globalization has bestowed over this group of people various characters typical of the globalization age, among which the most distinct is consumerism. Although China and India differ considerably in political institutions, there are many commonalities in consumption by the middle class in these two countries because both are deeply involved in the trend of globalization.

Undeniably, besides the factor of the globalization, it's also because of the Chinese unique social transformation after 1978 that the Chinese middle class has become vanguards in the consumption and the rear guards in the politics.

In comparison between China, the former Soviet Union and the former Socialist countries in Eastern Europe also, all of them have witnessed market-oriented transformation, China has followed a completely different path from the rest. Compared with the case in the Soviet Union and the Eastern European countries, transformation of the Chinese society has been showing its own characteristics. On the one hand, the reform in China has now undermined its fundamental political institution of the ruling status of the CCP. On the other hand, the reform

has, in the first place, provided adequate space for the development of the private economy.

Through the interaction of the state and market, the Chinese reform flowed in a typical two-fold process. While the Socialist state and its agents are actively advancing the market economy, mature market adequate capital owners intend and are equipping the former with strong capitalist capability to adjust the market and grip resources. Consequently, in both the state and the market, in other words, both inside and outside the institution, a larger population of the middle classes has been developed.

In this sense, the Chinese middle class has kept the profile of the political rear guard out of two reasons: First, the present political structure has left the middle class little room for action. Second, the party and the state have guaranteed economic benefits of the middle class in and out of the institution.

Part E, Discussion. As is demonstrated above, the Chinese middle classes are characterized by the consumption of the vanguard and the political rear guard, the former being the result of consumerism which has been reinforced by globalization while the latter being the aftermath of the particular social transformation of China.

Therefore, now prospects of the larger-scale conflicts between the state and the middle classes competing in Chinese social transformation. However, problems do exist only increasingly between the

state and the grassroots. The interest groups and the grassroots include migrant workers, land-lease peasants, laid-off workers and demolished home owners. Recent years have witnessed many mass events, for example, when the turmoil of 2008 and Tongwa Steel Company -- (inaudible) -- of 2009.

I think that in China conflicts keep rising between the populace and the local governments as well as between the populace and the capital groups. Now that the middle classes are besieged by all these conflicts, whether they can stay unaffected is practically at stake.

Thank you so much.

(Applause.)

MR. BUSH: Thank you, Professor Zhou.

Now we have Professor Hsiao.

MR. HSIAO: Thank you. Very pleased to be here.

I hope I am not the only one who does the presentation without PowerPoint, but still has a power, still has a point.

And, I did not do it deliberately but just because simple lack of time. I was rushing to finish this paper and move to another paper which is a totally different topic. That paper is nothing on middle class, nothing on China. It's on national cuisines in Taiwan and Malaysia.

So I didn't have time because once you do the PowerPoint, usually, you redigest the paper, think about, think about, and then you do the

PowerPoint. That means power and point. So I didn't have time, so I have to struggle to present this paper.

First, I'm very happy to be here and thanks to Dr. Li Cheng and Brookings to inviting me. I think one reason, and I hope that is the real reason, for me to be invited is that I have done the competitive the middle class studies in Asia Pacific of the eight countries, eight societies, since the 1990s on Taiwan, South Korea, Hong Kong, Singapore, Malaysia, Indonesia, Thailand and Philippines. And so, I think my job is to provide a competitive view or competitive perspectives of how we see the middle classes, emerging middle classes in China, especially since the discussion or discourse of the middle class in China since 2000.

To start with, I wanted to first go over several observations. One observation is that the discourse on middle class in China has been very different from the discussions or observation of the social emergence of middle class in the rest of eight societies.

In China, we see the three phases of looking at the social phenomena called middle class, a rise of middle classes. The start is 1990. In that time, in reality, you could already observe the rise of middle classes in the society, but the official position is to deny it, to reject it, even among the social scientists. And, don't mention about the government.

It's fabricated. It's a bourgeoisie concept of social structure. Certainly, it's not a friend, as yesterday William Kirby

mentioned. The middle class is supposed to be on the side of the working class, but they are not. So it should be negated.

Later in 2000, the year 2000 marked a great change. The discussion on middle class becomes too sort of ambivalent. We have to recognize it, and they have some role to play. That's called stability. They are good for the society. It's good for the social stability. So the stability and pro status quo, delineation, or the prescribed role of middle classes has been there all the time until now today. And so, one way to do that is to measure it only and solely in economic terms: income and with occupations.

Therefore, the role of the middle classes in China has been predetermined in the discussion on middle classes, also dictates the discussion or intellectual discussion. Of course, we have to recognize the political situation in China could not really allow a free, thorough, objective study. I know my colleague has struggled to do that, and so they did a lot of work.

My observation, reading yesterday Li Cheng mentioned about one hundred books. I didn't read that much, but many, but I read 20 and a good one including my colleagues from China and –Li Qiang, Li Lulu, and they are good works. So I read their works so that I can really grasp what's going on.

The third phase is to embrace the middle class, to welcome the middle class.

So these three phases of denial to ambivalence to welcome I think really show a Chinese characteristic of middle classes, to see that.

And, that was not the case in the rest of Asia Pacific middle class studies. I have observed that in Taiwan, South Korea and even Singapore, Malaysia, Philippines, we see the political aspect is always there when we talk of middle classes and to take the example, extreme example of Taiwan and South Korea in the 1980s, so the discovery of middle class in Asia Pacific, in Northeast Pacific -- Taiwan, South Korea and Hong Kong. I forgot Hong Kong, in the eighties.

So the Southeast Asia middle class was discovered in the 1990s, and China's middle class was after 2000.

So we see each decade. We can really put the nine societies' middle class in the three decades and to see the social, political, economic transformations.

Now, in the eighties, the political role of middle class has been discussed and debated and always the center of debate. For example, in Taiwan and South Korea, that was because of democratization. So both sides, both political camps, conservative versus liberal opposition, they saw the middle class in a very different way. Just like a blind man or woman, you touch the elephant.

The opposition would say they are the vanguard of democracy. They are supposed to be. You will support us. You are for

liberalism. You are progressive, as referred to the new middle class, the progressive intellectuals, journalists and so on and so forth.

The government, on the other hand, such as KMT, such as the Korean ruling party, the government, no, hey, look, they are for stability. They like to have a well-to-do life. So, therefore, they should be on our side. So make everybody happy.

Therefore, the radical-liberal versus conservative are all ascribed to the middle class characteristics, and that is the debate in Taiwan and South Korea. Who can help liberalization? Who can help the status quo?

Now Hong Kong presents very interesting stories. There was a 1997 takeover by PRC, and that pushed the sense of a middle class. Therefore, what the middle class professionals, the middle class can do to safeguard Hong Kong's capitalist lifestyle and freedom, and that really boosted the sense of a middle class. There was a lot of study about middle classes. So, again, this is because the political crisis or political uncertainty forced to facilitate the study of middle classes and along with that, the civil society, social movement.

Singapore presents another story. In 1980, the PAP lost quite a few election votes. So that made the PAP nervous, and therefore they tried to talk about middle class and say, we are going to take care of you.

Even the government tried to define what middle classes are. Middle class is who you are. You are where you live. That means four bedrooms. You live in a four-bedroom, you are middle

class. Therefore, we take care of you. So come back -- to lure the middle class to the conservative camp.

Now, to a lesser extent in the 1990s, in the Philippines, Malaysia, Indonesia and Thailand, you can see that again. The political role of those rising middle classes is always there.

So, again, you see these eight experiences. The political was always there.

But, in China, the politics is out. So these depoliticized, apolitical or nonpolitical characteristics assigned by the discussion on middle class past the year 2000 has a very interesting feature.

Why so? Of course, you can provide a simple, easy answer. It's politics because it's not easy to openly talk about a wealthier middle class. You might have a liberalization. You will demand this and demand that, and that could make the government nervous. And, that was the case in the eighties that made the ruling government nervous.

But again, another reaction is: Well, hey, they are also part of us too. Well, we should attract them.

So this is the first part, the evolution of the concept of middle class studies in China has been and still, still here.

We can see the economic measure, income measure, well-to-do life. Many concepts were coined by many sociologists. It's like early rich, sudden rich. Those are the rich rather than what kind of political role that

even Professor Zhou mentioned a little bit about, and also Dr. Lu Hanlong also mentioned about this limited political role.

Now the second part is more substantive. I'd like to put this how to see middle classes in China in the context of the other Asian Pacific societies, societal experiences. From our study, we produced four books of the Asia Pacific middle classes starting with East Asia, some Northeast Asia and then Southeast Asia, and then we also look into changing phases of the Asia Pacific middle classes. Here, I'd like to draw four propositions, four theoretical propositions, that from the Asia Pacific experience, so we can examine the Chinese case.

One is an Asian middle class is in fact the first generation of its kind as well as the result of unprecedented intergenerational upward mobility.

Second, the middle class in industrializing Asia Pacific is also a unique ascending new class.

The third, the Asian middle class, though as a distinctive and distinguishable class, in comparison with the capitalists and the working class, is again quite differentiated, diverse and even segmented in its internal composition.

Number four, the power relationships between the middle classes and to the authoritarian political regime are dialectical over the longer-term histories.

So those are four observations I'd like to use as a kind of comparison to see China's case.

First, in China's case, the Proposition One we found is not really the case. First of all, even some studies have shown that the middle classes, as measured by income, they have the parents from the workers and the farmers. But, again, we find evidence from a Chinese colleague that actually they were the intra-generational. They shifted positions before the reform and after the reform from the public sector cadres, working in the government, and now the open reform since 1978, and they shifted to this so-called middle class position. So they are not really the first generation ever. They were basically made over.

They still have a strong connection with the power, privilege and with the past, especially when we read a lot of work by the study by observers on the negative side, the critical side of the middle class. Actually, they are the new middle professionals. They really criticize those as black-collar, the super rich. Again, they are certainly not the first generation. They are certainly not from the first generation with nothing only, surely, because education and skill. Certainly, you won't believe that.

Of course, some cases in Taiwan, Hong Kong, Singapore and Korea, you might find the same. But all in all, I'm talking about those new middle classes aren't really first generation through climbing up by means of education. So, as I said, whether they are made over by the changing political economy and they have been successfully taking all advantages

of the new political opportunity structure, yet inherited many political and social privileges from their old structural positions.

So the Proposition One as applied to China was not really. You can see the identical.

Now the Proposition Two is the -- oh, so fast, even without PowerPoint.

Now Number Two is whether or not they were upward, they were ascending middle class. They are ascending. The ascending middle class in the Asian Pacific experience means that they are making a class of their own. They are not really completely dependent on the government. They are depending pro-labor or they are not pro-labor, they are not pro-capital. They want to make their own.

But sometimes it's very complicated, our study, so very situational. Sometimes, they are very progressive. Sometimes, they are conservative. It depends on the political context. Once you have a democratized situation, the middle class usually tends to be conservative. They say, don't go too far.

But once the situation, the political configuration was good enough for middle class to push, they are in front. So sometimes they can be in the vanguard, but sometimes they can be in the rear guard, politically.

But, in China's case now, we haven't seen any sign of vanguard. Even to speak to support democracy is limited. Don't mention about the act to support the middle class.

So, therefore, I will say in China's case, in the middle class, from my reading of the related work, I think they are climbing. They are climbing along. They are climbing along for their own ends, material goods, possessions, everything.

In terms of the public concern, I think it has been less. Simply, one explanation may be I didn't see the data, I didn't see the evidence from the observation, from many journals, articles. I did not see this, that they are an ascending class of its own.

So, climbing along, yes. Ascending as a unique social collective, social force, probably not.

Now, Number Three is--are they really differentiated internally? Yes, I think that is very confirmed with the rest of Asia Pacific experiences. In Asia Pacific experiences, just like China, we see many families with multi-classes. So every household is composed of multi-classes.

So this multi-classes family situations or phenomena are really interesting for us to see it. This is, I want to make sure.

Number Four is very important to the final issue of the comparison between the middle classes in China and other Asian experiences of great interest to many observers. That is the dialectic power relationship between middle classes, especially in part of a middle class, not all, and the authoritarian.

In Asia Pacific experiences, we see all are authoritarian to start with: Taiwan, South Korea and Philippines, and Thai with king and military there, Indonesia, the family, and Singapore, of course.

Whether or not they become a demanding public and then even into the so-called critical citizenship, and we see over time, over time, the middle class has been acted like that. I think they not only speak for democracy, they all act for democracy.

Also, they usually tend not to trust the government. I think sometimes distrust or no trust in government is a precondition for liberalization and democratization.

But, in China, we see too much trust. It may be a good thing -- so therefore, harmony. But, again, we should look at the context of that.

So, again, we haven't seen that. There's no sign among the middle class studies to demand for any change or reform on the part of the state. So, therefore, the dialectic relationship between the middle classes and the regime, we haven't found it yet in China.

Now, last, I think it's very important for our middle class project in Asia Pacific to link the middle class with the civil society, and then later we can talk about democracy. That's further down the road.

I wanted to just make this very simple, two lessons. Lesson One from the Asia Pacific experience, the first lesson is that in the long course of the democracy-making process it is the civil society through organized advocacy and pro-democracy social movement that initiated and pushed

for democratic reform. The politics of a bottom-up process have been clear. None of the authoritarian regimes in Asia Pacific has volunteered -- include Taiwan -- or self-initiated from the top top-down democratization. Always bottom-up, and that is a civil society organization.

Number Two Lesson is that this is not the middle class as a whole. Let me emphasize, this is not the middle class as a whole that serve as the vanguard of democracy, and it is absolutely not the miracle relationship between the sizable middle classes and the formation of democracy, as some simple-minded and naïve theorists have led us to believe.

It is the specific element of the middle class, especially among the new middle class, i.e., liberal, radical, intellectual, pro-democracy professionals, who will support, to initiate and who have committed their energy and effort to the cause of democratization. It is only them who have contributed to the history of democracy.

Furthermore -- I think this is important -- the organizational mechanisms with which the above pro-democracy new middle class segment has found the way to help make a new democracy were found, again, in civil society organizations. They didn't act alone. Even the specific middle classes, who are progressive, didn't act alone. They don't talk radical things at home or work or office or on the street. They enter into the civil society.

Take Taiwan as an example. There are 20 kinds of social movements, all related to social reform and indirectly to politics: consumer, labor, environmental, women, students, indigenous peoples' rights and so on and so forth.

So you need organized civil society and participated in by that kind of a particular segmented middle classes.

What can we find in China? I have several, the following, observations: In China, there is a clear lack of a so-called progressive, new middle class element, from the reading I have.

Second, in China, there is no evident indication thus far that a true sector of NGOs, nongovernmental civic organizations, have actually developed into a viable social force which not only to exist but to advocate, to influence and to make a difference. There are many, many charitable organizations, good ones that do good things. One good thing they haven't done, or not yet, is to push for reform.

In China, number three, there is a very limited political room for any advocacy, pro-democracy NGOs, civil society force to emerge and no significant participation of a so-called progressive middle class who are actively participating. So we haven't seen the progressive element. We didn't see the progressive active NGO, and we didn't see the progressive middle class in those active NGOs.

Last, in China, there are clear signs that the authoritarian Communist regime has been deliberately monitoring the establishment of

all sorts of civic organizations. Most of them are in fact government-organized nongovernmental organizations called GONGOs, and, in particular, clamping down on the growth of civil rights and legal reform grassroots organizations. So that is some evidence we have seen.

Finally, there is in China in reality a definite disconnection, disconnection rather than link, between the emerging middle class and the growth of a civil society. Therefore, it's very uncertain how the Chinese social change, with the growing number of disaffected middle strata, can really bring about and sustain the prospect and the future of democratic reform in China. Judged from the past experience and the present situation, one should be more guarded and cannot easily be optimistic for its possible future.

Thank you very much.

(Applause.)

MR. BUSH: Thank you, Professor Hsiao.

And now, we have Professor Han from Seoul National University.

MR. HAN: Well, my name is Sang-Jin Han, from Seoul National University.

Michael Hsiao already mentioned about discovery of the middle class in South Korea, Hong Kong, Taiwan and the Philippines not simply as an economic income category or consumption category or lifestyle category but as a kind of political actor. I have been working in that line for a long time in South Korea, but I'm trying to expand my research to

cover mainland China. So I'm particularly very much grateful for Professor Cheng Li for kindly inviting me here to join this conference. This is the first time that I make this kind of project study in this kind of conference.

Well, to relate myself to Michael Hsiao, my very old friend, I will say that I tried to go beyond a sort of contextually-bounded double aspect of the middle class. He says, well, the middle class can be conservative, can be progressive, depending on political context. Everybody speaks about that now. We know, okay, that may be true.

But I tried to go beyond that by formulating the concept of a dual structure of the middle class, particularly in the context of East Asian development. By dual structure, I mean the tendency that middle class is internally differentiated into two segments. One, I call middle and grassroots. The other, I call propertied and mainstream of the middle class.

And, it's happened in Korea. I am very much curious to what extent we can see the similar tendency from mainland China this day.

Well, I prepared PowerPoint material, so I will just follow this order. First of all, I should say something about why China and South Korea and talk about a classification model and distribution of identities and talk about the demographic profiling of those identities, and the most important thing is about civil engagement as well the social-political attitude of the middle class.

In my view, there are three unambiguous reasons that permit me to carry out a sort of comprehensive study between China and Korea:

The first one is about the extremely important role of the bureaucratic authoritarian regime with enormous success in the economic steering function, also in terms of the very high extent of ideological and repressive function of the state over civil society to maintain sort of political and social stability. So I see some striking similarities. Of course, there are many differences between China and South Korea, but nevertheless I think there is good reason to say some commonality between these two countries.

The second aspect is about the very rapid increase of the middle class in China as well as in Korea because of the successful economic growth for the last 30 years in China and in Korea from 1960 up to the end of the 1990s, for 30 years.

And, most important for me is the influence of the "Min-bon" tradition and politics. This part, the increase of the size of the middle class and the role of the middle class in consumption, income, lifestyle and so on, but still everybody agrees that the middle class is in the initial process of formation. So I think it is very important to ask whether or not and to what extent those emerging middle classes identify themselves as a part of the people from which they are originated now or if they see themselves as a part of the ruling people or something like that.

It is particularly important in the cultural context where we do see enormous importance of the Min-bon tradition according to which politics as well as the politicians are assumed to serve the interests of the people anyway. So this tradition is widely circulating in the civil society, not only among the politicians. So I think it's a relative issue to ask whether this emerging middle classes see themselves as a part of the grassroots or a part of the ruling class, something like that.

That's my starting point.

Now I have the experience of teaching at Beijing University in 2006, and, from that moment, I have been involved in this comparative research. My approach is not a kind of purely objective approach nor simply a psychological, personal subjective approach, but I would say my approach represents a sort of social constructionist approach which means that identities are a product of a –describable process of social construction which requires not simply statistical analysis but also a qualitative historical analysis.

I have done a lot of research in South Korea, but this day I'm trying to combine this constructivist approach with a statistical analysis by using the available data. For example, China, I do have some material, like CGSS 2006 data and academic social science data of 2006.

And, I'm using very simple categories. For example, I'm using two categories in the case of South Korea. For example, we have the notion of middle class, basically, *Joongsan*. We have our own term, *Joongsan* or

middle class in our everyday language. Do you feel that you belong to this or not? Simple.

The other one, we have the concept or notion of *Minjoong*.. That means people or grassroots in our everyday language. Do you feel yourself to belong to this or not? This is a simple category.

Then we can make a two by two table, and I can see here these four categories. One is middle and grassroots who share the identity of the middle class plus identity of the people of grassroots. Propertied and mainstream shares only the identity of the Joongsan And, the bottom people or bottom grassroots, they have this identity of the Minjoong who are grassroots but do not share the identity of the middle class. The lower subjects do not have any of this.

So I make this distinction, but this research -- in my presentation today, I'm only focusing upon the differences between middle and grassroots and propertied and mainstream.

Now, in China, so far this explicit concept of the identity has never been used in nationwide survey data. So I tried to identify the kind of substitute of this, and the easy way of doing this is just to use the social income category. So we do every time.

According to CASS 2006 data, the subjective identification of the social-economic status turns out in this way, and CGSS 2000 data show some differences -- carried out in the same year but quite different.

More important for me is how to identify this Minjoong, the grassroots identity. We do things as we have never used the explicit notion as we did in South Korea. I tried to find out the substitute.

In the case of CASS data 2006, I don't have enough time here, but I thought of this fourth category. Then we see this distribution pattern. I identify this scale from 1 to 6, to belong to sort of a people-first attitude and the other one is a government-first attitude, and I assume that this attitude is an equivalent attitude of the basic identity of the grassroots, something like that. This is a kind of substitute.

And, Minjoong, in CGSS 2006 data, the question is there is no need to worry about democracy insofar as the economy continues to show stable development. I thought this was a very good question actually.

So I just took out this one. If you say yes, that means you belong to sort of government-first attitude. If you say no, then I interpret that as representing a kind of grassroots identity.

Well, the distribution in Korea, I mean it's very complex. There are four identities. But, as you see here, this is the grassroots, and this is propertied and mainstream. Through 1999, where we had a serious crisis, its number turned out very low here. I don't know whether you can see here. It very dramatically decreases here.

In China, according to this kind of classification, I see about 22 percent, 23 percent according to CASS data belong to middle and grassroots. According to CGSS 2006 data, about 36, 33 percent and then

propertied and mainstream, you see here, about the same. But in CGSS 2000, it's lower. I thought it was a good proportion.

About the demographic characteristics, in Korea, the level of education is very important. The higher the level of education, of course, the greater the portion of the middle and grassroots consistently I think from 1987 to 2006.

In CGSS 2006 data, as you see here, the middle and grassroots represent this one -- so exactly the higher the level of education, the greater the portion of the middle and grassroots. It is very much different from the propertied and mainstream.

Identity, in terms of the age, we see the same tendency here -- the younger the age is, the greater the portion of the middle and grassroots, very much contrasted with the propertied and mainstream. This is about the same tendency, education and identity in CASS.

Now I think it is a more important thing here. I tried to define two aspects. One is more a kind of civil engagement aspect -- to what extent are the middle and grassroots or the propertied and mainstream in fact involved a kind of student or kind of civil activity, and that is the first aspect. The other aspect is about general political, social attitudes.

In Korea, I used the world survey data in many years, and the question is exactly like this one. I'm going to read out some forms of political action that people can take, and I would like you to tell me for

each one whether you have done any of these things, whether you might do it or never under any circumstances do it. Then there are five items.

Let me see. In 2006 data, we didn't include the last 2 points. Only 3 items were in 2006 data.

Well, as you can see, in all aspects of the questions, the middle and grassroots turns out to be much more directly involved in participation compared with the middle and either propertied and mainstream, consistently. Participation is exactly about the same in year 2006.

Now, when I made this presentation in Changsha Conference in China, Eric Wright came here, and he challenged me, arguing that the function of the identity may be as truly a relationship if we control the variable of education. So I tried to carry out for the statistical analysis to see to what extent this identity really functions as an independent variable, together with the role of the education.

I see here, as you see, the education is a very important factor, but at the same time this identity turns out to play a very important role as an independent variable, particularly in 1995, but I can confirm the same tendency in 2006 or so.

So far, I've been talking about this South Korea discovery. Now if we move further to China, I saw a very interesting question in CGSS 2006 data. I will read it:

Collective actions of various kinds are taking place in everyday life. Examples include the campaign against irrational use of a

government budget, environmental protection activities, petition appeal, collective negotiation, group legal suit, labor strike, collective assembly and the street demonstration. Have you witnessed such an event around you during the last five years, yes or no?

Then there are further questions: whether you are involved in them, in which capacity you were involved, what have you done so far.

I collected all answers, even single answers among these answers, to represent a kind of participatory activists. But, as a whole, the total percentage of those activists is very small of course, altogether about 3.5 percent. So it's not large.

But the middle and grassroots turns out to be much more active than propertied and mainstream, and so I tried to see here the differences between middle and grassroots. That is propertied and mainstream here. There seems to be very much significant differences.

Also, I carried out logistic regression analysis to see what extent this identity functions as an independent variable, and I was so surprised to see this middle and grassroots identity was very important an independent variable. So I was much puzzled. Why is this so?

I mean this, as you see. You can see here education doesn't seem to be working as an independent variable. I don't know why. Perhaps the size of the participatory activity may be too small. There may be many reasons.

But, nevertheless, it is something that is far more than I expected anyway. I thought education turns out to be as important a variable as identity, but nevertheless this logistic regression analysis shows almost no influence of education, only confirming enormous influences of the identity.

Well, okay, there are many aspects of political and social attitudes here. So one is authoritarian attitudes, economic protectionism, preference of a foreign product, positive view of inequality, expert favoritism. I collected all information data from CGSS 2006 nationwide survey data, and I see very striking differences between middle and grassroots and established and mainstream here.

Also, I used the CASS 2006 data, using the questionnaire available there. So that is about social justice. There are 13 different aspects of justice, and I was really shocked to find out there are consistent, significant differences between middle and grassroots and propertied and mainstream in every aspect of the question related to social justice, which means that compared to propertied mainstream people which are called middle and grassroots within the middle class seem to be very much not so satisfied with the aspect of the justice question.

Not only about justice but also, let me see, security, many aspects of security. It's very interesting to see why there seem to be such consistent differences throughout all questions between these two segments of the middle class.

Okay, satisfaction with public service, as you see here, very consistent differences can be confirmed here too.

Also, about the social conflicts, compared with propertied mainstream, those whom I call middle and grassroots are much more aware of the social conflicts today and in the future.

So I would like to conclude by saying that a middle class is a product of the discourse of social construction. In China, of course, we do not see as explicit formation as we found in South Korea. But, nevertheless, my argument is that in both countries the traditions of Minben normative politics and philosophy are so profound.

So I think it is very important to ask the question, and I report to you that I can confirm the existence of a very significant body of a middle class which I call middle and grassroots who are not really satisfied with what's going on in politics in China, who are able to be engaged more in civil kinds of activities, and that seems to be very much suggestive.

Of course, I'm trying to identify what is the exact demographic profile of those groups. I'm still in the process, but I think it has some very important implications for the future of civil engagement, civil society and, to a certain extent of course, to the prospect of a democracy in China.

Thank you so much.

(Applause.)

MR. BUSH: If I could ask Professor Zhou and Professor Hsiao to come up to the platform, I think we've had three really good presentations,

and we're now going to have a discussion. After this discussion, if you're good, we're going to feed you lunch, and then James Fallows will follow.

I want to thank each of the presenters for putting politics on the table. To put it crudely, as we found, the situation in China is one where the middle class is the vanguard of consumption and the rear guard of politics. In Taiwan and South Korea, for example, there are times when at least some parts of the middle class have been both the vanguard of consumption and the vanguard of politics. So it's interesting why this is so.

One factor is probably the character of the middle class, and Professor Han has emphasized the role of Minben consciousness.

Second, obviously, is the role of the state in a sort of dialectical relationship with the middle class, as Professor Hsiao said. Is it capable of co-opting and demobilizing the middle class or is it willing to tolerate a certain freedom of action for middle class people to participate in politics?

Third, it could be simply a stage of development issue. If we were talking in, say, 1975, about the character of the Taiwan middle class or the South Korean middle class, we might come to some very similar conclusions as we are now coming to about China.

Finally, I think it's a question of issue. The issues that may be salient for the Chinese middle class may not be amenable to social action by collectivities that are class-based. Middle class people may feel that

the pursuit of their interests is much better done through an inside game vis-à-vis the state than what you might call an outside game.

So, with those random remarks, I will open the floor to discussion. Please identify yourself. Try to keep your question brief because we have very smart people here, and you don't have to give a paragraph, you can just do a sentence.

Okay, who's first? Over there?

QUESTIONER: Yes, Chao Chen, freelance correspondent.

In all the papers since yesterday, people raised the question, it's because how they classify the middle class. For Professor Hsiao, since you make a comparison among a couple countries, so I think I would like to ask you, what's your classification, because you have criteria and then you can make a good comparison.

The next thing is derived Dr. Zhou's paper, but I would like all of your responses. In China, the state takes care of the globalization and the state reform -- transformation, in your terms. This creates a very good environment for the middle class. So, in my perception, really the middle class in China is a very privileged group.

That's why there is question that they really participate in political activities. Usually, when you go to an activity, you address, so you ask for more in your interests.

So is my perception and conclusion right? I would like you all three to respond. Thank you.

MR. HSIAO: (Off mike.) -- respond to act, rather than speak. That's what I said. The middle class can not only speak. You have to act.

Classification, yes, I think as a sociologist, as earlier Deborah Davis mentioned about.

My scheme that we did for the eight countries, the eight societies study is based on occupational-based class structure. So we classify into three, more or less, three kinds of middle classes. One is entrepreneurial middle class. Another term can be old middle class. I'm glad to see that Li Chunling also used my framework to do that.

So you can say entrepreneur, but they are not the big capitalists. They are entrepreneurs. They can be a private owner of a business, but they are not petty bourgeoisies. They are owners. They hire workers. They are owners.

Second is a professional managerial middle class. We call it the new middle class. They're based on skill. They're based on education. They also have a power to control their workers or co-workers.

Number three is marginal middle class. They are lower -- clerical workers or sales, the sales girl in the department stores or the lower rank or in the offices.

Those are the three, and based on the John Gothorp (ph) class scheme.

We did, we tried very hard. We did one survey, and it was so expensive to do the survey. You ask five, ten pages just to find out what class are you in. So we gave up.

This is mine. It's occupation-based. It's more than income-based. Occupation-based is so far, so good. It's quite inclusive. It also covers education, income and ability and everything. So it is good to do that.

MR. BUSH: Professor Zhou?

MR. ZHOU: I'm sorry. Due to my English is very poor, so I speak Chinese. I invited my student, Dr. Jianling to translate. I'm sorry.

MR. BUSH: Let's just hear from Professor Zhou and then go on.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: The question of whether the middle class in China is a privileged group. *(Chinese.)*

MR. ZHOU: *(Chinese.)*

QUESTIONER: (Off mike.)

MR. ZHOU: *(Chinese.)*

TRANSLATOR: So Professor Li Cheng actually just requested me to tell about how the middle class in China gets involved in political life.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: So many scholars in the West actually have a high expectation toward involvement in political life from the middle class in China.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: In reality, by now, we have not seen the signs of their active involvement from the middle class.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: In my dissertation, I respond in my dissertation. But, my paper, maybe because of my language, I did not express very clearly.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: So the middle class in China was created in dual courses.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: One course actually is in the system, existing system. I mean the government system. So some of them actually are what we call civil servants, and some of the have been working in the public sector, and the others are the professionals and managers.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: In the second course, I may say the system, actually related to the market which was related to the 1978 market reform. So many of the entrepreneurs and the smaller businesses actually got rich and then emerged into a middle class.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: This is very unique in China compared to other systems. That means capitalism and socialism existing actually in the same time.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: So, in one way, the Communist countries and Socialist countries are trying to promote very actively the capitalism.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: The development of capitalism or markets actually provided more opportunities for accumulating resources and the mobilization of resources for social development.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: In this way, the middle class is a kind of mixture, a mixed middle class which was created both in the system and outside the system, but the Communist Party has successfully made them up for one middle class.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: And so, my answer to whether the middle class in China is a privileged class or not, so my answer now is not.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: In the West, many scholars may prospect that the class conflict between the middle classes goes between the government, but actually by now we can see a lot of conflicts happen between the middle class and the grassroots level.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: So, why a lot of class conflicts? The one thing is because people, whether they can really mutually enjoy the fruits of the reform.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: In reality, in China, with the upper level of the middle class, they really have accumulated enormous wealth and fortune.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: But, in reality, most of the people, I mean the grassroots level, they cannot understand the lifestyle of the upper, the rich class.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: In school now, the mid-autumn day is coming. So the teacher may give a kind of hint that the student should send some gift, like a mooncake, to the teacher.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: The doctor, the medical doctor especially for the surgery, they will give an operation to most of the patients. So the ordinary patient, especially their kids, they got a hint from the doctor for a "hong bao." I mean some kind of bribe, with the money (inaudible).

MR. ZHOU: *(Chinese.)*

TRANSLATOR: When they go to the court, they need to bribe the lawyer, no, the judges and the --

MR. BUSH: (Off mike.)

TRANSLATOR: So the judge takes the bribe by two sides.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: If you go to the government, you also need to pay something. Otherwise, you cannot really handle the issues successfully.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: So, to me, I don't think that there is the contradiction between the middle class and the government, but in reality there are the contradictions between the government and the grassroots people, and the middle class with class people.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: Five years ago, I had made judgment the middle class might be or would have been the victim of policy reform, the scapegoat of the policy reform.

MR. ZHOU: Thank you.

MR. BUSH: Thank you very much.

David Brown from SAIS?

QUESTIONER: Yes, Dave Brown from SAIS.

This is a question for Michael, who I think has perhaps written off civil society in China too categorically. It seems to me over the last 10 years there have been journalists, many examples of journalists who are pushing freedom of speech, that there are many examples of professors and researchers who are writing articles and getting their publications shut

down, that there are lawyers who are standing up for the rights of people in a whole variety of circumstances, and that these people are acting despite the government's very tight control of civil society. How do you evaluate these people and are they part of the middle class?

MR. HSIAO: Oh, certainly, they are. They are. Also, one approach is to observe how significant those I call progressive, middle class, professional, intellectual journalists, which we also found in Taiwan and South Korea, the Philippines, true. That is true. Granted that.

But, again, the government, how the government can successfully clamp down, that's also true. So the penalty is the progressive will fail. The authoritarian government won't. So that's why I say we haven't seen these activities.

Maybe it will take time. But if I follow Professor Zhou's assessment, I become more pessimistic and more pessimistic.

MR. BUSH: Professor Zhou Waifei from (inaudible) University.

QUESTIONER: I'm a visiting professor from SAIS, John Hopkins University.

A question to Professor Han from Seoul National University: You talk about similarities between China and South Korea. So I think you knew the very important view that is the governments, both the Chinese government and South Korea, want to control the political order.

But, here, the question is do you think you know if there are any differences between the social justice and you talk about the Minben the

conception of Minben because you know the Chinese government and the Communist Party focus on the social justice in the Chinese society? This is the question to Professor Han.

The other question is to Professor Zhou. You know in most parts of the Chinese middle class who gain the profits from the stock market and real estate, but now the Chinese stock market, including Shanghai, Beijing and Tianjin and real estate, carried not so good. How do you think those parts of the Chinese middle class face the serious challenge of the real estate and the stock market? What do you think of this question?

Thank you.

MR. BUSH: Professor Han?

MR. HAN: Well, thank you so much.

For me, every discourse on middle class depends on how we define it, and I argue that we should go back to the original insight. When we talk about the class, we try to identify certain kinds of collective actors, agencies who would be able to express the opinion, as well as action. In order to do so, we have to look into, within the middle class very carefully, who belongs to here, who belongs to there, something like that.

Turning to your question, I find that those people whom I call the middle and grassroots within the middle class seem to be much less satisfied with all respects of justice carried by Chinese government, not only a single one, but thirteen aspects, all respects.

So that somehow suggests to me that the middle class is not a homogeneous entity. There are at least two very different orientations that co-exist within the middle class. But we can say this on the basis of conjecture analysis, but I say we have to go further to formulate a more structured concept of the middle class, and I am pretty sure that exists in China too mainly because this kind of a normative tradition, particularly in China and Korea, seems to be of enormous importance in understanding the politics, after all.

So that's my position.

MR. BUSH: Professor Zhou, on stock markets and real estate markets?

MR. ZHOU: I continue to speak Chinese. Dr. Jianling translates for me.

MR. BUSH: Okay.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: The change of the real estate actually will have not much effect on the middle class in China with those who are already emerged into the middle class.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: Actually, the housing reform policy and the industrialization of the housing, the real estate, as well as the expansion of real estate is one of the reasons that really to help the middle class emerge so fast.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: Between 1998 and 2000, just within those 2 years, the Chinese government studied housing reform. Take myself, Professor Zhou and Professor Lu as examples. Just in those two years, take Professor Zhou for example, the apartment that he had at that time, he just paid 20,000 Chinese yuan.

But in what year?

MR. ZHOU: *(Chinese.)*

TRANSLATOR: But in the year 2005, when I sold the apartment, I got 900,000 yuan for that. So how many times?

MR. ZHOU: *(Chinese.)*

TRANSLATOR: So I used the same amount of money that I got from selling the first apartment from Nanjing University, and I got less than that, 860000, to buy another apartment that was built with the technology from Germany. Now, it is about, the real estate is about over two million Chinese yuan.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: This happened actually only in Nanjing, but if this moved to a Shanghai and Beijing scenario, then it will be even more surprising.

MR. ZHOU: *(Chinese.)*

TRANSLATOR: The first generation of the middle class really have benefited a lot from the market and from the policy, but my question is how the future of the middle class emerges and to get into the scenario.

MR. ZHOU: (*Chinese.*)

TRANSLATOR: Now, the high price of the real estate has prevented the scaling-up of the middle class in the future. Thank you.

MR. ZHOU: Thank you.

MR. BUSH: Thank you very much.

Unfortunately, we have come to the end of our time.

It is now time for lunch, and let me explain the arrangements for lunch. The food is in an interior corridor on the other side of these doors. So you just move through the doors, whichever is convenient and get your food. There are at least two food lines. So split up into two lines.

You can come back here to eat your lunch, or the room on the other side of the interior corridor, there are actually tables there. It's actually much more convenient to eat there if you can get a place.

We will reconvene here around 1:00 for our keynote speaker today, James Fallows of *The Atlantic*. Thank you very much. Thank you, Professors.

(Applause.)

MR. LIEBERTHAL: It is a pleasure and a privilege to kick off the final afternoon of this conference, introducing James Fallows.

Jim Fallows has been a national treasure -- it's a term the Chinese use, but I will appropriate it for this -- for more than a quarter century. He has most of his career with The Atlantic where he has written many, many articles of note. He has at the same time written numerous books, but, frankly, what I will always remember Jim Fallows for is he has written the only -- he is the only blogger whose blog I read. It is also -- it gives blogging a good name, you know, and during his recent substantial period of residency in China, his observations as he traveled and as he just went through things absolutely were stunning and were conveyed with an immediacy and an eye for the important details that has highlighted all of his published work. But to capture that day to day and be able to enjoy it day to day was just sensational.

So this is why you went from being the kind of normal introduction to national treasure level, Jim, okay.

Jim has spent the last couple of years in China. He has a book that is about to come out called Postcards from Tomorrow Square: Reports from China, which I am eagerly waiting to read. And it will be kicking off this afternoon's session with his own observations on middle class development in China, and we will, as before, have time for a discussion after his remarks.

But let me now get out of the way and welcome Jim up here. Jim, thank you for coming.

(Applause)

MR. FALLOWS: I have to say that's the most touching introduction I've ever had, so I will treasure this in my heart, and I'll say one word about the blog world.

When I was traveling around China for three years, half based in Shanghai and half in Beijing, I had a camera with me and tried to take pictures of everything I could see. And so in our first week back in Washington I took a picture of the front door of our house in D.C., and then posted it on there to compare it with a view at the Guo Mao intersection in Beijing because that day in our house, which is less than two miles from here, there was a family of deer on our front yard in the middle of the day. So I was there, you know, writing an article, I walked out, there was a family of deer sitting there. And I got more response from Chinese readers about that than anything else. It was sort of in two categories. One was we had no idea of the Arcadian wilderness that America must be if you have deer roaming two miles from the White House.

The other was from the "Angry Youth faction" who were saying: "Yet another attack on China. It's so unfair to criticize China for having this lack of wildlife. We have so many people to fit into our big cities. We do not have room for the deer."

So it's been interesting to have this feedback mechanism with the Chinese and non-Chinese readership. And one serious thing which I'll just mention, it's been sobering to recognize the role of the English language

these days. The English language has been important for me in that when we lived in Japan years ago, I worked very hard at the Japanese language and could cope to a significant degree with that. Chinese I did not work that hard on spoken Chinese, just at this stage of life and with a certain number of years there.

But I worked hard on reading, and so it's quite a convenience for me that I can write in English and have readers around the world. It is a mixed convenience, however, because the world is full of people who know enough English to misunderstand what you say. And that is just -- it is a factor in life which does affect relations among our world.

Let me move onto the subject of the discussion for the last two days. It's an honor to be here with Ken, with Cheng Li, both of whom I've known and worked with and admired for a long time. John Thornton I often met in China, and Brookings, of course, I've had many friends here over the years. And especially reading the papers for this conference, all of which I've read, I thought these were really fascinating. I wished in a way I'd had those a few months ago when I was writing some articles on a similar theme.

It also has clarified for me the role I should have as a journalist, as a nonacademic participant in a conference that is mainly, that has such sort of factually robust academic papers that have been presented. And I think that what I can most usefully do is present some journalistic evidence, as we journalists would call it -- anecdotage the rest of you would probably

call -- which bears on the main subject under discussion about what the implications of the rise of the middle class will be.

The background for my doing this is the previous three years of traveling all around China. My wife and I got to every province or autonomous region in China except Tibet, which for one reason or another we were never able to get permission to go although we were in a lot of ethnic Tibetan regions in other provinces. We traveled enough in China to know the limits of what we knew, that what a vast place it is, and I think, as you all know, a measure of whether somebody has spent time dealing with China, is whether he or she makes any confident pronouncements about it. If they do, they haven't been there and they have not appreciated the contradictions there.

However, in thinking about the conference and reading the paper, I recognized that the evidence I had seen all falls essentially on one side of the topic you all are discussing. I think of that topic as being what the implications of a growing middle class for China, however we define that middle class, at whatever pace it grows, et cetera, what they will be for China's internal social and political development and its external relations with the U.S. and other countries.

We know several things about this discussion. We know how important it is for China's stability and its relations with the rest of the world. We know, I think all of us in our bones, that the answer at this moment is unknowable because there are different and contradictory

tensions in China -- we'll have to see how they go -- or we also know that even if the evidence works strong at this moment on one side or the other, the future could still be the opposite of that because many things can happen in China contrary to what we'd assume.

We also know, I think, that Americans tend to have a bias on one side of interpreting this event in thinking naturally that the middle "classization" of a society, economically, will naturally lead to its, small "d," democratization and the growth of many other sort of western/bourgeois values that we've seen in the rest of the world.

The bias of my own reporting experience also lies in that direction because when I was living in East Asia in the 1980s, I spent much of my time in the Philippines, and in South Korea, and in Malaysia, and in Taiwan. And I've also spent time in Brazil and other parts of Latin America, and there the American assumption of middle class democracy coming together as some unit is basically borne out.

My evidence -- my experience, however, in China lies basically on the other side of the equation. If we think the two poles of the debate that we're having in this session and will have for months and years ahead are that the rise of a middle class economically will lead to a more democratic texture for China and challenge their regime, or that it won't, that it will sort of reinforce the regime, most things that I have experienced are in the second category. That is, the stabilizing, reinforcing effect of the growth of middle class China rather than the reverse. I place -- I make clear that

this is all hypothesis, this is all journalistic, this all could change tomorrow, but it's what I think as of today.

So let me give you a few illustrations of what I think as of today and what I've seen during the time I was traveling around China. I have a list of these five or six different categories. Let me make one other caveat before then.

We all know the reasons why the situation in China might prove to be unstable, unsustainable, subject to some kind of sudden change in the near or mid-term future. To my mind, environmental tensions would be first on that list. To me, that is the great problem of China, and between China and the rest of the world. We know the situation in Taiwan, while appearing stable at the moment is also a long-term source of potential difficulty, the rich/poor gap and all the rest; but to my mind, the rise of middle class China is not on this list of destabilizing factors. So that's the caveat.

Let me now give you several different illustrations of why I think this way, starting with the most anecdotal and impressionistic. This is the -- category No. 1 is the mood difference I detect between China and the United States. In the first -- my wife and I when we returned to the U.S. this summer, we were struck in the first instance by how rich everything was in America even compared with rapidly growing, developing China. Those of you who have lived in both countries, of course, know what I'm talking about. All the taken-for-granted fit and finish of a rich country

compared to way a developing country is still developing. I realize how accustomed I'd been to looking down a street of a big Chinese city and seeing both a BMW or Audi A-8, and somebody pulling an ox cart with his shoulders. And you don't see quite that same contradiction here.

What struck me, though, was how much more optimistic the poor country of China seemed than the rich country of America felt when I came back here. Now, that may just be how Washington usually seems, it might be that this particular economic downturn; but if you had to sense which of these two cultures had a population that felt better about its future, it seemed to me that the poor country had a sort of just intangible better sense of that tomorrow will be better than today than did the rich country, which was already a level of per capita income that China will not achieve for a very long time.

And so it is the unscientific case in the journalism business you often just see, how do places feel. And China did not feel, especially in comparison with the U.S., coming back here, didn't feel as sour a place as the U.S. has felt, at least in the last six weeks that we've been back here. So that's just a minor point.

Somewhat more substantially, I tried, starting late November, during the dramatic economic turndown in the Chinese export economy, to see what the ramifications of this were going to be for both the internal political stability of China's dealings with the rest of the world. We know this is a subject which we're all going to be talking about for a long time. And I was

struck by a starker version of what I just described of the co-edge conjunction of difficult economic circumstances but sort of persevering and nondepressed political reactions.

We lived in an apartment in Beijing which was overlooking one of the largest cross-country bus stations. And so starting about November I could see every day thousands and thousands of migrant workers heading out, you know, as the construction projects were being closed down. And this was in Beijing where there was not a lot of factories.

When I went to Shenzhen in January, I went with an urban planner who was saying that within our line of sight, seven million jobs had disappeared. This was in sort of the low -- the low-wage exporting area in Dong Guan, and I then went to some of the villages where these people had returned. It was striking how little sort of revolutionary consciousness there seemed to be among the huge masses of dispossessed workers, at least the ones I was able to have some exposure to, partly because the government had found ways to have emergency measures in the countryside; partly because of some of the stimulus effort.

Just before we left, we were traveling through Yunnan Province, and there was a road where for about 100 kilometers distant it looked like every kilometer of the road had 100 peasants at work shoveling asphalt or doing whatever. It was a very effective shovel-ready project. But it was my sense that even during the extremity of the downturn which, as we

recognize has been buffered now, there wasn't the sense of revolutionary tension that one gets.

Now, recognize that we're talking about working-class people trying to get up into the middle class, but even among the middle-class people losing money in the stock market and the rest, I didn't get the sense of people with pent-up rage.

This leads to probably my most important point, the third point -- there will be some others ones -- which is as I think about it, I'm struck by the lack of cynicism about the Chinese system that I encountered by people at various levels of Chinese life.

Let me clarify what I mean. Obviously, cynicism is as richly represented a trait among the Chinese population as it is any population on earth. People know how many things are rigged, they have a sense of humor about it, and so I am not at all mean to suggest that people are blind or naive, or like some Shaker or Amish communities in thinking how life should naturally be lived. But it struck me that whenever I, personally, encountered somebody who was arguing with great passion about this or this injustice, the injustice was visited by -- on this person by the landlord, or the factory owner, or the guy who stole his cow, or somebody who was -- a lot of them, new land after a dam was built, and they didn't have enough fruit trees, or whatever. It was local-level injustice that people were complaining about as opposed to saying: This course of development, the last 30 years, the last 60 years, is the wrong way to go.

It was -- certainly, I encountered those people as I have in any country, but I encountered fewer of them than I would have thought and I think many Americans would have thought.

I've reflected on this. I'll give you one case which really illuminated this to me, and then another historical parallel. I did an item on, during just before the Gaokao this spring, the university exam. I was posting some complaints on my website, and various people who thought, oh, the Gaokao was unfair in this way or that way, and this was part of a discussion about whether Chinese higher education was a blessing or a curse, or a blessing and a curse for the way China works.

And the overwhelming flood of messages I got from Chinese readers, both at the university level and those who were a product of the system, was they would spend the first half of their message saying: Here are the 10 reasons I hate the Gaokao, that I had to ruin my life, you know, my childhood studying for it; it tests the wrong things.

But then they said: The Gaokao is the insurer of fairness in the Chinese system because anything else would be much more rigged. If it were anything else, then they would have too much parental pressure, or too much the poll of special favors. And so it struck me that there was a surprising sense that the system for all of the defects which were much more apparent to Chinese test-takers than they were even to me that this was a system whose rough justice people were willing to adapt to.

Another comparison here is that in my days as a student in college and graduate school, I studied a lot of the history in the United States of the jeremiad; that is, the analysis of America falling apart. And this has been part of American culture, essentially, since 1620. There's always been a diagnosis that America is just about to fall apart.

There certainly are these diagnoses in China, too. But among the average citizenry I think there are fewer diagnoses in that China is falling apart probably than there is that America's falling apart among Americans; that it seemed to be a time when people weren't, at least within my sphere of being able to notice it, issuing as many denunciations of the basic premises of their society as is the case in many other places.

Move on to it, the next category: The people's acceptance of the media with its various constraints. As a way of conveying to my American friends what it's like to exist within the controlled Chinese media, by which I mean both publications and the educational system, which seems to me part of the same control, I say that it's like a world in the U.S. in which there was only Fox News and that everybody was happy with that. It's sort of a unified field theory which you could escape from it if you wanted, but for many people it's not worth the effort.

What I mean by that is that I was impressed by the ways that motivated people inside the Chinese system could find other sources of information if they wanted. But, of course, the great firewall is permeable, people travel, you can get any kind of information or stimulation you want.

But for most people there seemed to me relatively little, surprisingly little by my standard, rebellion against the constraints on the media system and the educational system.

I say surprisingly little because compared with Korea in the mid-1980s during its time of upheaval, compared with the Philippines at various stages, with Malaysia when I was living there, even with Taiwan, there was the impressively skillful, soft controls on the media and information level. We can get around them if you want, but it's sort of a bother, meant that they were not, that I could see, in constant rebellion against what the official line was -- compared also with the Soviet Union back in its olden days.

Another part of this, I thought, was that as the media had been allowed over the last, say, six or ten years, increasing areas of some sort of daring and independence in environmental reporting and worker safety reporting and other sorts of areas, it seemed to me that this was a -- it removed what could have been a source of irritation to a rising middle class feeling we deserve to have freer access to information.

I think that the university system has the same sort of soft -- soft controls, by which I mean this: Many Chinese people -- probably everyone in this room, every Chinese person who is in this room or person experienced in Chinese and Western affairs -- recognizes both the strengths and the limits of the Chinese higher education system. The strengths are obvious in volume and the fact of creating so many -- so

many trained people. The weaknesses are the various sources of limited development of the Chinese university systems. And then this is a subject for another three-day seminar of why Chinese universities are not yet very well represented among the great universities of the world, and what it would take to have that be changed.

But the facts that really ambitious people, like all of those in this room, can come to this room, and they can come to universities in the U.S. and Australia and Europe and go back and forth means again that there is a pressure valve for, a release valve for an educated, ambitious, middle class if they want. They have a chance to have education of the rest of the world and be reintegrated into the Chinese society.

I have other anecdotal illustrations that I might give, but let me just sort of wrap this up by saying that I went -- I first traveled in China in 1985 and 1986. That's when I was living in Japan, and at that time it did require a little bit of contortion for a Western journalist to get into China. The way I did it was by joining the World Esperanto League. They had their World Convention in Beijing in 1986. My whole family learned Esperanto. My children, then three and six, have not forgiven us ever since then. They have worse things than that, but they haven't forgiven us for that.

So we went to the World Esperanto League Convention in Beijing. The two memorable impressions that, No. 1, the sad plight of the Chinese Esperantists, who, during the Mao era had been learned Esperanto rather than English because this was not a tool of Western oppression, and they

felt as if they had misspent these 10 years because it was the only time they could speak it was to the -- was at the convention.

The other was the announcements of the World Esperanto League. Whenever there was an announcement on the order of: You must turn in your passports tomorrow at 10:00. Or the food is over there. Those announcements were in English. So this was kind of a heartbreak in the core of the Esperanto movement.

But my point is that in the '80s, as many of you remember, was a controlled and pent-up society. I was followed most places I went. My hotel room had surveillance and all the rest, and you thought how can this society really adapt ever if there were a growing middle class? Because the demands of all the breadth of civil society a middle class would want would not have been compatible with the controls of that early stage.

So there's one of many remarkable evolutions in China's past 30 years that its economic growth and the maintenance of the political controls the Communist Party, obviously, still retained has been shrewd enough to allow, in my experience and my anecdotal judgment as of today, a middle class to realize many of its life ambitions, its intellectual ambitions, its personal fulfillment ambitions, without coming up every single day into collision with the constraints posed by the State.

So if we gathered a year from now, or if we gathered 10 years from now, you could say, "Oh, remember how naive you were in thinking the middle class was not a source of contradiction in China and it turns out

that way," that's fine, and I will have been wrong. But I'm telling you that as of today, in September of 2009, I come back from three years of traveling around the country saying it's remarkable to see the growth of a middle class and we'll see a class and we'll see its economic foundation that has been so far compatible with and loyal to the regime that has provided its economic base as opposed to feeling itself in contradiction to that, as we've seen in many other rising countries.

So that is my anecdotal, nonacademic, reporter's contention as of today, and I'll be happy to answer any challenges, questions, or other responses that you may have.

Thank you.

(Applause)

MR. LIEBERTHAL: Jim, thank you very much for a both entertaining and --

MR. FALLOWS: Nonacademic.

MR. LIEBERTHAL: I thought the two were synonymous. I was trying to convey the latter by saying the former, but -- no, but also with a very strong and very interesting theme to it.

Let me see whether I can kick off the Q&A by kind of asking you to turn around your perspective just a bit. Basically, I very much agree with what you said. The system has performed very well for most people who have risen to the middle class in China in the last 20 years.

MR. FALLOWS: Mm-hmm.

MR. LIEBERTHAL: So in a sense, at a system level you would say, what's not to like? The future looks good, and the system will continue to evolve in ways that are sufficient to be compatible with my fundamental interests, right? And where I have complaints, they're particular; they aren't system-wide.

I wonder if you have some things you would be willing to sum up about what the complaints are? In other words, within the middle class that is fundamentally not looking for a regime change, where are the scratches that really -- or the itches that really do need to be scratched? Or is that -- is there no single set of responses that --

MR. FALLOWS: That's a very interesting question, a predictably interesting question, and let me -- let me actually think about it for a second.

MR. LIEBERTHAL: God, this isn't academic. This is breaking precedents here.

MR. FALLOWS: I'm trying to think of the range of people we knew whose complaints would be in any way specifically Chinese as opposed to human. And there are some of those. A dog that didn't bark is -- I'm surprised in the time we've been back in the U.S. when people were asking us about the one-child policy and its discontent. And isn't this something that people always seethe about? And my experience is not really, because, you know, it's been part of life for a long enough time and has economic consequences, of course, for retirement, and has, you

know, the pyramid of a lot of old people and few young people. So that is a sort of a complaint that I would have -- that Americans would expect to be more frequent than in my experience it is.

So I'm thinking of the people I knew best. I'll give their complaints as they relate to modern China have involved, essentially, that the career path can be stymied if they don't have some way around it by connections to the outside world. Now, in the nature of things, I know a lot of graduate student aged people in China, because I meet them, I talk with them, sometimes they'd do interpreting for me, and they felt as if to make a real break, to get out of their fate they needed to go to UC Data. So they needed to go to London School of Economics or something because the opportunities for, when they started changing their economic view from survival to excitement and advancement, they thought there was not that great an opportunity within big Chinese organizations.

So you could think of that as a complaint about the system, but if -- it's sort of a refined complaint, because their parents were worrying about starving and worrying about all the rest. I have -- that would be -- probably that's the main thing among young middle class people. Among the people, let's say in their 30s or 40s, the complaints I mainly heard were extensions of human complaints: I can't get a good enough house. I can't make enough money for my retirement or whatever. Or, often, I have to live in a different city from my family -- which is similar to Japan, of course, because of working situations.

There's, let me say, one other thing which your question makes me think of which is the a) something I didn't mention, which is a real in a strange way a stabilizing source within China, I think, although a little bit destabilizing externally, is to me a surprising -- surprising heart-on-the-sleeve level of patriotism.

Here's what I mean: As we all know, China is not one country, it's a hundred countries and a billion people and all the rest, and less disrespected from the outside world. And suddenly it's one China ready to take offense against somebody who posted pictures of deer on his front lawn or whatever it is. And then it's anything which disrespects China can bring people together, and that seems that even a middle class group was sort of a source of strength for the regime in their unity against any -- any slight to the pride of China, collectively.

That's a rambling answer, but that's what you get when you --

MR. LIEBERTHAL: Well, there are a lot of interesting pieces to it.

Let's open this up to the floor. We have roving microphones. Jordon, how about over here, and then over here. Please indicate who you are and --

MR. SHELL: Michael Hsiao from Taiwan, Academia Sinica. I think your thesis is pretty much confirmed what we have observed so far, not a destabilizing force to the regime, existing regime.

Let me turn the other way around. Are you suggesting that you don't see the likelihood for any real democratic reform?

MR. FALLOWS: Let me go out on a limb and say yes. I do not expect real democratic reform, and let me clarify what I mean here. I think I probably should have been clearer about this in my initial talk. I think a rising civil society in China will create demand for many -- an expansion of a sphere of liberties, rule of law, contractual enforcement, people being able to do more and more of what they want with their own lives, less arbitrary power.

And even the time we were there, we did see the sorts of rule of law civil society expansions. And I think there are -- a lot of that is propelled by internal pressures in China. I think a middle class does want more of these things, to have more predictable, dignified life. And I think external contacts have made a difference, too, that every educational exchange, every NGO exchange, every Legal Aid Society helps in that sphere.

And so while I think there is -- there is presently felt and foreseeable and externally propelled pressure for expansion of liberty, I personally encountered very few people asking for democracy in some broader way. Village democracy, okay, accountability of the parties. But I can think of maybe three or four people talking about the importance of democratic reform in China of these thousand and thousands of people who I talked with.

So I sensed little pressure for democratic reform in the mainland.

MR. Qiao Chen: Yeah, Qiao Chen , free lance correspondent, the assistant (inaudible). This would be the reality.

Last session we come out some perception is there's middle class in China is privileged group now, and they are somewhat identified with ruling the circle. And the grass root people really are against those.

MR. FALLOWS: Mm-hmm.

MR. CHARLTON: Do you that kind of observation, and if this is, then what will happen to the middle class in China? Thank you.

MR. FALLOWS: Yes. Thank you, that's a very tough question, and in many of the papers I read, there's lots of different ways you can define the middle class. The middle class could be people with their children in private schools in the big cities and going to foreign universities. And they, of course, often are allied right to the ruling parties.

What I'm thinking of the middle class is I spent a lot of time in Shenzhen and seeing a lot of people who'd come in from the countryside, and they became managers in these little factories. And they weren't making a lot of money, but they had predictable salaries, and they seemed to me like a middle class group. And so they don't have the same -- they seemed to me to be a stabilizing force with the rural population because they still were sending money back there, and that was still their family background, and they were a model of hope for people in their villages as opposed to this kind of urban rich class.

So I think if the urban rich class became more and more the meaning of the middle class, and there were more and more extremity between them and the ordinary people, that could be destabilizing, as you say.

So it depends, I think, on the momentum and how, what shape the middle class has as time goes on. So I think the answer to your very good question is impossible to know now. It depends on which part of the population grows and whether -- how the rich/poor extreme develops, and whether poor people feel they have any hope. I think mainly they feel they have some hope now, and if that changes, then what you say could be -- thank you.

MR. CHARLTON: Thank you.

MR. LIEBERTHAL: Yes, and then we'll go back there, okay, so up to Debbie.

MS. DAVIS: This follows directly -- oh, Deborah Davis from Yale. The middle class, no matter how we define it, is the small piece of China, so I actually wanted to ask you about the group we know to have been in any ways losers, particularly most recently.

And so I'd like to know what your thought is about -- you've spoken about stability, and that's where the emphasis is. If you look out over as blue collar workers and this vast service group, that as all the projections say, you know, it's not -- the only growth is not going to be in good

industrial jobs, and it's not going to be necessarily in good white collar jobs. They're in this middle area.

And so I was wondering if you could talk more about that interface.

MR. FALLOWS: Thank you. And here I have to have another living national treasure introduction that Professor David of Yale wrote a very, very nice blurb for my book, so I live in gratitude to her.

My knowledge, like that of any of us here, is obviously necessarily partial and scatter-shot. But after the big factory -- I spent probably half the time I was in China out in -- out in the countryside, including some after -- after the big shutdown, and my impression was at least through March or April, people had the feeling that they are back home for awhile.

They're back home until -- it was not as if their trip upward had been ended forever, but it was a, like a particularly long spring festival -- or New Year's festival back home. And it, you know, I have not been able to trace, say, the migrant worker population of the construction sites in the big cities who are sort of the most hard-pressed nonfarmer people, these poor migrant workers. So I don't know what's become of them and what will become of them in the long run.

My sense is that clumsy as the central government can often be in dealing with the outside world, clumsier and tinnier as it usually is in dealing with the outside world, it's much more sensitive to sources of pressure internally. And so the health system expansion and some of the

rural public works are probably designed to avoid exactly the situation you're talking about.

So I recognize this as something to watch very carefully. I think the central government feels the same way, that this is something they have to watch very carefully, because, of course, the threat to a communist government is a peasant uprising, a peasant and dispossessed worker uprising.

Here's an armchair, psychological observation which will confirm to all of you that I'm a journalist and not a scholar. I was impressed by the following factor in Chinese traffic, which I generally hated, which was a long as you had any chance of gaining a 10th of a second no somebody, you would cut in front of them or whatever. I was always amazed in Chinese airplanes, the second the wheels touched the ground, everybody's out of the seat running to the door, and whereas if there was a two-hour freeze-up on one of the ring roads, people were much calmer than they would be in the U.S. They'd be having a beer, or they'd be singing or whatever, whereas in the U.S. they'd be yelling and honking their horns.

What I drew from that, anecdotally, was when there is a change to improve your fate, you'll do anything, and when there isn't, yeah, you just flip. And I think that, you know, that a two-hour traffic jam I'd rather have it on the third-ring roads than the beltway, people would be better. Whereas

if the traffic is -- if the traffic is moving at all, I'd rather not be on any Chinese road 'cause then it is a mess.

So by wild extrapolation, I think that there is a, as long as the whole thing seems to be improving as it has in living memory for most people, I think that blunts the upheaval. But we'll see. I mean you raise exactly the pattern to observe.

MR. LIEBERTHAL: You can see why I said I read his blogs. Talk about keen insight that sums up a lot of experiences you've had over decades.

Yes, the woman back here?

MS. HOPKINS: Hi. Lisa Hopkins from the Army Director's Studies Office. I wanted to ask about your interaction with Chinese journalists. Do you see any growth in what could be called professional journalism or any rise in investigative reporting or desire by Chinese reporters to do at least semi-independent reporting?

Thank you.

MR. FALLOWS: That's a good question. I spent a lot of time with Chinese journalists, and, in general, my heart went out to them because American journalists have their problems, as you may have heard, with all of our publications collapsing around us. We just heard the Far East Economic Review is finally closing down, you know, in even if it's limited form. But Chinese journalists have a different sort of challenges, and it struck me there was a bimodal distribution of Chinese journalists.

They're the ones who just got with the program, and they had the red envelope form of journalism, and they'd go and get rewarded for their reporting.

Have any of you read the novel *The Banquet Bug*? This is a novel I love. It's about a migrant worker in Beijing who becomes a journalist because he can make such a good living going to the press receptions and getting the red envelope. I promise you if you read *The Banquet Bug* you won't regret it. But there's that form.

But then there were a lot of them who very touchingly work within the limits of the system to do what they can. And I think that there has been enough observed movements, in particular: health reporting, environmental reporting, workers' safety reporting, and sort of local corruption expose that you really have to respect the people who are trying. It's not all the journalists but it's some of them.

And so I went -- I made a point of going to journalism schools at universities around the country and meeting these people. So I think that there are areas of expansion within limits, and it's worth supporting the people who are trying hard.

I had a son who worked for *Caijing* magazine for awhile during the SARS epidemic. He was their English language guy, and he had a great time then. His observation was that the reason that Hu Xuli has done so well at the magazine is she knows just how great the government capacity to control things is. So when they're real busy on SARS, they can't control

some other things, so she -- she -- it's sort of a resource-limited censorship regime.

So it's I respect the people who are looking, working around the edges.

MR. LIEBERTHAL: Yes, back there?

MS. CHIANG: Hi, I'm Louisa Chiang. I'm the Program Officer for China at the National Endowment for Democracy. It seems that --

MR. FALLOWS: Uh-oh...

MS. CHIANG: It seemed to me that you accept to me extent the historical analysis which the Party has been vigorously promoting all these years, which is that history started in 1979. And I think that a lot of Chinese middle class people and intellectuals, and even just low-informed citizens are starting to see things very differently; that they feel like the Republican period -- well, or rather let's start with, you know, history further back -- that China, despite having imperial and autocratic tradition had property rights, mobility rights, and a sizable civil society, and which, you know, during the Republican period there was a further progression, you know, nascent democracy.

And that rather than that, you know, after '79 that the Party had cultivated these rights, rather that the Party has systematically wiped out all of those rights and then only conditionally and creepingly started returning to them and always with an intense fight from the population every step of the way. And that awareness, that awakening among

China's middle class and the farmers at large, I think, would eventually actually provide a challenge to the regime and ultimately will be the stabilizing force for China as a country.

So I would love to hear your comments.

MR. FALLOWS: Thank you very much, which gives me an opportunity to be less catty than I was about an important topic. And let me approach it this way: I think that the control of historical knowledge is important in any society and any regime, any culture, and it's particularly important in China.

While, as I mentioned earlier, people can find any information they want. Given that, you can for free get a proxy server and get around the control. So people can find out what they want.

My impression was that the mainstream educational system was quite successful in shaping historical knowledge for most people. For example, I do believe it's the case that most young Chinese people do not know the connotations of Tiananmen Square as in the outside world. And that, as I'm sure any -- you know from turning out every single night on one of the CCTV channels they'd be documentary installment No., 5,000,000 on how terrible the Japanese are.

And we'd see all about the rape of Nanking, and in, you know, slow-mo replay. And there's this endless on the Japanese and the British, but not so much that the U.S. and China ever fought -- you know, that's relatively soft-pedaled -- and the huge awkwardness of handling the

memory of the Cultural Revolution is a huge factor. It's something where the main analogy I could find is trying to talk with, if you were in Germany 20 years ago and trying to talk to people about what they were doing in the 1930s, you know, it was the same sort of great awkwardness, if you wanted to know who you were talking with before you could have any exposure.

So my point 1 is I agree that the control of history is very important, and the regime has been largely successful in shaping historical knowledge.

No. 2, I accept, as a premise of life, that Chinese society, Chinese people like people all around the world, want their self-determination and want everything else.

But No. 3, I'm observing simply as a journalistic swimmer in the great sea of China over the past three years, I sent and heard less expressed demand for democracy than I heard in South Korea in the 1980s, and the Philippines, and Malaysia, other places. So I'm just reporting to you that fact of my life as opposed to guaranteeing some future for China.

MR. LIEBERTHAL: This has to be the last question, given time constraints.

Yes, sir, you had your hand up for awhile.

MR. GAX; Larry Gax, International Research & Exchanges Board. This is sort of a little different take just based on my experiences in China. You brought up the Cultural Revolution, and a question in my mind is I've

always sort of felt that, at least the Chinese who talked to me, in a certain sense among a fair number of Chinese who experienced the Cultural Revolution, many of whom are in the middle class, it's almost a sense of pride that they went through it. And there's this thing that I've never been quite able to understand because I keep thinking, although I do not think it's the same as the Holocaust or what happened in Cambodia. Nevertheless, it was a pretty terrible period from my understanding of it.

But yet, when people talk about it, it's almost like it was a character-building exercise. And you read about people going to restaurants to relive and eat the terrible food they ate during the Cultural Revolution.

Did people -- did you hear this kind of thing, and what's your take on it.

MR. FALLOWS: Let me give you, briefly, three people I'm thinking of. I won't name any of them, which sort of represent the three different and powerful strands I heard.

One was from somebody who is now in his mid-50s who is a Chinese academic, a lot of exposure in the Western world, and he said, "Cultural revolution was the best thing that ever happened to us." It sort of made him a man the way people would talk about being through war. You know, he was out there, way out to hell nowhere when he was 12 or 13, and he spent the next five or six years basically becoming strong, independent, and all the rest. So he says it was bad for the country, but it was great for him. So that is one thing I've heard people say.

Second, I'm thinking of people in -- an old man in a Southern Yunnan village that I actually write about in the current issue of The Atlantic, who buried all the antiquities of the town because everything that he didn't bury or that wasn't in a PLA barrack was just destroyed. And this was a place that had these very, very great antiquities, and they're all gone forever. And so this guy speaks with tremendous bitterness about pride, about the few things that he could save, but the bitterness.

And then I'm thinking of people in a village out in Western Sichuan who say, "Cultural revolution, `smultural' revolution." For them the whole issue was the Great Leap Forward when half of their families starved to death. And to them the cultural revolution was the city kids coming out and being bad farmers.

So I think a society this vast has many different themes, but those are sort of three people I can think of who fit exactly the pattern you're talking about.

MR. LIEBERTHAL: You know, it's really been a delight to have someone who has a keen eye, who actually gets out there and talks to a lot of people in a lot of places, and follows your nose around. and knows how to think seriously about what you hear and sum up with appropriate degrees of modesty about how representative of how deterministic all of this is.

So you've really given us a treat to start off this afternoon, and I want to thank you very much.

MR. FALLOWS: Thank you, much.

(Applause)

MR. LIEBERTHAL: We reconvene at five after, so only about seven or eight minutes for the session on Urban Housing. So I'll look forward to seeing you back then.

MR. LIEBERTHAL: Can we get started again, please?

I'm sorry for the short break between sessions, but we have so much rich intellectual fare to consume that we really have to get to it.

I do want to mention that one of the previous speakers has donated a watch and notebook to the cause, and we will -- it's yours, Jim? Okay.

We turn now to a discussion of the urban housing market, and its implications. This is really one of the dramatic changes.

Given the overall drama and scope of changes in China, I think one of the most startling things ever is the transformation of urban life in China, especially in terms of housing facilities and their implications, because we've gone not only into a period of enormous expansion of housing opportunities, but also a change in the relationship to their dwellings. They now own them at very high percentages, so it's been privatization, phenomenal expansion, and development of new types of communities. You know, you go to a place like Beijing the way people relate to each other in their living because of the transformation of the physical environment is just fundamental.

And so exploring what has happened, getting some data on that, and then looking at some possible implications and analyses of that is really I think is extremely important to any serious conference on the middle class.

So I'm really delighted that we have this particular session today, and I think the papers provide a basis for a very, very serious discussion.

Let me introduce both authors at the same time. Each will talk for about 20 minutes, and then we'll have time for Q&A and we'll all be up here at the end.

The first presenter will be Joyce Yanyun May -- Man -- I'm sorry. Joyce is Director of the Peking University Linking Institute Center for Urban Development and Land Policy.

She's an Associate Professor of Economics and Public Policy at the School of Public and Environmental Affairs at Indiana University in Bloomington. I will note, simply parenthetically, that the University of Michigan plays Indiana this Saturday in the Big House, in Ann Arbor, but not to worry.

The -- I'm sorry. There are some things it just takes a while to leave behind in your own life and Michigan football is one of those for me.

The -- She is the author of a forthcoming book that is very much on point, on housing policy and housing markets in China, and she has, in fact, lived in China, in Beijing, since 2007.

Luigi Tomba, I just learned, was in the Italian Embassy in Beijing for the latter part of the 1990s, in the Econ Section of the Embassy. I frankly hadn't realized that.

He is now a Fellow in Chinese Politics with the Department of Political and Social Change at ANU. He joined ANU in 2001, I think two years after you left Beijing in the Foreign Service.

He's the co-editor with Andrew Kipness of the China Journal, and is a frequent author.

And let me ask first Joyce and then Luigi to come up, and then we'll look forward to the Q&A afterwards.

MS. MAN: Okay. It's starting. Well, first I want to thank the Brookings Institute, the China Center, to invite me to, you know, participate in this much-needed and timely conference on middle class in China.

And well, I'm from Beijing. And since I've been stationed in Beijing to, you know, direct its Center with Peking University, and well, I'm, you know, from Lincoln Institute of Land Policy, which is based in Cambridge, Massachusetts, and we have -- like, you know, Brookings, we have a, you know, a research center there with Beijing University.

Now it's named as Peking University, and also I'm teaching there as well.

Well, I'm very happy being -- to be together with the political scientists, journalists, and also the sociologist to talk about China's middle class, particularly focusing on the housing policy and how about how big the China's middle class after housing reform and how this has been --

and also from an economics perspective, since I'm an economist by training.

Well, today, I want to talk about the definition of middle class, surely in literature but also in the paper I'm presenting here, and also talk about the income distribution in urban China not only, you know, across income groups, but also across regions. So China is big. That's showing.

And I also want to talk about who are the middle class in China, and what are their characteristics and how big they are, because I think that serves as the foundation for us to do some comparisons especially with the middle class and the United States.

And I also talk about home ownership and housing consumption since the housing reform in 1998 and talk about housing affordability. Those are the challenges facing the Chinese middle-class.

And talk about a major findings and conclusions.

First, I think well, I'll talk about the -- yeah, definition. Well, since, well, in the literature, there were all kinds of definitions in yesterday and today a lot of people talked about the definition of the middle class and from occupation, from education, being an economist, I like to use income and consumption as the, you know, way to differentiate people across different brackets.

So the Bristol said that for the middle income households should be those who are between 75 and 125 percent of median per capita income. That could be a reasonable way to do that, had I follow that definition when I discuss my paper; and also Cashew in 2007 estimates the middle-income size in the United States and talk about the

middle quintile, talk about the three middle quintiles, and then I also follow his way of definition to analyze China's middle class and its size.

And I well, sure of some economists try to define the middle class based upon consumption per capita and luckily I'm studying a huge data set which are composed of 600 thousand responses done by National Bureau of Statistics in China. So I think of the results should be compelling, and there are a lot of findings, so I'll talk more about my research.

First, I think in China, well, this is the data based upon called urban household survey data done in year 2007. I told you that well, about 600 cities have been surveyed across the country, and 600 thousand questionnaires and households were surveyed, and well, my research focused upon 256 big cities, called the prefecture-level cities. And then in this way, I can, you know, do some calculations based upon the samples.

This is showing that look at China's middle class by income. This is household income. So you can see that the lowest 10 percent up to the highest 10 percent there is a big, you know, a variation in terms of the total household income.

See the highest 10 percent income -- well, about 137,679 RMB, and how much it is as compared to the, you know, if converted to the U.S. dollar. If we use the current exchange rate, it's about \$20,247 dollars. But well, you know, well, purchasing power is different across China and the United States.

If we calculate the amount by the adjusting the PPP, which is the purchasing power parity, it's about \$60,000 U.S. dollars.

So 10 percent of its population household income approaching \$60,000. The middle income class by U.S. standards; yes, that belong to the middle-income class.

Later I'll talk more about this group as well, as the other groups.

So by income group, there is big variation. What about by region, by spatial, you know, distribution. There is big, you know, disparity as well. This is among the 256 cities you can see that the maximum household income is about 800 -- well, eight -- 800, well, we'll say \$80,000, and well, it's the minimum is about \$13,200.

So big variation, and it's not, you know, in the normal distribution. It varies from cities to cities.

So when we talk of middle class in China, we need to take into consideration of spatial differences, but also the cost of living. So the spatial differences across China needs to be considered when we analyze the middle class as well.

Well, what about the definition in this paper? I use for right now two definitions. One is definition A, stands for the households between the 50th and the 60th percentile in the income distribution. Cashew used that when he analyze the census data from U.S. This is usually viewed as narrowest approach of the middle class -- it's really in the middle -- the middle brackets.

And what about the more generous definition of middle class, which is about -- well, actually it's not -- more generous one is about the three middle quintiles. That means 60 percent in the middle it has been viewed as the middle class in China -- in the United States.

I'll do the comparison with China's definition. And another definition is definition B, stands for households between 75 and 125 percent of median per capita income. Some economists have been using that.

Well, based upon these two definitions, how big is the middle class in China and what are the characteristics of those middle class?

Table one shows this. Well, if definition A is the average age of the household head is about 41.5 years old and was dominantly male. And what definition B is close, 41.6 years old. So income is a yearly income, RMB, about \$14,232 that is adjusted by purchasing power parity.

And well, definition B also close to that range, and what about the housing consumption? On average, it's about 83.6 square meters per household. It's a pretty big size. Think about that. In 1978 before the economic reform, average household consumption of the housing is about 20 square meters. Now it's 83.6 square meters. Well, four times more than it was.

So, well, this also demonstrates that the Chinese families are living in a bigger house and a better quality.

Market value of housing. Aha. This is the housing reform shows that well, based on either of those definitions, it's close to \$100,000 U.S. dollars based on purchase power parity. They are no more poor as well thought; as I thought 22 years before I left China and after I went back. It's a totally different country.

And what expenditure, consumption? I calculate that. Well, if we calculate daily expenditure per person using the PPP measurement,

about \$10 per day. That is commonly used as the definition for middle class.

And number of households. Well, definition A, it's about 20 percent, and well, definition B is 26.7 percent.

Based on this definition, we have to say that there is profound evidence indicating that it -- that really exists a middle class in China, even if based upon international definitions and international standards.

Well, so why no one say, hey, the case one and case two. Case one tell -- talk about the 10 percent. I said well, 10 percent, you know, households who are earning income about 137,679 RMB, roughly 60,000 PPP, U.S. dollars.

So they are the middle class and well, if it's 10 percent of number of urban households, I estimated that in China about nearly 20 million households who are falling in the middle class category. And how many people altogether? At least 58.5 million people in China minimum have to say they fall in the middle class.

Well, the case two, I talk about the two definitions before. Say, hey, if it's bigger than that, we talk about, you know, middle quintiles and the definition B, which is 75 to 125 percent, the about 52 million Chinese households are falling in the middle class category and about 156 million urban residents who are middle class.

So it's a pretty big number. And all this based upon a huge number of households, about 250,000 observations in the sample. So, in general, you know, it's not affected by the small sample in some other research.

And well, let's do the comparison of middle class between U.S. and China. In this way, we say, hey, how the China is doing?

Well, household income, U.S., well, based upon definition, well, about 19,178 to 91,705. That's 60 percent three middle quintiles in the census distribution.

And with China, if based upon that amount, in China, well, say, about 30 percent falls in that category. That means 30 percent of Chinese households meet the standard of middle class based upon U.S. definition.

So, say, the -- in Chi -- U.S. 60 percent of them are middle class, but in China 30 percent are living in a similar, you know, standard, calculating (inaudible) use of PPP.

Percent of households in U.S. about 30 to 80 percent of all households -- I mean the 30 to 80 percentile, let's say, it's 60 percent. But in China, about 30 percent, and including the 10 highest, you know, percentile of urban households.

Share of the households? Sixty percent of all households in U.S. and in China 30 percent of urban households, because this data set is from the urban China, Urban Household Survey.

Number of households in U.S., about 68.6 million, but in China about 58.5 million. Total population are close to 178 million and or 176 million in China. They are almost the same.

That tells us in China there is a middle class of the similar size of U.S. middle class. So that's this pretty big. We are -- you know, comparing apple to apple.

And then what about their housing consumption? How well they are doing? What about their wealth distribution?

Well, because of housing reforms starting in 1998, in the past 11 years, a lot of people have experienced increasing their assets in their wealth, as Professor Zhou talked about from his own personal experience, being an economist, as, you know, analyze data to show that in China household -- we are talking about owner-occupied housing ownership rate, averages about 82.5 percent. Well, people know that what's the home ownership rate in U.S.? Roughly- roughly 67 percent.

So in China, home ownership -- we are talking about owner-occupied home ownership rate in China is -- which is higher than that in the United States.

Compare the middle class. Middle class definition A about 83.5 percent home ownership rate. Definition B, about 83.6 percent. A little bit higher than the all households, the median home ownership rate, which is 82.3 percent.

So the middle class is doing a little bit better than the entire observations.

Now average housing value for middle class, according to definition A, about 227 thousand Chinese yuan, which is RMB, and well, 228 based upon definition B. But well, entire household is about 281. That means the total assets for the middle class is a little bit smaller than entire sample size, largely because later you will see the distribution because the housing value of those high-income brackets well exceeds the size of the other -- you know, income brackets, income groups.

Because of time, so I go on to talk about housing affordability for middle class in urban China. And we'll calculate price to income ratio, and it ranges from 5.011 to 6.987. But all households it's about 5.21.

What does that mean? Well, according to the international standard, anything above five or 5.0 indicating that it's severely unaffordable. So in China, we say the housing is quite unaffordable for middle class and for all the households in China this is a big issue.

That's one of the reasons that we had the, you know, conference in Beijing, together with the Development Research Center, of State Council and also the Ministry of Construction to talk about low-income housing and the Chinese government try to invest heavily upon the public housing and state-owned housing.

Well, this is more detailed analysis, saying that the lower middle class and the upper middle class they all have some problem, especially lower middle class feel enormous pressure because of high rise in housing price.

What are the major findings and the conclusions? This paper attempts to study the characteristics of the middle class and its housing consumption in urban China and it uses the two definitions of the middle class using income approach and the middle class is defined either as the fifth and sixth percentiles of the household income or as the 75 percent to 125 percent of median per capita income for nearly 250,000 households in 2007 large sample of households survey.

So this is I think the only research done using such a large data set. So the size of middle class in urban China ranges from 19.5

million to 52 million households with an urban population between 58.5 million and 156 million.

And well, using the U.S. definition of middle class about 30 percent of all urban residents in the top income bracket distribution in a groups meets the U.S. middle class standard. It amounts to about, you know, about the 58.5 million households and about 176 million people in the urban area in China, same size as the middle class in the United States.

So evidence shows the existence of a middle class in China which is compatible to its urban counterparts in terms of its annual household income in the population size. (inaudible) the economists I'm not talking about its attitudes and, you know, the value, but in general based upon my observation having a large middle class in China is a good thing.

Maybe they are not asking for the change of political regime, but it is, you know, a stabilization factor and also pushing the China towards the civil society and more civil participation they talk about, more transparency, more, you know, freedom for the media and a lot of positive things, especially respect for property and the property rights; and fairness and justice. That's what I have observed.

So the, in general, the middle class is a positive phenomenon in China. And more sociologists may talk more about that, but I think the -- from the economist's perspective, I think that it's playing a positive role.

And well, if you are narrow and a random income approach is used to define the middle class on the definition A and the definition B,

this grouping urban China has the following characteristics. One is about in age 51, 52 years old. Those are the, you know, head of household, household head. And household size about 2.99, the average, medium about a three -- three per -- three people per household.

Annual household income about, you know, 32,700 in RMB, and the wealth is also very big. In general, they are the true middle class, no matter which definition we use -- income approach, consumption approach, or the U.S. standard. There is a middle class which is pretty big in China.

The owner-occupied home ownership rate in China reaches 82.3 percent in 2007. So that surprised me. It surprised my colleagues. It surprised almost a lot of people I know. That's a question I usually ask them: how many people own its own house in China, and nobody talk about this high range.

So this is true. And the middle class in China fares even a bit better with a home ownership rate as compared to the entire population, and its home ownership rate is also higher than a lot of developed countries.

So that may, you know, have some unique, you know, impact upon the, you know, characteristics and value in mobility of the middle class in China.

Average construction floor area of a dwelling also is much bigger, four times bigger than 30 years ago. So they are living in a good, good area. So crowedness is no more found in China in terms of the housing.

Medium price income ratio is pretty big, in the range of severely unaffordable, so it is a big challenge for Chinese government and also for the middle class, especially I think there may have enormous impact upon the future of middle class formation as Professor Zhou mentioned.

So this study definitely, you know, shows the picture and the size of middle class based upon the data sample I have had and will show more research needs to be done, but this is just one of the first few attempts we have been doing as a research institution located in China.

That is part of our mission, to enhance the understanding of Chinese urbanization, Chinese policy, and also providing a platform for scholars, experts, and government officials to talk about China-related policy issues.

Thank you very much.

(Applause.)

MS. MAN: Well, I extend the invitation to all of you to come to visit with me at Peking University. I -- my address is here and the email is here.

MR. TOMBA: Everybody's written that down? Can I? Shall I give you another few seconds?

MS. MAN: Sure.

MR. TOMBA: Okay. Before I get started, let me just thank the Thornton Center and Professor Lieberthal for having me here today. It's a great opportunity for me. It's also my first trip to Washington, so it's a good opportunity for me to see yet another part of this country.

The brief that I have been given is to talk about housing. And I thought in the spirit of trying to add something based on what I've been doing in recent years, I thought that it was a very good opportunity for me to deal with a different aspect of the issue of the middle class, which is mainly the practices of the middle class.

So what you will hear in this paper and what you will read if you will have the patience to actually get a copy of the paper and read the whole thing is not as much a definition or a commie you know, it's not about the limits of the middle class or about what the middle class is and what it -- what its income levels or its characteristics are, but rather the practices that are related to middle class.

The other part of the brief that I've been given is to only use 20 minutes, and the paper is notably long. So what I've -- the methods that I'm going to deliver this paper is you're going to see kind of a slideshow just behind me, which is only photographs from about six years of research in different cities in China. And then you're going to hear me read parts of the paper.

So by doing this, I hope the five minutes and two minutes signs will not be necessary. So when the slideshow is finished my 20 minutes are up.

So you can stop me anytime, if I don't notice.

That's it. So the paper is called the "Housing Effect." Much has happened around housing in China in recent years. As with all other aspects of social change, the relationship that Chinese citizens, especially urban citizens, have with housing has been drastically reformed. And I use that in quote.

Housing has been privatized. A large percentage of the employed population has been driven into owning some real estate, as we've just heard. Housing has become a sought after commodity, a living environment which has changed drastically from the gray, inexpensive and low-rise buildings inspired by Soviet functionalism to the expansive and large-scale private compounds inspired by the model of the Asian and Western middle classes.

Today, we often argue, housing has created more space, both measured in per capita square meters, 83 per household, and in opportunities for socialization, participation, and interest formation.

Changes in the physical space of the urban residential areas have been accompanied by an overhaul of social spaces and the emergence of new hierarchies and governance modes, by the emergence of conflicts, by the remaking of social relations and stratification.

Housing for many Chinese has not been simply a commodity. It has entailed a radical change in both their social and political environment, in their relationship among themselves, and with their state.

Argument on the effect of housing often originate from the widely held assumption, as it happened in other countries, mass private ownership of housing is one of the crucial engines behind the emergence of a middle-class, a group who's newly earned economic and social capital can be spent to produce either directly or indirectly political change.

Whether one agrees -- and we've heard many not agreeing today already -- with these assumptions are not, housing privatization has been having a major impact on China's society. In different parts of the

country, however, this impact appears substantially different, and is likely to affect structures of opportunities of social groups in very different ways.

Local experiences highlight the fragmentation within a newly formed propertied class in China, one that is especially segregated, opportunity-driven, and dependent on the local political, economic structures.

Reform policies have not led to more certain market-driven rules of social mobility, but rather have greatly increased variations depending on local conditions and the developmental models implemented by local elites.

My aim with this paper is not to provide a rather unlikely unified theory on the impact of China's housing boom on social change but rather to highlight through some of the different cases that I've recently studied how a picture of what I call the housing effect should consider the substantial variations and contradictions in the relationship between middle classes and housing in China.

These variations point to two important considerations that are crucial to our search for the middle class.

The first consideration is that the formation of new elites and new middle strata is a path-dependent one and often driven by policies. But the path is drawn largely on the basis of local conditions of state-society relations and on the specific nature of the local political economy.

These observations rather to a unified national project to engineering a middle class points to a localized engineering of the middle class or of a bourgeoisie that picks winners among the existing diverse

constituencies of the local political economies and is essentially dependent on economic opportunities.

The second consideration, the more speculative one, is that winners emerge inside vastly different structures of interests and opportunities, often in contradiction with one another, so suggesting that a unified middle-class based action towards certain goals of political and structural change in China were not necessarily be the result of the simple emergence of a better off class of urban citizens.

Housing-driven upward mobility favor different groups in different places. Some, for sure, were privileged by a bureaucratic background and a privileged access to resources. Some others, however, became unlikely winners who found themselves to be unexpected beneficiaries of the situation produced by the transformation of land and housing rights in their own locality.

The common denominator in housing careers remains, nonetheless, an ability to take advantage of one's organic position in the local political economy.

In this paper, I focus my analysis on three dimensions of the housing effect and on the arguments immersed around them.

For lack of better definitions, I will call these three parts of the effect the building effect; that is, the effect of the actual physical construction, ownership, and management of housing; the lifestyle effect, the effect of the different forms of residence on such issues as segregation, stratification, interest formation, and community; and the governing effect, the impact that housing is having on ways the Chinese population is governed and administered.

Unfortunately, due to the same limitation in terms of my brief and being brief, I will deal mainly with the building effect and then give you some conclusions on the more -- on the governance side of the equation. There are unfortunately no lifestyle for today.

During the reform period, permanent urban residents, professionals and public employees benefited from the combined effect of subsidized housing through such programs as economy housing, comfortable housing or the housing provident fund, and of -- and the original advantage of a cheap entry ticket, which is something Professor Zhou gave us a very clear example earlier into the housing market.

The housing policies of the urban administrations were aimed at producing a substantial number of homeowners through specific low-income subsidization schemes rather than at providing public housing for the less well-off, which is something that has been done in other places.

High rates of home ownership were a target consistent with other Asian urban experiences -- we know that Taiwan and Singapore have among the highest home ownership rates in the world -- and contributed substantially to link the provision of housing subsidies to the population that was traditionally registered as urban and employed in the public informal sector.

In -- let me give you three -- I will give you three examples of how this building effect works differently in different places.

In Beijing -- that's the first case -- where public employment is proverbially high and municipal control over land and planning was at its highest point during the 1990s, the link between housing privatization,

high rates of home ownership, and the formation of a professional middle-class was particularly clear.

Professionals and public sector employees were in the late '90s systematically favored in their hunger for property. The unwavering control of a land use rights made sure that the government strategy to redevelop the city facilitated private large projects and its expansion into suburbia. Large size gated communities for several thousand families, with private management and security, became the rule rather than the exception.

During my interviews in Beijing between 2002 and 2004, the role played by housing subsidization in the upward mobility of the new middle classes was evident. Housing careers had often been kick started by the subsidized acquisition of a work unit dwelling, again Professor Zhou's example, and by access to subsidies to buy a second or even third apartment or access to credit through the Housing Provident Fund, which was available only to public-sector employees or again through the use of the work unit apartment as a collateral in a mortgage agreement when state banks started offering loans more aggressively after 1998.

In this way, even multiple properties became a possibility, especially for those people who are within the system -- this is again something we've heard before (inaudible). Despite relatively low average income and salary, there would not have been enough to finance home ownership. Despite a low income, people managed to buy houses.

Beijing is probably among the clearest cases where the local state has utilized, among other things, housing policies to boost

consumption and build a broad-based, high-consuming, and professional middle-class.

Not in all cities, however, housing construction and middle class were so causally connected.

In Sheyang, which is my second case, a city affected by rapid and substantial industrial decline, the building effect was very different. Starved for cash and besieged by hundreds of thousands of unemployed from its once thriving state-owned heavy industrial plants, the local government had to strike a crucial balance. On one side, it could not simply evict the already angry and disgruntled unemployed from the central locations that all dwellings occupied.

On the other, the local (inaudible) also left with large welfare bills and was forced to make the most out of the only asset it had available locally -- land for real estate development in convenient locations.

The idea and practice of a middle class came to the rescue of the heaviest industrial districts. Tie Xi , for example, which you've seen a few pictures of -- from Tie Xi, a polluted worker district, is, in fact, currently been rebranded as the most unlikely of middle-class paradises after being perceived for decades as a living industrial hell by residents of Sheyang's other areas. The district government is now targeting a post industrial urban middle class of professionals and educated employees to fill the new real estate developments as gardens and high rises are rapidly replacing factories yards.

This change in economic strategy is producing a state-driven gentrification that also amounts to an all-out rebuilding of the district while the middle-aged unemployed are increasingly squeezed into smaller and

crowded residential areas managed by committees of low-level cadres and are chronically dependent on public welfare.

In Tie Xi middle class values contribute to maximizing the local state's return on land use rights. The dream of middle class quality and the idea of home ownership have become crucial to the project that all but annihilated the industrial heritage of Tie Xi, reduced to a few (inaudible) items of industrial heritage and raised the economic value of the area, one that resulted in little relief for the poor, but in a substantial boost for the government coffers.

Besides polarization, here the building effect is producing a clear-cut segregation based on living standards and a separation between the groups deemed residual in the new post-industrial city from those deemed advanced.

Here in a way somehow opposite to what had happened in Beijing the relationship between housing and the middle class was not about the state engineering of the middle class through the provision of housing. It was instead through the idea of the middle class that value was created for assets that the state controls.

This production of values made possible by the use of discourses that describe the educated, wealthy, successful, and high quality citizens as exemplary yardstick of civilization and modernization in opposition and contrast to both the backward peasant and the stubborn workers.

There are numerous examples of developers reconverting dumping grounds of previously inhospitable or highly polluted areas into middle class paradises, achieving in the process, of course, a net gain for

themselves or of local media, for example, mounting campaigns where the middle classes are seen as pioneers in the development of old and dilapidated parts of the city.

This value, in other words, is manifested not only in the higher prices that local governments can yield from land leases, but also in the fact that these groups appear as more organic to the civilization project that urbanization entails.

The third example is that once one steps away from more traditional and post-industrial, post-industrializing cities of China, the picture of the building effect changes again.

While the more traditional urban centers are shedding their industries or de-localizing them to newly urbanizing peripheries, industrialization is now affecting large areas of the countryside.

In Guangdong Province, for example, rapid industrialization has produced a great variety of local arrangements in housing. Different from most other places in China, the generally irresistible power of the state to redefine allocation of land has been challenged by traditional collective ownership of the cities -- sorry -- of the land.

This has not produced such unusual phenomena as villages in the city, the Cheng Zhun Cun , where villages have maintained rights over the urban land even after its redevelopment, but has also positively affected the upward social mobility among certain farmers.

Urbanization of the Pearl River Delta has come with an expected bonus for the traditional farmers, as industrialization has produced a substantial increase in both the value of the land they used to farm, and the value of the housing they built.

In traditional areas of the delta, agricultural village land is often reallocated to industrial production or to real estate projects driven -- or to real estate projects driven by the growing population of the area, with the local villagers reaping some of the advantages of economic growth not as much through new labor opportunities as through the renting of land and housing.

While land in urban areas is leased for 70 years to real estate developers who build gated communities, here township-level governments maintain control over building permits, and housing is mainly self-built, as only villagers are allowed to build new houses when their family conditions change.

Income from land leases also flows back into villagers' pockets through the systems of shareholding cooperatives built around a traditional village collective.

Considering the great number of migrants arriving in these new cities to work in factories, housing also provides villagers with the exclusive profits of a rental market while in other parts of the country farmers have been joining the armies of migrant workers.

The peculiar condition of the local political economy here in a time of rapid industrialization and urbanization is making it possible for some farmers to become a sort of local petty bourgeoisie. Marketization has favored position paradoxically while reinforced by the existence of both traditional and socialist norms over the proverbial innovation of market entrepreneurs.

Thus, there are -- thus, here the building effect is under different conditions producing a different type of middle-class if we can call

it a middle-class, one that is oddly enough the unexpected outcome of both industrialization and resilience of socialist collective practices that make local villagers beneficiaries of economic growth and urbanization.

In these three brief and by no means exhaustive cases -- I mean there are thousands of different other cases, which is why I'm going to highlight the variations that take place in China, building houses appears intrinsically connected with the emergence of new wealthy groups.

The building effect is, however, very different. In Beijing, the middle class is the result of the conscious engineering by the local bureaucracies aiming at producing through housing a new high-consuming and high-quality middle class.

In Shenyang, the middle class is used the marker of civilization that contributes to the rebranding of an old industrial city with immense social problems into a post-industrial city and in a profitable market for real estate.

In Guangdong again it is positional advantage and the resilience of traditional collective and lineage practices that turned local villagers into the unexpected winners in the process of industrialization.

Now as a way of kind of a conclusion, let me tell you something about what I call the governing effect, which I think -- I think there are two main ways in which housing and the remaking of the both the housing market and the space that is affecting governance in urban areas.

Two main ways: The first way, at a time where work units have lost control over territory -- sometime we can say there are no work

units, although some still remain, but they surely have lost control over territory and population -- a community-based governance has come into place.

There's no time to discuss it, but there are a few examples of how that works in terms of community and neighborhood committees in large cities in China. We can talk about that in the Q&A if you want.

But this system -- what is important about this system is that it facilitates the legibility of the city and of its local hierarchies.

By increasing segmentation and segregation between different social groups, it allows local states to put in place governance -- governing mechanisms that are substantially different depending on where people live. The same segregation sold by real estate companies as a characteristic of their compound's lifestyle becomes a useful tool to modulate the intensity of direct governing activities.

Secondly, the privatization of housing and of the services related to residency makes it possible for the Chinese state to govern through a number of agents, from real estate developers, management companies, security guards, Internet providers, and providers of other services, performing tasks that used to be carried out directly by state institutions.

These two processes cut to the heart of the relationship China's new homeowners entertain with the authoritarian state. The apparent liberalization of individual lifestyles and the corresponding withdrawal of the state from certain activities of direct governing does not materialize in less government, but rather in government through different means.

There is indeed a growing flexibility in the ways people are governed. In middle-class compounds of -- in the large cities the contact citizens maintained with the state are very limited and often mediated through private agents. The overall visibility of the state and of its institutions in daily activities of socialization remain generally very restricted. Here, residents hardly know the location, not to mention functions or composition of their community committees, the official -- well, it used to be called the Residents Committee.

While in older compounds, it is not uncommon that the community cadres play a central role among neighbors in conflict resolution -- social complaints or monitoring of social problems.

In Shenyang's working class compounds, where residents often depend on the wealth are distributed by community committees, both visibility and contact with the state are very high, with all daily activities and services at the level of the community still provided by the cadres.

Where private actors perform public functions, their relationship with the public actors can vary, but it is in general a very collaborative one. In some of Shenyang's middle class areas, the privately hired head of the management company is also the elected director of the state-controlled community committee, thus leading to the paradox of private employees performing public functions.

In the same way, it is not uncommon that private managers take upon themselves the role of implementing public campaigns inside the compounds. So the gated communities are sometimes accused of

being a safe haven for violations as in numerous reported infringements of the one-child policy among upper-class urban families.

This actual ability to avoid the daily interference of governing practices creates, indeed, a possibility for the middle-class and upper-class to buy some autonomy from the state. This autonomy, nonetheless, remains limited to the sphere of private behaviors and often spatially demarcated by the spaces under the control of the management company.

Housing reform and the reform of neighborhood institutions have contributed to a zoning of urban populations based on census and consumption ability, as opposed to the earlier cell-structured spatial patterns organized around the work unit. There's a different way of summing the city.

The outcome is a classification of society into those who are exemplars of modernity and can be trusted to govern themselves and those who need to be improved or governed. These latter include the low "su zhi", the low quality migrants and the downwardly mobile urban working class.

And I'm almost there. Let me just say a few things, final things, about what you're seeing here. This is -- this is Wan Jing . It's one of the main residential areas in northeast Beijing, and this is -- the red squares are all gated communities. This is just to give you an idea of how many and how separated from one another they are despite the fact that they're next to one another.

The form of the segregated community has, to use an (inaudible) word, specially concretized the rhetoric and practice of

separation employed in the strategies of middle-class positioning. In a recent study, Ira Ong refers to zoning technologies, politically planned enclosures, by which sovereign states can create and accommodate islands of distant government regimes within a broader landscape of normalized rule.

While her definition refers to special economic and administrative zones as exceptions to the general rule applied to the rest of China's sovereign territory, the enclosures created by gated spaces in urban areas might well be classified under the same category, as they lead to the application of different regimes of government to people living in different spaces.

Since these practices of segregation characterize large parts of the urban territory, however, I prefer to interpret them not simply as exceptions of -- to existing patterns of sovereignty, but rather as a technology to classify individuals and groups, resulting in different practices of government being applied to different people -- more or less autonomous, more or less reliable, more or less self-disciplined.

And that's all I wanted to say. I'm happy to take any question you have. I hope I was not too fast.

(Applause.)

MR. LIEBERTHAL: Is this -- this is live? You can hear back there? Yeah. Good. Okay. Fine.

Thank you very much for two very interesting papers. As you can see, the effects of housing affect community development and basic level organization, local ties to the state. The transition to significant ownership of private property gives people in the -- in private ownership

that was largely absent before, and, in fact, housing has become the serious repository of private wealth and an investment vehicle with an enormous impact on the overall economy.

So this is really a very rich issue area. We only have about 15 minutes before we have to wrap up this session, so I want to go right to the questions from the floor. And Cheng, you're the chair, so I'm going to let you go first.

MR. LI: Thanks. And I have a two-part question, primarily for --

MR. LIEBERTHAL: Cheng, would you please identify yourself?

MR. LI: Okay. Cheng Li with the China Center.

MR. LIEBERTHAL: Thank you.

MR. LI: Okay. Thank you. And primarily for Professor Man, but also Professor Tomba also welcome to comment.

The first part of the question is that your colleague at the Beida, one of the leading, most influential economists, Li Yiying, recently said that the definition of a middle-class is the family owns two housing properties, two housing units. That made him not famous, but just notorious among the Chinese public.

Now but my question is, you know, if that's the definition, what's the percentage of families in China? Do you have any data on that?

And the second part of the question is that, as we know, that a huge number, a significant number of the Chinese urban residents are

migrants and old people without a "hu kou." They are really the second class citizen. I assume that this number is not included in your data.

Now if you include this kind of, you know, with people without "hu kou" urban residents. Some of them lived there for a long time, so what's the percentage you would calculate?

MR. LIEBERTHAL: Could I actually amplify the first question just a bit, because it's something that I was kind of unclear about as I read your paper, which is there are a lot of urban Chinese who use acquisition of additional apartments as investment vehicles, especially given the lack of a property tax in China.

How is that covered in your data? Were you doing this strictly -- well, just tell me how is that covered in your data, because many of those residences aren't even occupied. They're just there as kind of savings accounts. So I wasn't sure whether that phenomenon affected the numerator or the denominator in a number of your calculations.

MS. MAN: Well, those are good questions. We did -- we do have the data, and well, it's for the -- we have the (inaudible) choices. Okay? Well, since well, because of the time and I haven't talked too much about that.

Well, most people got their house from the privatization, at the 30-some percent. In terms of second house, well, I mean the person who owns more than one unit, roughly about a seven percent; yes, seven percent of the urban households have the two houses.

And well, interesting is that in China, well, some people, you know, have to rent a house for their own consumption, because they want to be closer to their kids' school and because, well, in China, it's, you

know, really by the -- not by the neighborhood they're living, but by choices.

And then they either rent its own apartment or just leave it vacant. That's also the area but want to study more to talk about the vacancy of the houses in China in the housing stock. The research I have done is the housing stock, I mean total houses there, not about new construction. Yes, that's a good question.

The -- also in the data set it does not include those informal housing. Well, for some people -- well, this data set is say you can -- they surveyed the people, and it underestimated the number of the high-income people because they said or they don't refuse to answer questions.

But for the houses which are lived by the people who are migrants, it's included in the data set. It's based upon the formal -- whether the house is informal or not. That means well, if the peasants in the countryside or in the fringe of the city on a house -- that type of houses are not included in my data set. But the people who are urbanized, who are migrants living city, they are included. Yes.

MR. TOMBA: Well, maybe one thing to be said about this is it also depends how you define the household, because, it's, you know, individual -- let's say, you know, a single family is one thing, but the extended household might have more availability of housing, and sometimes that's what makes the difference, you know, is (inaudible) have availability of a house that you can use as a collateral because your father has it or because your mother has it.

MR. LIEBERTHAL: In the back. Yes, sir? Yes.

MR. GRINDSTAFF: My name is Hugh Grindstaff and the May of 2008 National Geographic did an article on China, and inside the article in Shenyang you see a housing development you could put down in Montgomery County. You also see the hutongs and in Chongqing you see high rises for people to live in.

But recently at Meridian International Center there was an art exhibit, and it was a drawing of a skyscraper and people living in skyscrapers from about the 12th floor. The reflection in one window was the '50s and '60s Russian-type government buildings, and the other one was the streets, and it seemed like there was no connection at all to the soul of China. These buildings are going up and people are being put in them, but on the table, coffee table, was a few bricks of the old hutong, where people had lived before.

So the artist did make a connection between the soul of China and the old days and how are people and their families existing in these houses whereas before you would have families in one unit? And?

MR. TOMBA: Yeah. I mean it's a good point. I don't know if you can hear me, but anyway, I'll keep it like that.

The question of -- you know, there's always this tension between some people saying all of the type of housing to go up in China these days look like Hong Kong or they look like the West were they even get names from the West, and then those who say, well, but at the end of the day, the idea of a gated place is something that is quite quintessentially Chinese.

I don't agree with either. I mean I think there's a little bit of each of the two. What is happening is that the idea of a lifestyle is not

something that people create by themselves. When they go into a housing compound, they buy a house in a housing compound to the (inaudible) apartment in a housing compound, they also buy the lifestyle. And this is quite clearly -- there's much stronger a feeling of actually buying into a certain type of lifestyle when you buy in China than when you buy elsewhere.

You know, if you're -- in other parts of the world, the lifestyle is something that is defined by the people who live in the community. In China, you buy into a lifestyle. Some real estate developers even patented their lifestyle, their sheng huo fengshi, which is quite extraordinary if you think about it.

But this is exactly the point: you know, it's just a part of the product -- and because there is no self construction, people do not build their own houses; they buy into something huge, which has been built by someone else -- this is one of those things where I say, for example, that there is no such thing as a new taste emerging from the emergence of these new lifestyles, because these new styles are very much decided by the developers.

So that doesn't go too far to responding to your question, but I think there is an interest by the Chinese middle class to actually develop a, you know, a housing with China's characteristics, if you want, but there's also a lot of difficulties because they have to deal with what's on the market.

MR. LIEBERTHAL: Yes, sir. Here.

SPEAKER: Sir, a visiting scholar from SAIS, John Hopkins University.

A question to Professor Man. So we are so excited, you know, the number of the middle class of China as the owners and the same as the United States, but I think, you know, it's a ridiculous point. Why? Because, you know, the American hold -- American hold the house, but also they hold the land. You understand? So they buy the house -- the land also they own the land. But the Chinese people they buy the house. The land -- the lease -- the term of the land lease only is 70 years.

So the Chinese people will take the risk of the devalue of the currency. So how do you figure out this kind this kind of issue? Thank you.

MS. MAN: Well, I have to say it's not ridiculous. Think about Hong Kong. The land belonged to Crown in Britain or the land belonged to Crown to the national, you know, national owned land. I recently bought a house. I don't think that it affects my lifestyle or my, you know, wellbeing, and why I own the house for 50 years or 60 years. Eventually, they are talking about privatization or talk about unconditional renewal of the ownership of the land. It won't affect the middle class were the assessment or evaluation of the middle class in China.

MR. LIEBERTHAL: Yes, sir. Back here.

MR. CHEN: Yeah. Ji Chen from Old Dominion University. I have two questions. One is for Professor Man; the other is for Professor Tomba.

The question for Professor Man is about democratic support among middle-class. In your presentation, particularly toward the end of your presentation, you sounded very optimistic about the democratic

support among -- within the middle class. I'm wondering if you have any empirical evidence from your data to support your optimism. Okay.

And the question for Professor Tomba is about local governance. You briefly touched the local governance in the context of housing development or reform in the housing system. So could you please shed some light on the role of the residential community or I mean community residential committee. I don't which order we should put this three words. You know that zhu wei hui; the role of the zhu wei hui in conjunction with association of owners or ye wei hui. Thank you.

MS. MAN: Well, I first to answer the question, I'm not a political scientist but will just based on my observations, not on the empirical analysis, is that well, the, you know, the positive aspect of having a middle class can be defined in various ways and well, that, well, not, well, asking for the change of regime or political regime. It can be something else like, you know, personal freedom. The middle class is asking for the individual freedom, personal freedom, and with the property rights, the transparency in policy, civil participation, and these days you can see that.

The government cannot cover up a lot of bad things as they used to be, largely because of the demand from people, from, you know, we say the Internet of people -- they use -- Internet users sometimes can communicate directly with the government agencies that have enormous impact upon the policy.

I'm quite optimistic. I think moving towards a right direction.

MR. TOMBA: Yeah. The -- it's a long story. I mean it's relatively simple, if you want to simplify the residential, the zhu wei hui, the

residence committees. They've been around from the '50s and they've recently.

SPEAKER: We can't hear you.

MR. TOMBA: Sorry. They're saying -- okay, let's do this. They've been around since the '50s and what has changed at the end of the '90s in particular from 2000 is that most of these places have been revamped in particular because there has been a transition in terms of governance from the role played originally by the work units, and with the collapse of the work units the new governance system on the ground have to be residence-based or community-based, and then made necessary to use the structures that were already in place and to expand them.

What is significant to my argument in this case is that residence committees are very powerful in certain places, in places where the government needs to maintain social stability or where there is a -- there are a number of services that need to be provided to people, and they're much less important in other areas, in particular in areas that already have someone else taking care of them, which is, you know, a sentence you hear a lot in China.

So gated communities where you do have the management company. You have -- where people have a much higher income, and they, you know, they know how to deal with themselves. They restrain themselves. They don't make trouble unless they have their specific interests are touched. They can govern themselves in a way.

You know this whole idea of "ze zhi," the govern -- you know, self-governance which is behind the whole community restructuring, then you see that the community committees have much less impact. In fact,

they don't even get inside the gated communities. They don't get inside the private compounds despite the fact that they do have jurisdiction over those compounds as well.

So to my argument that in a way reveals the fact that the government is still governing as much as it used to -- it's not really withdrawing completely. But in some places it allows itself to govern through other agents, in this case, private agents. Whereas, in areas where people still need to be dependent on the state, the community committee is still embodying the presence and the visibility of the state.

MR. LIEBERTHAL: I'm afraid we're just about out of time. I cannot resist, though, taking one minute to ask -- it's a complicated question. I hope I can get a real, just short take answer to it.

And that is about the contradiction between your data on housing ownership, 80-some odd percent privately owned.

MS. MAN: Yeah.

MR. LIEBERTHAL: We know separately that people tend to go less into debt to buy housing in China than they do in the United States by quite a bit; right? I mean there's a much larger cash component to that.

I have been told at least that mortgage default rates are relatively low in China.

MS. MAN: That's true.

MR. LIEBERTHAL: And yet, you note that Chinese housing is "severely unaffordable" --

MS. MAN: Mm-hmm.

MR. LIEBERTHAL: -- by comparison to the U.S.

If it's so unaffordable, how come so many people can afford it?

MS. MAN: Good question. That's true. For sounds like contradictory, but it's true. It's called -- it happened in China. One is well, Chinese culture, because when someone buys a house, their parents, you know, spend -- well, give a lot of money. It might be like my driver, his parents actually paid for the down payment for them, for the family.

And that's one thing.

Second I think well, China is so far the value of the housing has been increasing over time, so it won't deter people from buying a house because they expect that it will be more valuable. Professor Zhou is here. Bought a houses and they become more valuable.

And that's the way for them to actually hedge against inflation. So demand for housing has been very high.

MR. LIEBERTHAL: Well, before I moved here this summer, I had the same expectation.

This is obviously an extremely rich topic that really deserves a lot of work, and you've gotten this off to -- with just a great overview on exploration of various dimensions of it, so we reconvene in 10 minutes.

But before then, please join in me thanking both (inaudible).

(Applause.)

MR. WILDER: I'm Dennis Wilder, visiting fellow here at the China Center at Brookings. I congratulate you all on being the true academics, the ones who really care about this topic. There will be extra gifts for you at the end of the session.

Actually, having read the papers of our next three presenters, you are in for a very good session this afternoon. Jim Fallows this afternoon, of course, gave you an anecdotal look at the values, world view, and political participation of the emerging middle class, but this is a group of scholars who have really done the research, have really looked at what these values are of the newly emerging middle class, and I think will really help to round out our discussion.

We've decided to go in the following order: Professor Sida Liu of the University of Wisconsin will speak first. He will give you a presentation on the views of Chinese lawyers, which I must say, disappointingly, are very similar to the views of lawyers around the world, which is to say very self-serving, but he can explain better than I can. Dr. Jie Chen of Old Dominion University is going to give you a detailed analysis of the emerging middle class views on democracy. And finally, Dr. Bruce Dickson of George Washington University will assess for us the symbiotic relationship that has developed between the private entrepreneurs and the Chinese state.

Dr. Liu?

DR. LIU: Thank you, Dennis, for the nice introduction of the panel. I'm a sociologist of law and I do empirical research on the legal profession in China.

We talked a lot about class today and though I come from a sociological tradition that does not really think of society in terms of class, but more in terms of occupations. The reason is that the boundaries of social classes are often ambiguous and they're constantly changing. So, if you think of the society in terms of class, especially for a concept like the

middle class, it's not a concept indigenous to the Chinese society. It's more like a foreign concept adopted by social scientists, by research and observers, on certain populations in China.

So, I think if we do that, we do those general analyses based on those abstract concepts of the middle class, it might not be as meaningful as, you know, to do those concrete studies on those occupations that social groups that constitute the so-called middle class.

So, what I'm presenting today is a paper I co-authored with Ethan Michaels, my long-time collaborator, on the Chinese lawyers. And, of course, before I go into the paper, I must acknowledge that although we designed -- both Ethan and I designed the survey and conducted the survey together, Ethan did all the statistical analysis and he wrote the entire first draft, so I'm here to present the results. So that's our division of labor. From my point of view, it's a very good division of labor.

So, what I will do is like I would talk about those relevant findings on the issue of political values of the Chinese lawyers without going too much into the technical details of the analysis.

So, of course, talk about the issue of lawyers and the middle class the first question was the obvious question, are lawyers part of the middle class? Well, if you define the middle class by their income and economic status, generally, yes, lawyers belong to the middle class. If you look at the median income of Chinese lawyers from our survey and some previous surveys on the legal profession in China, the median income for Chinese lawyers is about 80,000 to 100,000 yuan per year, annually, so kind of fall into the middle class category no matter how you define it. But at the

same time, we must realize that the range of lawyer's income are extremely large.

So, in China we have lawyers who make more than 10 million, 20 million yuan every year, so most of those people all work in a few nice office buildings in either the Guo Mao CBD area in Beijing or in the Pudong and Nanjing Lu area in Shanghai. So, you know, it's very easy to find them. But at the same time, you also find a lot of lawyers, especially lawyers working in the Western China and in the rural areas, they actually -- there are many lawyers making less than 50,000 yuan or even less than 10,000 yuan every year.

The most extraordinary story I heard about lawyers in those areas during my field work in China a few years ago is from a journalist who used to work for the Chinese lawyer's magazine, which is the official magazine of the All China Lawyers Association. So, the journalist told me while he was interviewing some lawyers in Qinghai province, that's the province next to Tibet, a lot of Tibetan regions. So he went to a Tibet autonomous area in the province of Zang Du Zizhi Zhou and it's a huge area.

It's definitely larger than Maryland or Virginia, but the entire area has only two lawyers. Both are men, one in his fifties another in his thirties. So the moment when the journalist gets to those two lawyers' offices and the moment those two strong and tough men saw the journalist, they started to cry and they told the journalist, there's never anybody from Beijing really came down to the place to visit us. And then they started to tell the journalist all about their work and their stories and they told the journalist, you know, sometimes because the population is kind of so scattered around

the area, so sometimes when they do their cases they ride a horse across the desert sometimes for six and seven hours and, you know, they don't see anybody for six and seven hours. So what they do is they just sing to themselves just to keep themselves awake. And when they do cases, people don't pay them money, people pay them vegetables and eggs and that's their lawyer fees.

So, I think if you ask those two lawyers, you know, are you part of the middle class, it's such a bizarre question. I don't think anybody with basic social science training would ask that question.

So the point I want to make here is that, you know, many people think by definition as part of the legal profession, as lawyers, you belong to middle class. In general, yes. In China, as elsewhere, the majority of lawyers actually fall into the category of the middle class, but there is also a substantive proportion of Chinese lawyer outside of the category no matter where you draw the boundary of the middle class. So that's how you define a middle class, by economic status.

But, of course, there are some other ways to define the middle class. One way is to define middle class by their political values, which is the focus of this panel. So if you define middle class by political values, they're -- you know, it's more complicated. There are different hypotheses about what is the political value of middle class. There's a liberal hypothesis arguing that middle class generally prefers democracy, post-material values, and the global culture. And there are also a lot of cross-national study on the legal profession studying the legal profession's political ideologies, but more focused on the so-called political liberalism and they argue that lawyer's political values are basically they're fighting for political liberalism

defined as the modern state, the civil society, and the citizen's basic legal rights. So that's the liberal hypothesis.

And, of course, there are also the conservative hypotheses of arguing that middle class is politically conservative and the privileged economic rights over political rights.

Professor Zhou in the morning used a nice concept of the political rear guard, say middle classes, the political rear guard of a society, so that's the general argument about middle class.

So if you look at lawyers, of course, both Ethan and I, in our previous research, we find that Chinese lawyers in their work, like, you know, private entrepreneurs to some extent, they pretty much depend on the state and the judicial apparatus for their basic survival and economic success, so that the lawyers who are more embedded in the political system have more connections with the state, they are doing better in their work. So that's the conservative hypothesis.

So, of course, to test those hypotheses, we use some of the survey data from a survey we did very recently this summer. So it's called the China Legal Environment Survey. Ethan and I, we designed the survey in June, about three months ago, and then because at that time we were already invited to this conference, so we, on purpose, you know, we put in some questions about political values of lawyers into the survey. And then we launched the survey on July 3rd, and then once in a while we sent a few reminders to the lawyers. So, we did the survey entirely on the Internet. We collected e-mail addresses from four lawyers' professional websites, all together probably around 20,000 e-mail addresses. Of course, some lawyers had multiple addresses and because both Ethan and I have done

research in this area for at least several years, so we have a certain reputation in the lawyer community in China, so we got a pretty good response rate. Eventually we got over 2,000 respondents from every province and 242 cities in China. So you can see from this Google map the distribution of the respondents.

And among those respondents, there are more than 1,000 full-time licensed lawyers and, of course, there are also a lot of people who are not licensed lawyers, but who are law students, judges, prosecutors, or, you know, in-house counsel or other part of the legal system.

So, of course, many people will say that, you know, are the data really representative, right, because usually Internet surveys are considered unreliable by social science standard. So to test this, we actually tested the representatives of the survey data by looking at the geographic distribution of our survey sample and the official population of full-time lawyers in China in 2005, and the correlation is extremely high. You can see here it's almost an entire linear relationship. The only big outlier is Xinjiang. Xinjiang actually has a pretty good size of lawyer population, but they are an underrepresented sample for obvious reason: because we launched the survey on July the 3rd and, two days later, the riot happened, so all Internet access was blocked from Xinjiang and we still got three respondents from the province. But, you know, compared to other places, it's a little underrepresented. But in general, I think we are very confident about the representativeness of our data to the true lawyer population.

So, how did we measure lawyers' political values? We basically used two or three measures. The first measure is we asked the question, lawyers are inclined to want political reform, asking lawyers if

they agree or disagree or strongly agree, so that measures the perceived prevalence of lawyer support for political reform. And second measure is a little more complicated. We measured the extent to which political rights should trump economic rights; basically, how lawyers see those political rights and economic rights. We used three items to measure the political rights: first is civil rights protect peoples' liberty against oppression, and second is people choose their leaders in free elections, and third is people can change the laws in referendums. So those are the three questions we asked lawyers about their views on political rights.

And for economic rights, also another three items. First, does the government tax the rich and subsidize the poor? Second, people receive state aid for unemployment, and the third is the economy is booming, is prospering. So, what we did, we combined them into one variable that really measures their views of political rights versus economic rights. That's the second measure we used.

And the third measure we used is we asked to what extent lawyers democratic aspirations are fulfilled. So we asked their perceptions on the current level of democracy and the importance of democracy and then we compared them and see how much is the difference. So those are the measures.

So, the findings, as Dennis said, like everywhere else, lawyers are -- we find that their political values are extremely liberal compared to the general population in China, the Internet users -- and also, I will also talk about that with other members of the legal system. You can see we basically compare all our survey results with the world value survey, the famous Inglehart World Value Survey. You can see

lawyer's political values, no matter on the issue of political rights versus economic rights, or on the issue of the extent to which democratic aspiration are fulfilled, are way much higher than -- or way much lower in this case than the general population in China or even Internet users because we did the survey on the Internet.

And at the same time, if you compare lawyers' political values with other members of the legal complex or the legal system, you can see the only other actor in the legal system that has even more liberal values than lawyers is the law faculty, law professors in China. Even law student, you know, they don't have so much liberal values than lawyers. And, of course, also, if you're a judge, prosecutor, legal consultant, or in-house counsel, or work in a government agency, they tend to report a little more conservative value than the legal profession.

So the result is very clear. You know, lawyers are -- have extremely liberal values even in China. But then the question is why lawyers' political values are so extremely liberal compared to the general population in China. That's the puzzle we want to explain. So our finding from the survey and also from our previous research, more qualitative research, is actually a lot of lawyers' political values was not just given by their education or by their personal beliefs, but more by their practice, by the difficulties in their practice, their vulnerabilities in practice.

So we distinguish between two kinds of vulnerabilities, the economic vulnerability and the political institutional vulnerabilities. By economic vulnerabilities we mean lawyers' relationship vis-à-vis the clients and the law firms. So, in China, many lawyers have trouble collecting fees from the clients. Very few Chinese lawyers or law firms actually charge on

an hourly basis as usually lawyers here usually do. Instead they charge the clients usually by their case or by the project. So it's fairly easy for the client to refuse to pay the lawyer fee if they're unsatisfied with the service. So that's the vulnerability with clients.

For the vulnerability risk vis-à-vis the law firms, although until very recently most lawyers in China are required to join an law firm, they cannot do solo practice, but, in fact, the majority, the vast majority of Chinese lawyers are de facto solo practitioners, meaning that the only link between lawyers and the firm is that in Chinese it's called "ti cheng" or kind of a commission-based fee system. They pay a -- they do a case, they pay a certain percentage of the fees to the law firm, and that's the only connection. They receive no insurance, no benefits, even no office space from the law firm. That's the very prevalent situation for the vast majority of Chinese lawyers. Only in the -- in some cities, in those corporate law firms that make a lot of money, but they only account for maybe like 2 or 3 percent of the Chinese lawyer population you find really the firm providing a lot for lawyers, so that's the vulnerability vis-à-vis law firms.

So, the institutional vulnerability, basically what we mean is the lawyer's relationship vis-à-vis the state and especially the traditional agencies. And it's widely known that in criminal defense work, lawyers face all kinds of difficulties and danger. They have difficulties in meeting the suspect, in accessing case files, in collecting evidence. And if they collect evidence contradictory to the evidence of the prosecutors, they could be arrested or prosecuted.

But even in civil and commercial work, the interference and obstructions from the government agencies is fairly common. Lawyers

report a lot about this, both in the survey and in our previous interviews. So that's what we mean by institutional vulnerabilities.

So how do those vulnerabilities influence lawyers' political values? So I'll show you some survey results which is very striking. So, if you look at economic vulnerability -- so, whether or not lawyers work independently or at a firm, those lawyers who work independently of their law firm, basically, they're de facto solo practitioners. They -- you know, they are, on the three measures we have on political values, they're way more liberal than the lawyers who have a real firm affiliation. And similarly if you look at whether or not lawyers' lack of perks and benefits from the law firm and from clients, you see that those lawyers, you know, who are unsatisfied with the firm's Social Security benefits are significantly more liberal in their values than those lawyers who receive more benefits from their law firm. So those are economic vulnerability.

So if you look at institutional vulnerability versus the state, those lawyers who have more negative assessments of the institutional environment, meaning their interaction with the state are also more politically liberal than those lawyers who are more positive about the institutional environment. That's the general perception.

If you look at their concrete experience in the workplace, it's the same thing. Those who report more sources of obstructionism in the past year from state agencies, they are far more liberal than those lawyers who report fewer sources of obstructionism.

So, of course, those are the correlations. And we also tested those by multivariate regression and the pattern is basically the same. The

low vulnerability lawyers are far less liberal than the high vulnerability lawyers in our sample.

So, to quickly conclude, the take home message in terms of lawyers' values is very simple. Chinese lawyers' political values are extremely liberal similar to other places, but, more importantly, those liberal values actually came from their vulnerabilities in their workplace, in their practice, and including the marginal status in the legal and political systems, the weak protection from law firms, Bar Association, and the justice bureaus, and also from the insufficient income and trust from clients. So it's really those difficulties and vulnerabilities that generate lawyers' support for political freedoms and for liberalism.

And the last point I want to make before I stop is that although lawyers' political values are extremely high, it's kind of different from a lot of other middle class groups. But there's, at the same time, also a huge gap between, you know, what they think and what they actually can do. So, if you think about it, lawyers in China face a lot of institutional constraints. You know, it's a highly stratified occupation composed of a lot of independent individual practitioners and most of them are dependent on the state for their survival and economic success. At the same time, the Chinese legal profession also has a very high attrition rate, meaning that those lawyers who are politically liberal, because they are more unsatisfied with their environment, they also have higher vulnerability in their work, they're more likely to exit the bar. I mean, this could happen. It could both -- by state sanction, like we see a lot of news on the media, some lawyers are arrested, you know, disbarred, but also in more situations, just by their voluntary choice. They just choose to exit the bar.

And finally, of course, because after the privatization of lawyers, lawyers are now completely outside of the state and so they have very limited resources for their political mobilization and collective action. So it's from my point of view, in the short term, is highly that lawyers would actually become a driving force for political change in China although many of them do have, you know, extremely liberal political value. I'll stop here. Thank you very much. (Applause)

MR. CHEN: Okay. Well, we're working on PowerPoint presentation. We got it.

First of all, I would like to thank Professor Cheng Li and also Professor Ken Lieberthal for their invitation extended to me to participate in this very important discussion, very exciting, timely discussion.

I'm going to talk about the orientation of the middle class toward democracy. This title is too long. I'll give you a shorthand title. All right, let's move on because of time constraints.

First of all, I would like to talk about the problem and the purpose for this paper. The problem for this paper to address basically is twofold. First of all, based on my literature review, my study of middle class, I have found that there's no clear consensus among -- I mean, over the orientation of middle class toward democracy in developing countries.

Secondly, there are no studies done based on representative samples of middle class individuals in the developing country, no such studies in communist party root developing countries such as China. So, this is the critical problem for this party to address.

In order to address this problem, the paper -- the fundamental purpose of this paper is to answer the following three questions. The first

question is, does the middle class in China support democracy and democratization? Actually, I believe the panelists have struggled with this question for one and a half days. I hope my presentation can put our discussion to an end. I'm sorry. Kidding.

Okay. The second question is, so why does or does not the social class support democracy?

And finally, what are the theoretical implications of our findings for the level of the sources of the middle classes democratic supports in the developing country? Or "late developing countries," which is the term I used in this paper.

Before I answer these three questions, let me introduce the data on which this study is based. The data for this study is derived from a regional survey. This survey was conducted in three locations: Beijing, Chengdu and Xi'an. I chose these three cities because these three cities represent three different levels of economic development. Beijing represents the high level of economic development while Chengdu and Xi'an, respectively, represent middle and lower levels of economic development.

This survey was conducted in December 2006 and January 2007. Let's look at the sample size. The sample size is 3,600 household -- I mean, respondents in these 3 cities. The response rate is 8 percent or 3,166 respondents successfully answered the questions in our questionnaire. Also, I would like to shed some light about the middle class within the sample. In this sample, middle class respondents account for 23 percent or 739 respondents and within this middle class group, about 60 percent of them belong to state sectors. Later I'm going to explain that.

Okay, here's the data set. Now let's take a look at the theoretical context. In general we can define the two existing theoretical approaches to the study of democratic support among middle class. One theoretical approach, I call this approach a "unilinear approach." This approach, theoretic approach, argues that there's a linear relationship between the modernization and the democratization and, furthermore, that there are linear causal links among these three factors of modernization, middle class, and democratization. Put simply, these linear links go as like modernization produces a middle class, that middle class, because of its own self interest, naturally supports democracy or democratization, and finally, this theoretic approach has been largely supported by the evidence from clearly industrialized countries or western countries.

Another theoretic approach I call a contingent approach. This theoretic approach argues that the relationship between the modernization and the democratization is a dynamic. There's no linear pattern between these two factors, and that the middle class's support of a democracy are basically contingent on several social-political and social-economic factors such as -- it's a dependence on the state, social-economic wellbeing, it's alliance with other social classes and its own class cohesiveness and the class fear of instability.

And also, this theoretic approach has been supported by the empirical evidence mainly from developing countries or late developers.

Okay, which theoretic approach is more applicable to China or to my study of Chinese middle class in terms of its democratic support? Between those two theoretic approaches, I chose the latter one, the contingent approach, because China resembles more developing

countries or late developers than developed countries or early industrializers. Based on this conviction, I developed a central hypothesis for my study. The central hypothesis reads: Democratic support of the Chinese middle class is contingent upon some salient social-political and social-economic conditions such as a relationship with a current party state and its social-economic well-being.

Before I move on to test this hypothesis, I think I'm obligated to define middle class. Again, we have struggled for one and a half days. I hope from now on we don't need to talk about that. Okay, there are basically three theoretical approaches to the definition of middle class or class in general. One theoretical approach I call it subjective approach. According to this theoretic approach, the classes or middle class, should be identified according to individual beliefs namely an individual can decide whether he or she belongs to this social class. The basic theoretic approach argues such a psychological attachment to one class or another has a significant impact on their political action and political attitudes.

The other theoretic approach I call an objective approach. According to this approach social class or middle class should be defined according to objective indicators such as income, education, and occupation. Within this particular theoretic approach you can also find two branches or sub-approaches. One is, I call, a quantitative branch. The other is a qualitative branch. The quantity approach argues that the middle class should be identified and defined according to quantitative index of income, education, and occupation. Particularly, this theoretical approach, or this branch, gives a lot of emphasis on income as we have already seen from other panelists -- presentations by other panelists.

The qualitative branch argues that from class, or middle class should be defined mainly by qualitative attributes, particularly occupations.

For this study, I choose objective branch first to identify -- to the definition or identification of middle class. There are two reasons that I chose this particularly theoretic approach, objective approach, to identify middle class. The first reason is that this objective approach is not visible in China or not visible to identify middle class in China because this objective approach requires a long term socialization of one social group or another. Since the Chinese middle class has just emerged, say, at the longest maybe 20 years or 15 years, so this timeframe is still too short for the social class -- for this particular social class to crystallize the so-called class consciousness. Therefore, subjective approach is not applicable and not feasible.

On the other hand, I think an objective approach is feasible, at least in China for the time being, because you use objective indicators, then objective indicators more or less kind of -- are less problematic and draws less argument -- fewer arguments, I'm sorry.

All right, so I chose the objective approach. As I just mentioned in this branch there are -- I mean, I chose the objective approach. As I mentioned in this approach there are two branches. Which branch did I chose? I chose qualitative branch of objective approach. Two reasons. First, the qualitative branch, which emphasizes income as an indicator, is not really consistent, particularly the qualitative indicator such as income varies from region to region as some of the panelists already indicated.

Then on the other hand, the qualitative branch or the indicators of the qualitative branch is more consistent across regions in China, for example occupations, okay? The occupations in one area or one type of occupation in one area should be similar or the same to the occupation in another area. And also I believe occupations have a very strong comparative value even across countries.

So in other words, for example, if you're a computer programmer in China, probably you're doing -- very likely you're doing the same job as a computer programmer in India or the United States. And probably you have the same or very similar social status or economic status in your own society in comparison with other social classes.

All right. According to the qualitative branch of the objective approach identified the following one, two, three groups, or three categories of respondents in our survey as middle class. And in each category I list specific professions -- occupations. Fortunately, lawyer is in one category, so I can support Professor Liu's definition of middle class, particularly in terms of the lawyer.

All right. According to this definition under the identification of the middle class in my survey, in this particular survey we found 23 percent of the respondents belonged to the middle class. Again, I would like to note this survey was conducted in three major cities, not in rural areas. Okay. Or nationwide.

So, before I tested the hypothesis, the central hypothesis of which I just mentioned, I should also define democratic support. How can I define democratic support? I define democratic support along the

following four dimensions according to the theoretical and the empirical studies conducted in Chinese and in non-Chinese settings.

The first dimension is about individual rights' consciousness which refers to the degree to which citizens are willing to assert individual rights for themselves.

The second dimension is about evaluation of political liberty vis-à-vis social order. So this dimension refers to support for the rights to demonstrate and organize for political purpose.

The third dimension is about support for participatory norm which refers to individuals' willingness to act politically in order to exercise political rights.

And the final dimension is about support for competitive election. Here the competitive election refers to -- or support for competitive election refers to support for multi-candidate and -- I put emphasis on the word "and" -- and a multiparty election.

All right. Now I would like to show you the results of these four dimensions. When I show you the results of these four dimensions, I want to do this in comparison between the middle class and a non-middle class group. The results for the first dimension indicate that both middle class and the non-middle class respondents are equally supportive of individual rights. For example, right to work, right to religious liberty, and freedom of consciousness, which is the last item.

Okay, the results for the second dimension evaluation of political liberty, here we see the difference between the middle class and the non-middle class. So in general, the middle class respondents in this

survey were less supportive of this particular democratic dimension, evaluation of political liberty.

All right. The results of the third dimension, support for participatory norm, okay, here we see the difference again. Middle class respondents were less supportive of this particular democratic dimension than non-middle class respondents.

Finally, the results of support for competitive election. Now, for this category, we have a mixed picture. Middle classes support multi-candidate. Middle class and non-middle class respondents are equally supportive of multi-candidate elections, but, on the other hand, the middle class, okay, are less supportive of a multiparty election than non-middle class respondents. Keep this difference in mind.

Okay, now I would like to test two working hypotheses derived from the central hypotheses which I mentioned in the beginning of the presentation. The first working hypothesis is that middle class democratic support has influenced value congruence with a career dependence on the state. So basically, these two dimensions are about the relationship between the middle class and the state.

Okay, to measure the value congruence I used a set of questions which is considered regime support. And to measure -- and also I used another question or two questions in this group to measure the perceived need for further political reform among middle class.

All right. Then, of course, it's very straight forward to measure the career on employment dependence on the state. We just asked two questions, whether they're hired by the state, worked in the state sector.

The second hypothesis is about the relationship between middle class well being and their attitudes toward democracy. Basically we hypothesized that the middle class support, democratic support, is also a factor of perceived social-economic well-being.

We asked two questions about their social perceived -- social well-being. Basically satisfaction -- life satisfaction is in two dimensions: one is social, the other is economic.

And also, in order to test the independent impact of the dependent variables, which I just mentioned, we also control several variables such as sex, age, education, income, and the party membership. And also we control locations, which I just mentioned, in three cities.

Okay, let's look at results. Results of the multivariate regression, the results in general support the hypothesis of which I just explained. So, as we can see, those who support the regime tend to be more -- less supportive of democratic change or democratic system. Those that perceive the need for political reform are more likely to support democracy and democratization. Those who are employed in the state sector, less likely to support democratic system or democratization.

Finally, conclusion. Conclusions and implications. So, let's look at the major findings. First of all, most members of the middle class are in favor of intimate individual rights which I just mentioned, but they shun political rights and are not interested in the democratic institutions nor are they enthusiastic about the participation in government affairs and in politics, thus the Chinese middle class is not likely to support potential democratization.

All right. In terms of the sources of the democratic support among middle class, we have found the value congruence place a very important role in determining middle class support for democracy and their perceived social-economic well being also affects their democratic support.

Finally, implication or implications. The first implication is that these results seem to support the contingent theoretical approach that seems applicable to non-democratic late-developing countries in various cultural and political settings including Communist Party-ruled late-developing countries such as China. Finally, these results are indirectly challenged in a linear approach that middle class that's in the developing countries that's not always or usually supported democratization since political orientations depends on relationship with the state and its perceived social-economic wellbeing which may change over time and across countries.

Thank you. Some photos of middle class. (Applause)

MR. DICKSON: It's a dubious honor going last after a day and a half conference, so it's my pleasure. I want to thank everyone else, thank Li Cheng for inviting me to be at the conference. It's a special treat to be here because about 25 years ago, I was hired as a research assistant here at Brookings, but this is the first time I've been invited back to speak. So apparently my probation is now over. Those of you who are RAs and staff now, be forewarned, it may be a while.

I'm following Michael Hsiao's example of not using PowerPoints for my talk today, which means you've seen all the definitions and whatnot, so I'm going to kind of skip over that kind of stuff. I just want

to mention, though, that I'm particularly intrigued by Michael's next project on regional cuisines. If you need a research assistant on that project.

Much of what we've been talking about here at the conference and much of the discussion about China more generally is about this discrepancy between, on the one hand, the dramatic economic and social changes that are underway in the country, and the fact that the political regime has more or less stayed the same despite those other changes.

People who are inspired by modernization theory expect that as a country develops economically it will make a transition towards democracy, which has been leading people to look for signs of that transition in terms of the rise of middle class, the vibrancy of civil society, and so on, but to date, those signs are relatively flimsy and not strong enough to give people much confidence in a coming transition. But at the same time, the strategy of the Communist Party has been to promote these types of changes not as a way of undermining support, but as a way of continuing its rule in the country.

So where some people see economic prosperity, the rise of middle class as being a threat to the party, it's also important to recognize that the party's strategy is behind these transitions. These are not the unintended consequences of reform. It was the goal of reform to make the country more prosperous, to make it more urban, and to develop more of sort of a middle class mentality and lifestyle in the country.

So which of these two perspectives in the long run will prove to be correct: the notion that economic development leads to political

change or, from the party's perspective, economic develop will create the popular support that will keep it in power?

The old conventional wisdom we've heard about at all the panels, that the middle class is the basis for a stable democracy, with the expectation that as it emerges, it becomes a force for change. We've also heard the new conventional wisdom, which is that the middle class in China supports the status quo in large part because it's been the beneficiaries of economic reform. In many ways, their occupations, their careers, are tied to the state in different ways, which creates greater support. And in doing a quick survey of the English language literature on the middle class, no matter how it's defined, they reach the same conclusion: one, it's growing, but not very big; and second of all, that it is not, by any ways that we can see demonstrably, in favor of political change.

The recent scholarship on China's private entrepreneurs is what I'm going to focus on in my comments, which is largely the same types of conclusions. The research has consistently shown the conservative nature of their political beliefs, their growing integration into the current political system, and, as a consequence, their lack of interest in democratization. The consensus view at present is that China's capitalists have a vested interest in maintaining the system as it is because they've prospered so much within it.

Far from being agents of change, in other words, they become one of the key sources of support, social support, for the CCP. I'm going to focus most of what I'm going to talk about on this relationship between the private sector and the party.

The expansion of the private sector occurred largely with the CCP's blessing, if not initial encouragement, at least with its tolerance first with small scale enterprises, later on with larger firms, and then the privatization of state-owned enterprises. Because the party was committed to rapid economic growth, because local officials had to promote rapid growth in order for their own career prospects, the party moved from simply tolerating the private sector to actively encouraging it. Now, the close ties between the party and the private sector I refer to as "crony communism," sort of this -- it's somewhat symbiotic relationship, but also corruption is involved in it as well.

Crony communism is, first of all, focused on the CCP as the leading actor, not just in the political system, but in this relationship. Party members were encouraged beginning in the '80s and the '90s to take the lead in getting rich to show other people in society that it was possible to get rich and still not get into political trouble. And the ones who were best able to respond to that call were SOE managers and people who had been local party and government officials themselves. They had easier access to capital, knowledge about markets, understanding of technology, they were able to both create and expand their businesses.

Other capitalists got co-opted into the party after they had become successful. In both these ways, the CCP integrated itself with this emerging and growing private sector in the country not just to prevent a political challenge to itself, but also to create the type of political support it needed to support its goal of economic development. And at the individual level, it was also done to gain benefits to the individual officials

who could take bribes and other kinds of favors as a way of promoting and approving development projects.

As the private sector in the country grew, so did the number of red capitalists. These are the people who are party members, but are also private entrepreneurs. At present, approximately 40 percent of private entrepreneurs are party members. In a country where less than 7 percent of the population are party members, almost 40 percent of entrepreneurs are which shows this very close integration between these two sets of elites.

But it's also important to tease out a couple of differences. One, the vast majority of these red capitalists were already in the party before going into business. Very few of them got co-opted in afterwards. And second of all, the larger the firm is, whether in terms of the number of workers it employs, sales volume, fixed assets -- the larger the firm is, the more likely its owner is to be a party member. In the small and medium-sized firms, party membership is much less common.

For those who are not cronies of local officials, who don't have good ties with officials or especially if they're not party members, there's a very definite glass ceiling in economics as well as in politics. Too much success by people who are not cronies with local officials can bring pressure on them to join the party, increase scrutiny over their business affairs, in some cases arrests for allegations of illegal business practices and corruption. In other words, the private sector has grown in China, but it remains under the close scrutiny, if not the outright control, of the party.

Private entrepreneurs have also been integrated into the existing political institutions of the country, not just in the party, but also in

local legislatures, local peoples' congresses, the -- some honorary body, the peoples' consultative conferences, the Zheng xia that are parallel to peoples' congresses, but don't have the same type of legislative authority, and also active in running for -- in village elections, both as village chiefs and for the representative assemblies. This was a particular trend in the 1990s that has tapered off in more recent years.

And as would be expected in a political system governed by a Leninist party, most of the people who have been appointed to these political posts are party members. Most of the people who were elected to local people's congresses or to village posts, not only were they party members, but they were in the party before going into business. So these are people who are already integrated, embedded in the political system before they went into business, before they got appointed to these posts, which indicates that the people who the party most trusts with appointments to these kinds of positions or let them run as candidates, are people that it trusts the most.

The key point is this: The growing prominence of private entrepreneurs in China's political institutions is not the result of their demands for greater representation, for greater inclusion into the political process, but instead reflects the party's strategy of co-optation. In politics more than in business, CCP approval is still the ultimate prerequisite.

In my research with Jie Chen on entrepreneurs based upon a survey of five coastal provinces that was done two years ago, we found very high levels of support for the current regime among our respondents. This by itself is not too surprising. As described above, the regime's policies have benefitted the entrepreneurs and it's no surprise that they

support it. It's also true that almost every study of popular support in the country has found very high levels of popular support for the government, not just by entrepreneurs, but by society as a whole.

But the factors that explain the level of support among entrepreneurs may be a bit more surprising. First of all, party membership has almost no effect on the level of regime support. Only the red capitalists who had been local party and government officials before going into business had higher than average levels of regime support. People who had been SOE managers, rank and file party members, were no different than the rest of the entrepreneurs in this regard. So even if the party has been trying to seek the support of entrepreneurs, it's been able to do so sort of as a profession, but among party members it's not particularly higher than is the case for the non-party members.

A second factor influencing regime support is democratic values and we just heard a full discussion about this a minute ago. Those with strong democratic values were less likely to support the regime. Again, maybe not a very big surprise in that regard suggesting that if democratic values become more commonplace support for the regime may also decline.

A third factor is concern with the severity and the prevalence of corruption. This also reduced support for the regime. It's also important to notice that at the time of our survey two years ago, the majority of respondents thought the problem of corruption was less severe then than it had been in recent years. Still, if you thought I was a bad problem, it undermined your support for the regime, but from the point of view of most of our respondents, the problem of corruption was getting

better instead of getting worse. So both democratic values and concern about corruption reduce regime support among China's private entrepreneurs.

Two other factors, in contrast, increased support for the regime. One was the evaluation of the government's policy performance. The more satisfied the entrepreneurs were with the government's policies towards controlling inflation, towards better transportation, promoting enterprise and development, other types of basic public goods and services, the more likely they were to support the regime. This suggests that the CCP may be able to maintain the support of entrepreneurs and the middle class as a whole or society at large through improved governance, and so many of its policies in recent years have been trying to deal with this issue of governance and a better provision of public good across the board.

The other factor that had a positive effect on regime support was overall life satisfaction. The more satisfied you were with your material standard of living, with your social status, the more likely you were to support the status quo.

Research by Ron Inglehart and his associates have argued that high levels of life satisfaction are an important element in a stable democracy, but the same logic could also apply to an authoritarian regime. The more satisfied you are with the material and social well being, the less likely you are to seek change. And this definitely seems to be the factor for -- at least for the entrepreneurs that we studied.

These findings indicate how popular support for the current regime -- for the current political system is contingent on a mix of political

values as well as material issues. The party is gambling that by improving people's standards of living and the quality of life, it will generate the kind of popular support it needs to stay in power and will preempt demands for greater political reform, but in order to remain successful, in order to remain in power it has to continue delivering the goods. The current commitment to rapid economic growth in promoting a harmonious society have had their intended effects, at least up until now, producing the type of regime support that the party needs, reducing demands for political change. But the continuation of these trends would be contingent on the party's ongoing policy performance including the ability to reign in corruption in the years ahead.

What other factors might undermine this relationship, this crony communism in the country? One would be a decline in the pro business policies that currently prevail in the country. This doesn't seem like a likely prospect under the circumstances. It's hard to imagine a more pro business party than the Communist Party of China. But nevertheless, since this relationship is based on this common interest, were the party to move away from its pro growth, pro business policies, it could lead entrepreneurs to reassess their support for the state.

Second of all, an increase in the populous policies that have been pursued in recent years could also undermine this relationship. There has been efforts made to improve living standards in the countryside, in the western areas, kind of get away from kind of the pro growth approach of the Jiang Zemin era, but still a focus on maintaining high levels of growth overall. It's just more a question of where it's going to be distributed.

However, at the same time, recent efforts as part of the stimulus package in China, have also moved away from the private sector towards state firms and the public sector of the economy, so if the incentives for growth were curtailed with populous policies or if the preference for state enterprises came to predominate over the private sector, this could also mean that the business people would be less likely to support the party in power.

And third, the more a true market economy emerges, the less likely -- the less dependent capitalists will be on the state for their success, then, therefore, the less likely they will be to support those people who they've been currying for support up until now. This has been an ongoing slow process and is still a long way from a true market economy, but does this indicate that the less it's important to have good ties with local officials. The more the success of firms is based upon the quality of their business operations and their products, the less dependent entrepreneurs will be on party and government officials.

So, let me finish with a couple of comments about future prospects. One conclusion that we might come to from the presentations is that the focus on the middle class or on private entrepreneurs is misplaced. They are not agents of political change. Why do we keep talking about them? But I would argue it's a useful -- it remains a useful concept or focus of research for a couple of reasons.

First of all, even though looking to the middle class as a source of change might not lead to very useful results, so if the research question is focused on what are the prospects for democracy, the answer is not very much. But if the research question is turned around and the

question is how does the party keep itself in power, whether prospects for the regime as it is enduring, then looking at how it is co-opting entrepreneurs, how it is dealing with the interests of the middle class, how it's improving its governance in the provision of public goods, helps explain why the party remains in power despite the old conventional wisdom that would indicate otherwise. In other words, it may be the quality of governance and not the regime type itself that determines whether the middle class and private entrepreneurs in particular remain as sources of political support or if they become agents of political change.

Second of all, rather than assuming that economic and social change is inevitably leading to political change, we also need to better understand how the current political institutions are evolving, adapting in ways to be more -- if not more accountable, at least more responsive to public opinion and changing public opinion without fundamentally becoming democratic.

Lastly, we should also not assume that the decline in support for the current regime necessarily entails a shift towards support for democracy. The middle class, broadly defined, has been supportive of authoritarian regimes and hybrid regimes elsewhere around the world. More worrisome, the middle class was also the source of support for fascist governments early in the 20th century for McCarthyism in this country. Assuming that a transition from communism inevitably entails the transition to democracy ignores the many other alternative regime types that may be possible in China's future.

Thank you. (Applause)

MR. WILDER: Let's try again. Good. Very, very fine presentations.

Let me just start with a question and then we'll go to the audience. And let me play devil's advocate for a moment and ask you is there any chance the Chinese respondents to our surveys here are gaming us? In other words, do they know what the correct answer is from the Chinese political system today and, therefore, we're not really getting true answers here, we're getting the answers they think they're supposed to do to these kinds of questions?

MR. DICKSON: I guess I'll start. I mean, that's always obviously a concern whether or not respondents are being honest with people that they don't know. There's -- part of it, you know, story types of Chinese traditional culture is that you don't feel an obligation to be honest with people that you don't know, and so instead of giving your honest answers to these questions, you're giving what you think is the correct answer or the one that won't get you into trouble, which may be the case except that there's patterns in how people are lying. And so, if, in fact, they're not being honest, they're shaping their answers to what they think you want to hear or what the government would like to hear, then we wouldn't expect to find any patterns in terms of whether their level of democratic values influence their answers about their support for the regime or whether party membership does or does not matter or whether education does or does matter. But we find that it does, so it indicates that respondents in China, like respondents in the United States, don't always give fully honest answers. Most people in the United States will not tell a surveyor that they are racist when, in fact, their voting behavior

may indicate that they are. But similarly, there's a degree of similarity of patterns and responses that indicates they're not just giving the politically correct answer.

MR. WILDER: Anybody else?

MR. CHEN: Yeah, this is a good question and actually I can honestly tell you this question has been asked probably in the past 15 or 20 years since we have started the survey research even until today, the questions still emerge. But I can also describe questions since I'm already experienced in answering this question to my colleagues are also probably also experienced.

I guess I would like to answer this question from two aspects. First of all, I don't think the Chinese respondents are particularly different from American respondents when they answer this type of question because when they answer this question, they want to see -- they want to know who asks this question, for what purpose are you asking this question. Usually, so far, our surveys have gone through Chinese universities and respondents see the posters or the survey team members as their allies. Okay? And sometimes we're often -- actually, I personally also participate in this kind of a survey several times and they often see these -- our team members as kind of an avenue or (inaudible) for them to express their concerns to the government. They thought maybe we can express concerns without revealing their identification, something like that.

Secondly, actually in the past -- I mean, there have been lots of surveys in this nature and other studies also indicate -- actually people like to give an in-general, honest answer because in several studies

already testing the correlation between the fear of government to persecution and their answers to sensitive questions. The general findings indicate that there is an impact of fear of persecution on their responses to sensitive questions, but, fortunately, this impact is not statistically significant.

Thank you.

MR. LIU: I think it's a very good question. It's a question that every survey researcher, not just for China, should ask themselves when doing the survey. And for our survey there's -- actually, I think it's fairly easy to assess this because we ask each respondent to leave comments and we got a lot of comments from them. And we also left our e-mail addresses and we got tons of e-mails after the survey. And Ethan actually did a very good thing: he actually established a new e-mail address for both of us. Otherwise, you know, our university e-mail address would be so full of those comments.

So, the interesting thing is we found two sharply different kinds of comments. One type is extremely supportive, very supportive, say, you know, we really support the research, we want to improve the conditions of our practice in China. But there's also a lot of very angry comments basically saying things like, you know, we have democracy in China. It's none of your business, you Americans, get away. They say things like that, you know, especially -- I'm a Chinese citizen, so when I see those I feel a little bit strange. But anyhow, at least we know from the comments there are, you know, many people who participate in the survey, complete all those questions, they actually don't like us. So, I

think at least from this point of view, I don't think they're just telling us the answers we'd like to hear.

MR. WILDER: Question: Why don't we begin up here?

MS. DAVIS: Thank you. Debra Davis again. It's for Bruce and it's about the middle class.

I think you're writing about capitalists and I want to know why -- I want to know if you agree, and if you think you are writing about capitalists, why should we bother to call them the middle class? And I think it has a clear theoretical piece. I mean, if we're going forward with this book and we're thinking theoretically and comparatively, we're thinking about governance, state power, its relationship to labor, its relationship to capital, that's sort of a standard place to start. And in this era of globalization with the mobile capital and the more tethered labor, you know we have these debates about whether a state which is supporting global growth and wants to be a global power -- let's be simplistic for hypothesis -- allies itself with capital. So actually we would predict, as you grow as a global capital -- a source of capital in other places, investing, accepting FDI, et cetera, fellow capitalists should be a core to the state. And I wanted to know how you'd respond to those comments.

MR. DICKSON: The research that I've done on China's capitalists have not addressed the issue of them being part of the middle class. It was more for this paper, for this conference, and so I -- the trends that we see about the assumptions about what capitalists would like in terms of politics are very much similar to what assumptions are often

made about what the middle class should want, and yet the research has always shown just the opposite.

The many definitions of the occupations that belong in the middle class usually include entrepreneurs as one of the categories. I'm not convinced they really -- especially, you know, mom-and-pop shops might be one thing, but if you're the head of a large conglomerate, I think you're out of the middle class. But if I'm looking at entrepreneurs as capitalists as a group of people, and I want to look at that variation between the fat cats and the mom-and-pop shops, then I want to be able to include all of them. But they don't all belong in the middle class, I don't think. Some do, some don't.

My research was really focused on the entrepreneurs as a group, as a whole, the relationship with the party. To what degree they are part of the middle class will have to get teased out in this paper, but that hasn't been -- and I hope that was not part of -- I didn't give that impression that they were synonymous in my comments here.

MR. HSIAO: The picture you all portray seems very unpleasant, very pessimistic, but maybe we expect too much. We need 50 percent who support democracy, 65 percent will support liberty, and so on and so forth. How about just 10 percent, the hardcore 10 percent, who are waiting to speak openly and consistently and act out, that democracy will be there? So how we proceed -- if that hypothesis is correct.

If you look at the past experience in Asia Pacific, we don't need 50 percent because basically middle classes are the privileged, they are the beneficiary of the state-led development. So, where the question

may be not the survey data revealed to us, but the actual movement led by a few selective, strong, willing, middle classes.

Now, the question is this: Can we find a business organization in China, not capitalist, but small owner associations, professional associations, lawyer associations, and other NGO, NPO, civil societies as going on now? That has a potential.

So, we have two approaches: one is the individualist approach based on survey data, what they said; the other one is organization. So, I would like to see your comment on organization aspect. My study on -- my study was the civil society movement and then to see how middle class involved in those civil society movements, rather than to see the middle class, per se.

MR. LIU: I'll start. You know, I've been thinking about the same question for a long time. So, I agree with you, Professor Hsiao, about, you know, a small number of, you know, active professionals or middle class because they can generate political change, but at least I can only speak of lawyers. For lawyers, this is not likely to happen.

First, about organizations, all -- there are Bar Associations in China, the national level, provincial level, city level, but all the Bar Associations are directly affiliated with the Justice Bureaus, the Si Da Jiu and every lawyer is required to become a member of the Bar Association. It's the compulsory membership. And the director of the Bar Association is always a former cadre of the Justice bureau, and, you know, if you do well as the Bar Association leader, you can move back.

So, when I was doing interviews in Ningxia in the Northwest, one Justice Bureau official told me a very good metaphor. He said, you

know, the lawyers office in our bureau and the Bar Associations are just -- are two skins. Sometimes we use this skin, sometimes we use the other skin, but it doesn't matter. It just depends on the situation, but exactly the same thing. So that's about organizations for lawyers.

I haven't found any kind of really private professional association for lawyers. Of course, there are NGOs established by lawyers, like Si Zhi Yuan and others. They did some NGOs, but they're relatively weak. And if you look at those kind of notable lawyers you see in American media, in the Western media, you'll see a lot of reports on those humans rights lawyers who are sometimes harassed by the state, but they do a lot of important work in protecting the citizens' rights and a lot of kind of weak groups in society. But if you look at the biography -- first of all, if you look at where they are, most of the humans rights lawyers you see in the media, they're all in Beijing; not even in Shanghai, all in Beijing. And it's a relatively small group, less than 100 lawyers. Everybody knows everybody else, and they're less than 1 percent of the entire Chinese lawyer population. And if you look at their biographies, the vast majority of these human rights lawyers actually came from very humble backgrounds. They don't have education in the elite law school. Like Tong Biao those people are really the exceptions. I mean, more common cases like Gao Zhisheng, who was arrested a few years ago, reported vary widely, those people really come from the grass roots. And the power and resources under the current legal system in China of these humans rights lawyers is relatively small and limited.

So, from my understanding of the Chinese legal profession, you know, these people -- first of all, as a whole, legal professionals are

outside of the state and they don't have so much resources. And these humans rights lawyers, it's a small group at the periphery of the Chinese legal profession. It's highly unlikely that they will generate legal change.

So it's even more pessimistic.

MR. CHEN: Should I?

MR. WILDER: Do you want to comment?

MR. CHEN: Yeah. The question about the percentage of the -- or the strength of the democratic support among the middle class, or you want to say a small percentage or big percentage of the middle class members supporting democracy whether -- what is the threshold of that percentage? I really don't know.

Secondly, I don't think the purpose of my study is designed to address that question. Actually, probably most studies in this field or in political science, I guess, on middle class democratic support actually are about the relative strengths. Okay? The relative -- the strengths of the democratic support among middle class relative to ordinary citizens of non-middle class groups.

Because Mr. Bruce just mentioned that, in his presentation, the conventional wisdom and modernization theory such as these groups are middle class, are capitalist, they tend to be more democratic. That's the point. So, therefore, they tend to play a major role -- play a role as an agent of democratic change. Okay? But I really don't know the threshold of percentage.

Go ahead, Bruce.

MR. SINGH: This question is for Professor Liu. As I think about the United States and a lot of the rights that the middle class has

achieved over the last 50, 60 years, whether its labor rights or Brown v. Board of Education, you have lawyers on one side who are advocating for the rights of the middle class, and then you have lawyers on the other side who are fighting against what we would term progress.

Now, in the Chinese middle class, you've shown that the lawyers more often than not are progressive in wanting greater political values and political rights, but can you talk about who's on the opposite side and how big is that proportion, and do they have a political affiliation or are they taking direction from somewhere that's up?

Thanks.

MR. LIU: You mean, within the legal profession?

MR. SINGH: Yes.

MR. LIU: Okay. Yes, so basically, you're asking about those kind of what we would define as low vulnerability lawyers who have, you know, less liberal political views and who are -- have less -- are less vulnerable in their work. I think a lot of those people -- it's actually similar to Professor Chen's research. A lot of them used to be party cadres or worked in the state sector before the privatization because the Chinese lawyer used to be -- every lawyer was a state employee in the 1980s. And in the whole 1990s, there was a big push of the Chinese government to privatize the legal profession formally, but you still find a lot of former, you know, judges, justice bureau officials, prosecutors, people working in government agencies became lawyers after the privatization process. And those people are more politically connected, have better resources in their practice. They're often doing better than the lawyers are basically without those affiliations, they're really from the grass roots.

So, you see that in terms of political values, lawyers are stratified and those lawyers with less liberal values, a lot of them are actually benefits from the privatization process and from the state sector.

MR. WILDER: I think we can take one more question. I don't know who has been able to ask a lot of questions or not.

Cheng Li, do you want to -- this gentleman right here.

MR. HAN: Sang-Jin Han from Seoul National University. What I'm -- I'm a bit shocked to see the emerging consensus out of this panel say that the potential contribution of the middle class to civic engagement (inaudible) democracy, is very much limited if not totally absent. In my view, if we are able to sort out what I call grassroots segment of the middle class, my intuitive hypothesis is that there will be very much significant differences between this grassroots segment of the middle class and the other segment of the middle class. It's my feeling. Based upon my analysis, it certainly shows significant differences between these two segments of the middle class.

So, with this background I'd like to ask a more specific question, maybe to all of you, but particularly to Professor Chen. I think I can agree with you that the contingency concept of the relationship between democracy -- between government democracy and middle class may be better done in a linear approach. Okay, I agree with you. But it seems to me that you put managerial, professional, and white collar workers together into the middle class and you compare this middle class as aggregated concept with the non-middle class, and I don't know whether it's a good strategy actually because the middle class is a very heterogeneous concept. So, what about if you go further to make kind of -

- you know, differentiate the concept within the middle class? Then I would suspect that it will make some great differences, I think, you know. So, how would you feel about that?

And about Professor Liu, I mean, with the lawyers, too. I certainly feel that many lawyers in China, too, not only in Korea, but in other parts, that they have their own grass root identity, actually, you know. I'm completely sure about that now. So, the question is, how we see the middle class, actually; whether we just put a very heterogeneous group into the concept of the middle class and then compare this middle class with the non-middle class. Is it really good strategy? I'm not quite sure.

And also, even further, and we are here to discuss about the many different respects of the middle class in China, and this emerging consensus seems to me very much contradictory with the image of a Brookings Institution, which seems to be more progressive. So, I don't know how to understand it. Thank you.

MR. LIU: I'll answer very quickly. I totally agree with what Professor Han just said is that really if you look at the case of lawyers, a lot of lawyers are coming from the grass roots. If you look at their -- for example, where they were born, which from our survey sample is exactly the same as Li Chunling's paper was -- Li Cheng present yesterday, it's over 50 percent, 53 percent of lawyers in our sample actually was born in rural areas rather than urban areas. So it's the lawyers as a profession.

Also, a lot of lawyers used to be middle school, high school teacher. So being a lawyer is really an upward social mobility for them. And a lot of lawyers would identify themselves not as part of the middle

class, but as really coming from the grass roots, especially when you go to either the smaller cities or the -- what we call the personal sector, or those lawyers, you know, focusing on order and litigation in the big cities don't do the lucrative corporate work.

You see a lot of lawyers identify themselves with more grassroots rather than middle class. And that's why I said at the beginning of my talk, the relationship between lawyers and middle class, or even the concept of middle class, is actually -- needs more thought than just, you know, simply defined by income or occupation or whatever.

MR. CHEN: Okay. In terms of -- thank you, Professor Han. Very good question. Actually, you already warned me that you were going to ask a good question. Okay.

Anyway, it seems to me that we have -- or at least I haven't put the discussion to an end, particularly on the definition of the middle class. But I would like to define my definition from at least two perspectives. First of all, I think that definition is derived from a theoretical, I guess, yes, a theoretical studies. I mean, there are some theoretical arguments made on the distinction between capitalist or bourgeoisie and the typical middle class in the industrialized society.

Personally, maybe now I'm going to say something a little bit too -- I'm going to take the risk of saying that. I don't think of Barrington Moore's cliché, I mean, no bourgeoisie, no democracy is applicable or perfectly a fit for middle class because I read Barrington Moore only twice, so maybe I missed the point.

So I think Barrington Moore's argument thought about capitalists not about middle class, but of the typical middle class, we are

starting right now. So, here is a theoretical base of the distinction between capitalists and the middle class. And also in the empirical side, I find lots of studies mostly done by sociologists, I mean, like you and Professor Davis, I mean, basically the group -- these categories are like manager, white collar clerks, into the category. Maybe I'm wrong. I missed the point. Particularly when I identify middle class in China, I heavily consolidate with the studies by Lu Xueyi, Li Chunglin. So actually in their studies, they identify a middle class or define middle class more or less like the definition I used in my study.

So, of course, I'm not saying my definition is perfect.

Probably, I think, not too far off the track I guess.

MR. WILDER: Bruce, do you want the last thought on the subject?

MR. DICKSON: Last presentation, last comment, too, right?

In some ways in more response to Michael Hsiao's question a few moments ago, there are people among -- lawyers among the entrepreneurs who are acting democratically, like to promote it, but they have to do it individually because in a country ruled by the Communist Party, it's very difficult to organize for political action. The party frowns on that kind of thing. So, you have individual entrepreneurs who support academic research, conferences, different things that are sort of pro democratic in their goals, but very quietly, it's not a foundation. It's done over dinner instead of with a form application process. So there are people who are promoting in quiet ways democratic trends, but they want to stay off the radar.

Looking for organizations that do these things has proven not to be -- it's been very difficult to find anything that's effective in an organized way promoting democracy even though there are people very committed to it, but recognize that in large environments it's not very beneficial to them.

In a larger sense, also, the people who are brave in that way, who would like to promote democracy in some way, don't get a lot more popular support. So it's not as though in other countries where you've had dissidents who speak on behalf of the rest of the country, but who themselves were not either brave enough to stand out, but would like to have someone speak on their behalf. It's not clear that the democratic voices in China have a whole wellspring of support behind them that they're representing in a different way. So even the people who are strongly committed to democracy may not have -- certainly not support of the state, they may not even have much support within society, so it makes it doubly difficult to look for agents of change when there's so much resistance.

That was very depressing. I'm sorry.

MR. WILDER: Well, I hate to end on a depressing note, but we do need to end, and so I'd really like to thank all our speakers. I'd like to thank Cheng Li for organizing such a tremendous conference; the staff here at Brookings for the work they've done.

I understand the transcripts of the meetings will be available on our Brookings website and, sometime next year, you'll be able to get a volume from this conference.

Thanks very much.

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