

Whither China's New Rich?

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Introduction

Since China embarked on its economic reform program in 1978 and especially after Deng Xiaoping's tour to the south (*nanxun*) in 1992, China's economy has grown from strength to strength at an annual average of 9.4%. In 2004, China's GDP rose 9.5% compared to 9.3% the previous year and the macro-economic outlook for 2005 remains positive (China Quarterly Update, 2005). Much of this growth has been driven by the private sector. When previously the state sector dominated China's economy, the situation now has changed markedly. The role of the state sector has over the years gradually decreased whilst that of the private sector has grown bigger.

During the initial stages of reform, the central government's attitude towards the private sector was as yet unclear. The watershed 3rd Plenum of the Chinese Communist Party's 11th Central Committee of December 1978 made no specific mention of the private sector although its stress on economic development and individual incentives paved the way for entrepreneurial initiative and hinted of changes to come. Two years later, an editorial appeared in the February 29th edition of People's Daily saying that "former industrialists and businessmen should be designated as 'comrades' and treated without discrimination" (Kraus, 1991).

Almost thirty years since economic reforms were initiated, the government is now quite sure of the businessmen's role in China's future and since the 1990s the number of private entrepreneurs and private companies has continued to grow. Their range of activities has also expanded. Yet, will this new class of local, private businessmen and entrepreneurs also play a dynamic role in political change?

According to modernization theory, there is a strong correlation between economic development and democracy, with the middle class playing an important role as promoters for democratic change. If the assumption is that economic wealth will lead to demands for democratization, this new economic elite should be at the forefront of democratic change. After researching on the business elite in the foreign sector and in the private sector in the '90s, Margaret Pearson concluded that attempts to link the rise of new economic elites and democratization is 'logically flawed' and could not be supported by empirical data (Pearson, 1997). Bruce Dickson goes further by asserting that, in the short run, economic development may even lower support for democratization among entrepreneurs because private entrepreneurs in the more developed areas are less supportive of a societal role in political reform (Dickson, 2003). This research attempts to find whether these findings remain valid despite the greater numbers and broader scope of China's private entrepreneurs in the 21st century.

Economic elites are a recent phenomenon in China and it would be important to learn whether this new elite, as part of a growing affluent class, intends to play a pivotal role in China's political change. Most theories about the middle class were developed in the Western liberal context which may not necessarily apply to the Asian experience. In the Asian context and more specifically in the Chinese context, where the state has successfully co-opted the economic elites, these elites apparently do not assume a confrontational, counter-balancing role vis-à-vis the state but instead act as supportive agents of the state for a perceived shared common good which is not necessarily conducive to greater political liberalization.

Methodology

Although I was unable to access my original target group (successful private entrepreneurs with real estate investments), I was nevertheless able to conduct interviews with a cross-section of 24 private entrepreneurs in Beijing and Shanghai. Given the subject matter, even with personal introductions, it was very difficult to arrange appointments with private businessmen who were either wary of foreign researchers, uninterested in the research as it neither benefited them nor had any direct relevance to them, or they were simply too busy. The response to targeted mailing of questionnaires also met with little success. Although the questionnaires were revised based on input from Chinese scholars, they had also warned me that the Chinese public is unfamiliar with questions which are of a personal nature. As the focus of the research was on independent private entrepreneurs, there was also no umbrella organisation willing or able to encourage entrepreneurs to support my research which centred on their socio-political role. Hence, the number of interviews conducted and questionnaire responses received was too small to result in firm conclusions. Nevertheless, the lack of response was in itself telling.

The interviews reveal that the change in China's state-society relations is heading towards the corporatist paradigm rather than the autonomous civil society model. Private entrepreneurs tend to accept the state's indirect control over their lives – through a relaxation of economic and administrative controls, co-optation and co-ordination - as long as it allows them the freedom to pursue a better quality of life. Aside from this, the party-state's focus on economic growth also converges with the interests of private entrepreneurs thereby creating an interdependent relationship which David Wank describes as 'symbiotic clientelism' (Wank, 1995). Under such circumstances, it is therefore unlikely that private entrepreneurs, as part of China's growing middle class, can be expected to play the role of agents for democratic change as many would like to believe.

This can be explained by the fact that as a late-developing society along the modernization path, China's economic elites and its middle class were conceived under very different historical, social, economic and political circumstances compared to that which emerged in Western Europe. China's affluent class of new capitalists was created by a communist party leadership which had deliberately decided to focus on economic development by

resuscitating its weak planned economy with an infusion of the market mechanism, creating its 'socialist market economy.' The state socialist system was restructured accordingly to support this new focus and the state's hold on economic resources was loosened, allowing a new breed of economic actors to emerge and develop, some of whom are still very closely linked to the state. Hence they cannot be likened to Western capitalists who emerged as a consequence of the Industrial Revolution and developed into a middle class to keep the monarchies in check. Under these circumstances, the entrepreneurial class in China cannot for the time being be expected to form an autonomous class wanting to assert its political influence when its continued development depends on the 'space' given them by the state. In light of this, despite the growing number and diversity of China's private entrepreneurs, they tend to be quite satisfied with the status quo, feel no compulsion to push for greater democratic rights and prefer to express their political aspirations – if any – using the channels currently available to them rather than endeavour to create new, independent channels.

Deciphering China's private sector

In the decade between 1982-1992, China's average annual growth rate was an impressive 9.7%, down to 9.0% in the following decade, remaining high at 9.3% in 2003 and 9.5% in 2004 ("China at a Glance," 2005). High growth rates continue to be projected for the coming years. Much of this impressive growth is attributed to the private sector which has been given a new lease on life. As China's economic liberalisation progressed and ideological constraints pragmatically addressed, China's economic system evolved into a complex mixed system with different forms of corporate ownership as compared to pre-reform days when the state sector simply dominated.

When Deng Xiaoping rose to power, the Communist Party declared an end to class struggle and turned its attention to economic development. Although the Third Plenum of the Chinese Communist Party's 11th Central Committee of December 1978 did not specifically mention private business, its emphasis on economic development and individual incentives paved the way for the development of the private sector. During the early years of reform, the private sector was limited to *getihu*¹ which appeared as a consequence of the gradual de-collectivization of the rural economy and the growing number of unemployed in the urban economy.

Although there was initial hesitation in becoming a private businessman, in 1981 various reassuring regulations were issued by the government which encouraged individuals to be self-employed *getihu*. In 1982, the National People's Congress subsequently amended the Constitution to accommodate these new, small individual businesses, stating that the individual economy should be encouraged under the regulations and guidelines of the Administration of Industry and Commerce. By that time, the number of *getihu* in the cities had reached 1.3 million employing 1.47 million people (Kraus, 1991) and so the individual economy was declared a necessary and beneficial supplement to the public economy.

In the 1984 “Decision on Reform of the Economic Structure” delivered at the 3rd Plenary Session of the 12th Central Committee of the CPC, it was again underlined that the individual economy now found in China is still linked to socialist public ownership and differs from the individual economy which is linked to capitalist private ownership”. As such it is still “subordinate to” the socialist economy. With the success in increasing farmers’ income through the implementation of the household responsibility system, the government turned to urban and enterprise reform. As part of this enterprise reform effort, some of the smaller state-owned enterprises were offered for lease to collectives and to individuals, allowing them to manage and run the enterprises on a contract basis, in effect as if their own, while ownership remained in the hands of the state. This created more private entrepreneurs and led to the ambiguity and confusion over what constitutes a ‘private’, a ‘people-run’ and a ‘state’ company.

During the 13th Congress of the CCP in October 1987, Zhao Ziyang again stressed that China was at the “primary stage of socialism” during which the “expansion of the productive forces” was the fundamental task of the Party. During this early stage Zhao Ziyang considered it “particularly important to develop diverse sectors of the economy, provided that public ownership remains dominant”. He mentioned the private sector but stressed that within the context of a socialist society such as China, “the private sector is bound with the public sector, which remains predominant and strongly influences it” (Zhao, 1997).

By the end of 1987, it was reported that there were as many as 115,000 single-person private companies, employing 1,840,000 workers as well as 110,000 private companies with 1.7 million workers. In reality, it was not clear how many private companies there really were in China as many of them preferred to register their companies as either cooperative, rural or neighbourhood firms lest there be an ideological backlash against perceived “capitalists” (Kraus, 1991).

In April 1988, the private sector was officially recognised as an important element of the economy. The Constitution was again amended to include a new paragraph stating that “the State permits the private sector of the economy to exist and develop within the limits prescribed by law” as a complement, rather than a supplement, to the socialist public economy (“People to Get More Rights,” 1995). Not long after, Provisional Regulations on Private Enterprises were issued which defined a private enterprise as “a for-profit organization that is owned by individuals and employs more than eight people” in the form of a limited liability corporation, private partnership enterprise, or a sole privately funded enterprise registered in accordance with the corporation law, partnership enterprise law and the interim regulations on enterprises. Industries closed to the private sector were also clearly stated and these included the armaments and banking industries, as well as industries producing goods prohibited by the state such as cultural objects, precious stones, cars and explosives for civilian use (Kraus, 1991).

The years 1984–1992 thus saw the rise of privately-run enterprises, some of which began as small, individual enterprises and grew, while others were originally state and collective enterprises leased out to individuals who subsequently transformed the enterprise into a

solely-owned firm. At the same time, there were also many privately-run enterprises which were registered as *getihu* but were allowed to employ more than the stipulated eight people. Some were registered as a state or collective enterprise, preferring to pay an administrative fee to the umbrella state/collective in lieu of protection should there be an ideological change.

In the spring of 1992, during his famous Southern Tour, Deng Xiaoping stressed that China should press ahead with reform and opening to the outside world. “We must not act like women with bound feet. Once we are sure that something should be done, we should experiment and break a new path” (Deng, 1994). Deng Xiaoping’s pragmatic remarks subsequently accelerated economic reform and his concept of what is meant by a “socialist market economy” in the Chinese context was adopted during the 14th Congress of the CPC in 1992 and formally approved by the 8th NPC in March 1993. With that, the market became the mainstay of China’s economic system whilst the socialist part was limited to the state ownership of some means of production (Wong, 2001).

At the 15th Party Congress in September 1997, the party elevated the status of the private economy from a “supplement to the state-owned economy” to being an “important component of the socialist market economy”. Hence by the time of the March 1999 constitutional amendment, there was no longer any mention of the individual and private economy as a “supplement to the socialist public economy”. Instead, the document ensured that the state guarantees the legal rights and interests, but not yet its property rights, of the private sector.

Since 1998, the All-China Federation of Industry and Commerce (ACFIC)² has been conducting a survey of both privately-owned and privately-managed companies with revenues of more than 120 million yuan, primarily in the Jiangsu and Zhejiang provinces surrounding Shanghai. Their figures show that the number of these large companies have increased from 1,582 in 2002 to 2,268 in 2003 out of a total of 3,005,524 private enterprises nation-wide. Hence the majority of China’s non-state companies are small and medium-sized enterprises which, according to estimates by the China Enterprise Evaluation Association and the China Economic Net, will generate as much as 40% of GDP in the industrial field and absorb an employment level of over 60% in 2010 (“China’s SMEs,” 2005).

In the March 2004 constitutional amendment, the protection of property rights was finally accorded which clearly stated that the “citizens’ lawful private property right is inviolable” and that “the State, in accordance with the law, protects the rights of citizens to private property and to its inheritance”. Should the state, in the public interest expropriate or requisition private property for its use in accordance with the law, citizens are entitled to compensation. Although its implementation has yet to be tested, this is nevertheless a significant development in the recognition and protection of private property and giving a stronger sense of security to China’s private entrepreneurs.

In February 2005, the State Council issued another document entitled “Opinions of the State Council on Encouraging, Supporting and Guiding the Development of Private and other Non-public Economic Sectors” aimed at eliminating government controls so that private capital

can be invested in sectors such as heavy industry, infrastructure, and public utilities which have a close bearing on the national economy as well as public interests. Even the science and technology based national defense industry is now open to private enterprise (Fan, 2005). Hence, within a relatively short period, we see China moving away from an economy dominated by the state sector and with basically no private economy to an economy in which the private sector is continuously expanding and now allowed, even encouraged, to slowly enter the domain of what was once strictly that of the state.

China's private entrepreneurs: the economic elite

By 2003, approximately 12% or 89.36 million of the total 744.32 million employed persons in China were employed in private enterprises or were self-employed. Despite the many difficulties in doing private business in China many have taken up the challenge. Every day in 2003 1,500 new privately-owned enterprises were established with registered capital totalling 3 billion yuan ("Private business," 2004). In a press briefing in February 2005, Bao Yujun, Chairman of the Research Association on the Private Economy, reported that by mid-2004, China had 3.44 million private enterprises hiring more than 47.14 million employees. By year-end, the number of private enterprises had surpassed 3.8 million (Jiang, 2005).

Individuals who entered business initially faced ideological constraints as well as a cultural bias because, according to the Confucian value system, those who pursued private interests were traditionally considered inferior to scholar-officials serving the public good. Many today, however, want to become private entrepreneurs. In the meantime, the Party and government are creatively promoting the role of private entrepreneurs in Chinese society as indeed fulfilling a public good, namely by contributing positively to the realization of a "harmonious society" in which all people can enjoy "a moderately well-off life" (*xiaokang shenghuo*). They are no longer "members of the exploiting class" but rather a "reflection of China's political and social progress" although there remains lingering discomfort towards elevating entrepreneurs as part of the labouring classes ("Private entrepreneurs, 2005).

Nevertheless, even though the number of private enterprises continues to grow and with it the number of entrepreneurs or *siying qiyezh* (Lu 2002),³ their total number is still very small. In 1992 China only had 3.03 million such people or 0.03% of the population, increasing 20 times by 2003 to 77.28 million people or still only 0.6% of the population (Lu 2002 and 2002-2004 China Statistical Yearbooks). In 1993, 59.9% of these entrepreneurs were originally rural peasants, workers and service personnel before they entered business. By 2002, they were replaced by cadres from business units who made up 63.1% (Zhang Hou Yi).

The editor-in-chief of a leading Beijing-based business magazine, *Zhongguo Qiyejia*, observed that China is now witnessing the growth of the fourth generation of private entrepreneurs, namely young, independent entrepreneurs of the IT generation, such as the 32-year old Chen Tianqiao of Shanda Networking, the 34-year old Ding Lei of Netease.com, the 41-year old Ma Yun of Alibaba.com and Zhang Chaoyang of Sohu.com. They are developing the 21st century 'sunshine' companies and are perceived as being 'true'

businessmen because they manage their companies professionally and comparatively independently (Interview, 25 March 2005).

The mark of success for a private businessman is his personal wealth and being wealthy in China is no longer an ideological sin although many still tend to see them as “robber barons” or “heartless evils”, justifying “robbing the rich to aid the needy”. The negative image is partly caused by cultural bias, partly by previous ideological bias against the rich, and partly by the way in which some entrepreneurs accumulated their wealth. Although China has its share of millionaires, the majority of China’s entrepreneurs have not achieved super-rich status but they have risen to become part of China’s middle class. An Chen considers the small entrepreneurs as China’s ‘petit bourgeoisie’ and part of the middle class who built their businesses by taking advantage of the government’s pro-market policies whereas the super-rich, the wealthiest of the entrepreneurs who own a relatively large amount of capital, are the ‘bourgeoisie’ (An, 2002).

Amongst the general public, however, the middle class *zhong jian jie ceng* is understood to be something related to white-collar workers, people with high incomes or high expenses or high academic qualifications. Although most also know the term *zhong chan jie ji*, they are a little more familiar with the term ‘white collar’ worker (Lu, 2002).⁴ The CASS research report, which was the first nationwide survey of China’s class structure in the reform era, defined class according to occupation with the middle class or strata by referring to a broad range of occupations that included reform-era private entrepreneurs. These are the ‘white collar’ workers working for foreign companies, office workers and technical workers; high and middle level professors and various high level specialized technical workers with scarce skills needed by the market place; managers or ‘bosses’ of state-owned companies and monopoly companies; media, entertainment and sport celebrities; and those who rely on profiteering from underground ‘black’, semi-legal and illegal trades (Lu, 2002). This middle class would also include CPC party cadres who have gone into business, known as ‘red capitalists’ or ‘bureaucratic capitalists’.

Depending on the criteria used to define the middle class in China, the size of the middle class varies. In 1999, 15% of the working population was middle class or about 8.4% of the total population. The percentage is much smaller, however, if one also looks at monthly income, consumption and lifestyle, subjective identity and not just occupation alone. Only an estimated 2.8% of China’s total population met the various yardsticks for all four criteria (Chua, 2004). Now it is estimated at 20% of the workforce (“Middle Class,” 2005). The National Bureau of Statistics defined the middle class by an annual income of between 60,000 rmb to 500,000 rmb. Based on this criteria, the National Bureau of Statistics estimates that 25% of urban households will move into the middle strata of society by 2010, from the current estimate of 13% (“China’s Middle Class,” 2005).

Conversations with entrepreneurs

Conversations with private entrepreneurs of different generations who own companies of different scales reveal that China's current middle class, much less the bourgeoisie strata of the wealthiest entrepreneurs, does not seem to be interested in playing an active role in the democratization process. They are quite happy maintaining the status quo and are generally quite satisfied with the government's overall performance or are at worst undecided. An architect, owner and chief executive of a real estate consultancy company in Beijing, said politics creates "turbulence" and "unrest" (Interview, 5 March 2005).

For many the hardship of the politically tense Cultural Revolution era and the unrest during the Tiananmen demonstrations are still very much a part of their consciousness. Rather than underscoring the stifling might of a Leninist state, the experiences associate politics with chaos and instability. "We don't want revolutions and demonstrations, what we want is peace," said a young woman in the trading business who was only 15-years old when the Tiananmen demonstrations occurred. An older entrepreneur, owner of a leading pharmaceutical distribution company in Hainan, even said that if something like that should happen again, the government should use force to stop it and added that, "the CCP should remain in control to maintain stability so that we can make money in a stable society!" (Interview, 21 April 2005).

The separation of economic and political powers, together with individual choice and competition in the marketplace, are considered capitalist values which promote democratic development but in China the separation of economic and political powers takes on a different nuance in the minds of the entrepreneurs. It is understood that bureaucratic intervention in the market place should be limited and politics be kept out of economic decisions but, at the same time, economic players should also stay out of the political realm. Hence, as long as the government creates an environment conducive to furthering their business, including no doubt also for rent-seeking opportunities, there is no reason for entrepreneurs to involve themselves with politics. As beneficiaries of the current system, there is no incentive to criticize the government, much less oppose it. Ironically, economic growth seems to discourage change towards a more democratic society if democracy involves political opposition and contestation.

Interestingly, a recent survey on the middle class shows that they are generally more willing to comment on issues related to political participation than those who are not part of the middle class. When it comes to specifics, however, they remain hesitant. Out of the 23.9% of the middle class who say they are active in social organisations, for example, the majority of them would not specify what kind of organisations they are actually involved in. Surprisingly, 46.5% of the middle class surveyed believe that direct political participation through elections is the best form of political participation (Survey 2005).⁵

Yet despite the aversion towards direct political participation, entrepreneurs have no qualms in seeking political patronage and protection. Even the self-made entrepreneurs who were able to develop their business because of the opportunities that market liberalization

presented rather than through patronage acknowledge the benefits of having good connections, more so when business competition is very fierce. It seems that although there is some resentment amongst the 'outsiders' towards the 'insiders', 'outsiders' would also avail of useful family ties and personal networks with the political elite, if they had them or could establish them (Guo, 2003).⁶ Such networks are useful in an environment where there is still a bias against private entrepreneurs, for instance in getting bank loans and in their tax treatment, and where there are still many hurdles to their business development. Even among the private entrepreneurs themselves there is a preference for doing business with state-affiliated companies because they tend to offer bigger projects and pay better than with local private companies who are small, have no track record, and usually have cash flow problems and so cannot do big projects (Interview, 16 April 2005).

Not surprisingly, the corruption which arises from this patron-client relationship between the political and economic actors is not considered a main concern as it is considered part of the cost of doing business. There is concern, however, over the inconsistent implementation of government laws and regulations which invariably arises from the collusion that occurs (Interview, 10 June 2005).⁷ Such inconsistency is considered damaging to the credibility of the government and also to the image of private entrepreneurs. The 'rule of law' is regarded as an important means to keep party cadres in check and to assure the legal protection of their private property.

Although business success improves the social status of the economic elite, it does not necessarily give them any political influence. Given these circumstances, entrepreneurs see themselves as playing a supportive role vis-à-vis the state. Through their personal connections, they advise government officials, attempt to broaden their outlook, introduce them to new ideas and thereby affect change. If need be, they do so through active participation in the various state-sanctioned chambers of commerce and industry associations even though such participation does not necessarily further their business. The prevailing sentiment seems to be that the middle class should be "of use to society", but more in humanitarian terms rather than in political terms. The middle class should act as an example to society, be law-abiding citizens and help others to improve their lives. In other words, the business community needs to be socially responsible, working together with the government and "so that each supports the other". Hence the relationship established between the state and the economic elite is a pragmatic, mutually supportive partnership rather than a critical, confrontational relationship. A strong, centralised political leadership seems to be accepted as part of their cultural heritage and, as one businesswoman quipped, "we are used to it!" (Interview, 30 June 2005).

Even though since 2001, the CCP has officially embraced entrepreneurs into the fold, conversations with private entrepreneurs reveal that Party membership is considered ineffective as a means of furthering their interests. As rank and file party members they are in no position to have influence and as private entrepreneurs are unlikely to reach the highest levels of the political hierarchy unless, perhaps, if their companies are major taxpayers. Not surprisingly, according to the CASS report, only 7.6% of entrepreneurs surveyed said that becoming a Party member would improve their social standing. Apart from that, to become

a Party member is not easy. One needs to have economic power and an interest in politics while at the same time be considerably influential in one's locality with some tangible contribution to society. They must be able to leave behind the day-to-day management of one's business to take part in the various meetings.⁸

Conclusion

China's domestic private sector is continuously growing and its role in the economy is expanding by the day as the Chinese party-state forges ahead with its economic development plans. Ideological hurdles have been overcome and the presence and role of the private entrepreneur and businessman in society is now politically accepted. It seems that the symbiotic bond between the state and the urban private entrepreneurs has strengthened, each supporting the other and each acknowledging the roles that they are to play in China's economic development process.

Nevertheless, this is not to say that the urban private entrepreneurs are totally apathetic towards politics, merely that they are resigned to the status quo and consciously opting to concentrate on their role as economic players whilst leaving the politics to the party-state. As long as the party-state creates an environment conducive to business growth and well-being, they are willing to accept a gradual, top-down approach towards political liberalisation led by a firm, single party apparatus, believing that a grassroots approach would only lead to chaos for a country as big as China.

With this 'understanding' between the party-state and the urban private entrepreneurs in place, the leadership is turning now to the more immediate problems of the growing income inequality arising from the pro-business approach under Jiang Zemin and the fermenting discontent among the disaffected. As Chinese society becomes more diverse and complex, the power holders cannot ignore the interests and needs of a growing wealthy elite nor the interests of those left behind in the economic rat race if they want to maintain the status quo currently benefiting them and the stability so important in achieving China's economic growth. At the same time, the party-state is making efforts to be more receptive to the citizens' increasing need to be heard by allowing them to voice their opinions, at least at the local levels, and by allowing them to pursue a better quality of life.

In the meantime, we will just have to wait and see whether China can indeed succeed in maintaining its impressive economic growth whilst maintaining the party's supremacy in an increasingly plural society, where the potential for social instability is smouldering below the gleaming surface. Should economic growth be sustained, social inequities lessened, and stability maintained, China would be able to offer the world a successful corporatist model for economic growth within an undemocratic political system.

Endnotes

¹ *Getihu* is acronym for *geti gongshang hu* or single industrial and commercial proprietors.

² The All-China Federation of Industry and Commerce was first established in 1953 as part of the united front strategy adopted during the early years of Communist rule. It functioned at the time as a link between the new regime and the national bourgeoisie. It has since been updated and transformed into a people's organization (*renmin tuanti*) and an organization from among the people (*minjian*), the term used to mean non-government organization although not quite how it is understood in the West. ACFIC acts as a bridge and a link between the government and the CCP on the one hand and the private economic players on the other. Membership is voluntary and its members are associations of large companies who pay membership dues to the organization.

³ Lu Xueyi, ed. *Dangdai Zhongguo shehui jieceng yanjiu baogao A research report on China's Current social structure* *Shehui kexue wenxian chubanshe Social sciences academic press*. Beijing 2002. In this report, *私营企业主* or private enterprise employers or entrepreneurs was defined as *私营企业投资* or private investors who have invested their own money into their companies and are employers, rather than employees. p.214.

⁴The Chinese prefer to use the term *zhong jian jieceng 中间阶层* rather than *zhong chan jieji 中产阶级* for the term 'middle class' as it is perceived as being less confrontational and more appropriate for discussion on social stratification issues. *Zhong chan jieji 中产阶级* is used when referring to Marx's concept of class. Lu Xueyi. op. cit. p.6.

⁵ A survey of 3,038 people randomly selected was conducted in 5 major cities in the first half of 2004 and published in Zhou Xiaohong ed. *Zhongguo zhongchan jieceng diaocha. Survey of the Chinese middle classes*. Beijing : Social Sciences Academic Press, 2005.

⁶ 'Outsiders' are those peasants and urban residents who went into business early and are outside the party-state system, whilst 'insiders' are the former party, government and military personnel, as well as the children of old revolutionaries who went into business primarily after 1992 in Guo Xiaoqin. *State and Society in China's Democratic Transition: Confucianism, Leninism, and Economic Development*. New York : Routledge, 2003 p.164.

⁷ A young female graduate of the prestigious Fudan University who has been in private business since 1999 tells of her experience with the developers of Shanghai's exclusive Shimao River Garden condominiums in Pudong. When she purchased her unit she was promised an unobstructed view of the Huangpu River. Later she found that the municipal government was putting the plot of land in front of her unit's tower up for auction among developers in violation of the regulations which prohibited the construction of high-rises within 100 meters of the river's edge. Together with 50 other residents, she went to the municipal government to voice her protest but to no avail. She remarked, "if officials do not abide by their own regulations, how can we trust them?" Private interview, 10 June 2005

⁸ Conversation with the Vice-Chair of the Wenzhou United Front Department of the CPC, 31 August 2005.

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