

Party, Capitalists and Class in China

An Interview with David S.G. Goodman

Emilie FRENKIEL

According to Australian specialist of social classes David S.G. Goodman, China is still far from a capitalist country. In this interview, he maps out the connections between the Chinese middle classes, the upper class and the Communist Party and their political implications.

David Stephen Gordon Goodman is head of the new Department of China Studies at Xi'an Jiaotong Liverpool University in Suzhou. He is also a Professor in Social Sciences at Nanjing University and Emeritus Professor at the University of Sydney.

Goodman's research has focused on the political history of the Communist Party of China and on social and political change at local levels in China, most especially configurations of class, and the sociology of entrepreneurship in contemporary China. His research emphasises the historical continuities in Chinese economy and society from the 20th century to the 21st.

He is the author or editor of more than three dozen books and monographs on Chinese politics and society, among which *Class in Contemporary China*, Wiley, New York, 2014; (ed) *Middle Class China: Identity and Behaviour* (with Minglu Chen) Cheltenham, Edward Elgar, 2013; (ed) *China's Peasants and Workers: Changing Class Identities* (with Beatriz Carillo) Edward Elgar, Cheltenham, 2012; (ed) *Twentieth Century Colonialism and China: Localities, the Everyday, and the World* (with Bryna Goodman) Routledge, London, 2012 and (ed) *The New Rich in China: Future Rulers, Present Lives* Routledge, London, 2008.

La Vie des Idées: You have conducted research on China's new rich and its emerging middle classes for a great part of your academic career. Can you spell the reasons for this research orientation? Have you perceived a great evolution in China's class structure over the last twenty years?

David S. Goodman: My main reason for this research has always been a concern with the social sciences. They are intended to be universal, yet often the experience of the world away from Europe and North America is absent. So in looking at China I wanted to know if the patterns of class and social stratification were indeed the same there as in the textbooks, and to identify differences as well as similarities. And having done that, I wanted to feed the results back into new understandings that would apply equally elsewhere. My recent book on *Class in Contemporary China* does in fact go those extra yards, I believe, and the reviewers have agreed. Class in China is not just about the relationship to the means of production. It is about inequalities in wealth, status and power, their social base, and their intergenerational transfer. At the heart of these processes of class are families who reproduce class

much more reliably than is often assumed, even in advanced industrial societies where social mobility is thought to be the norm and merit is treated as a secular religion.

La Vie des Idées: How much social mobility is there in China? In your book, *Class in Contemporary China*, you stress the importance of intergenerational transfers of privilege, and even mention that pre-1949 local elites China managed to regain their local elite status after 1978. Can it help explain the prevalence of the notion of people's *suzhi* (quality)¹ in China nowadays?

David S. Goodman: Gregory Clarke in *The Son Also Rises* (2014) suggests that in all advanced industrial societies social mobility is lower than we think. He indicates an intergenerational transfer of privilege of about 73%. For China he suggests that it is higher at about 84%. Other research, including my own, suggests that is correct and may indeed be even higher. One study from Peking University indicated that a woman's occupation and social status is determined by her father's in about 95% of cases and that a man's is in about 84%. My own work on local economic elites suggests as you say that a very high proportion of today's economic elites are the direct descendants of the local elites of 1949. More remarkably perhaps, about two thirds of today's local elites are the descendants of people who in 1949 were both members of the local elite and members of the CCP. Changing this and uprooting the bastions of wealth and privilege could be very difficult and possibly dangerous, as President Xi Jinping has been discovering. It's difficult because of the entrenched position of people and their social networks in the system which Xi has said has to be reformed in order to ensure the continued legitimacy of the Chinese Communist Party, and it's dangerous because those same social networks are a necessary bastion of resistance. Does this explain the prevalence of concerns with *suzhi*, you ask. Possibly. But there is another even deeper socio-cultural explanation. Unlike European or North American societies, Chinese society does not start from the expectation of equality being the norm or the desirable way. Chinese people accept inequality as natural, and it is part of Chinese philosophy and civilisation. Distinctions are made and understood. This is once again the function of *suzhi* - to keep the migrant workers in their place and apart from the educated middle classes.

La Vie des Idées: Could you go back to your attempt to dispel two main misconceptions: that China's middle class is becoming dominant (a widespread belief and discourse in China itself), and that it is a potential driving force for change?

David S. Goodman: In the mid- to late 1990s, I wanted to point out that though there was a middle class in China, it was not very new. The social strata that formed the middle classes were the professionals and managers employed by the party-state to run the country in various ways, and they had been there since the 1950s. There is however one group that was relatively new, and that was the new businessmen released by the Reform Era. Remarkably, their ties with the party state were, and remain, strong. Some 50 % of so-called private entrepreneurs worked in the party-

¹ Kipnis, A, "Suzhi: A Keyword Approach", *The China Quarterly*, vol. 186, 2006, pp. 295-313: "Reference to *suzhi* justifies social and political hierarchies of all sorts, with those of 'high' *suzhi* being seen as deserving more income, power and status than those of 'low' *suzhi*."

state immediately before becoming private entrepreneurs, and about one-fifth had actually been leading cadres at various levels in the party-state. (Bruce Dickson) This of course immediately limits the potential for political space between the middle class and political establishment that might lead to change. But my argument is that the middle class is actually very small and essentially almost all to be found within the party-state. While it is possible to quantify about 14-15% of the working population as business people, only very few of these are entrepreneurs, business owners, and employers of large numbers of other people as the term business people is more usually understood. Most of the people categorised this way are actually members of the precariat. They are small traders and the self-employed largely unemployed. They are not then becoming middle class anytime soon. It is a similar picture with the large numbers of peasants in the equation. Of course, much of this argument depends on how the middle classes are defined. I take a Giddens/Erik Olin Wright approach and see them as the intermediate class who are defined by their experience, knowledge and skills, and not just income, power and status. For social mobility to occur on the scale desired by those who want to see a sizeable middle class in China, there has to be more money spent on consumption rather than put away in savings, and for that to happen there has to be state welfare provision and an end to labor market restrictions through the household registration system. For the moment the intermediate middle classes can only grow slowly, as they have done ever since the mid-1950s. Even in the Reform Era the growth of the middle class has been relatively slow – about 6% over more than three decades.

Whereas outside the PRC home ownership is usually taken as the mark of being in the middle class, this is not the case in China. Home ownership data suggest that the vast majority now own or are paying for their own homes. This was a result of the structural change in the economy during the 1990s. Peasants have always been homeowners in a general sense and little has changed there, with home ownership running at about 95% in the countryside. In urban areas the dramatic change occurred when the state-owned enterprises were restructured and housing was removed from their responsibility as a welfare provided to their workers. At first, workers were either allocated the housing stock that they occupied or were required to buy it, and then as city governments went in for new urban renewal plans they were subsequently required to move out and purchase the new developments that were going up. About 84% of urban households now own or are paying for their homes. This figure sounds remarkable to outsiders, given the still relatively low level of incomes in the PRC. The explanation rests with the subsidies provided: both directly through soft-loans much lower than market prices; and indirectly, through simple re-allocation of housing stock. If someone lived in a house or apartment provided by a work unit, then they stayed there, receiving ownership, sometimes at no cost or at highly subsidised cost.

Chinese Academy of Social Sciences : PRC Class Composition of Workforce, 1952-2006
percentage.

	1952	1978	1988	2001	2006
Class					
State and social administrators	0.5	1.0	1.7	2.1	2.3
Managers	0.1	0.2	0.5	1.6	2.6
Private entrepreneurs	0.2	-	-	1.0	1.3
Individual business owners	4.1	-	3.1	7.1	9.5
Professional and technical personnel	0.9	3.5	4.8	4.6	6.3
Office workers	0.5	1.3	1.7	7.2	7.0
Employees of commercial services	3.1	2.2	6.4	11.2	10.1
Industrial working class	6.4	19.8	22.4	17.5	14.7
Agricultural labourers	84.2	67.4	55.8	42.9	40.3
Urban and rural unemployed and semi-employed	-	4.6	3.6	4.8	5.9

Sources: 1952-88 Lu Xueyi (2002) *Dangdai Zhongguo shehui jieceng yanjiu baogao* [Report on Research into Social Stratification in Contemporary China] Beijing: Shehui kexue wenxian chubanshe, 2002, p.44; Lu Xueyi *Dangdai Zhongguo Shehui Liudong* [Social Mobility in Contemporary China] Beijing: Shehui kexue wenxian chubanshe, 2004, p.38; Lu Xueyi (ed) *Social Structure of Contemporary China* Singapore: World Scientific Publishing, 2012, p.20 and p.403. 2001 data from national sample survey data. 2006 data from the 2005 sample survey of 1% of the Chinese population undertaken by National Bureau of Statistics and the 2006 National General Social Survey of CASS, Institute of Sociology.

La Vie des Idées: Who are Chinese entrepreneurs? How diverse are they? What is their mindset? What is their relationship with the state?

David S. Goodman: A range of people can be called entrepreneurs, and it is partially dependent on how this idea is conceptualised. Both because of its ideological unease and because of the practicalities of encouraging entrepreneurialism, the state sometimes likes to suggest that anyone engaged in business, big or small, retail or wholesale, manufacturing or mining, producing or research, are all entrepreneurs. This would be a goodly portion of the population. It would include people recognizable as capitalists anywhere in the world, but it would also include itinerant peasants, laid-off workers, and all the self-employed people trying to make economic sense of the market. Those who are essentially part of the precariat (peasants, itinerants, the unemployed, migrant workers) have no close relationship with the state at any level. Instead they are forced to rely on their own manual labour and perhaps

more immediate personal networks to make a living. Those who are migrant workers from the countryside come into the cities and live in temporary camps on construction sites or arranged for various service industries. Their physical conditions may sometimes (though not always) be very inadequate but the prime problem they face is not being able to access urban welfare. They are only recognized by the state as living in the countryside and having their homes there, however long they may have been settled in urban areas or have been commuting between the two. Those who are laid-off workers may be able to live in urban areas but their standard living can be unbelievably low, as commentators such as Dorothy Solinger have long pointed out.

Those who might more usually be thought of as entrepreneurs – sizeable business and enterprise owners – have a very close relationship with the state for three main reasons.

First, a substantial proportion of them came out of the party-state in all its manifestations either during the early phase of reform (in the 1980s) when small-scale business was first sanctioned particularly in Town and Village Enterprises, or later after 1992 when private business was allowed to become bigger scale and much of the state sector was hived off in different ways (and sometimes even through management transfers and buyouts.) Relatively high numbers of these entrepreneurs retained CCP membership, even before 1992. After 1992, many of the new entrepreneurs had actually been doing the same or similar work under state socialism. Even more paradoxically, many of the new private enterprises established after 1992 and led by these entrepreneurs actually remained owned by their original state-owned company. It is estimated that about a quarter of all private enterprises are of this kind. Standard practice was for a workshop or section of a state-owned company to be marketised in this way with all the workers, capital and business simply moving out of the state-owned enterprise under its management and into the market as a new company. To take an example, a North China iron and steel company entered the Reform Era as all state-owned large companies did with many workshops and units that provided services to production and the workforce. In addition to iron smelters and steel extruders, there were for example a workshop making glass products that were needed in various ways by the production process; a vehicle pool that carried the iron and steel products out of the factory as well as transporting people; schools for the workers' children; and canteens where the workforce and their families ate. At the start of the reform process it had about 129,000 employees and thought to reduce to about 36,000 in its first stage reform. All the various workshops and units that could be turned into independent economic units would be handed over to their then current management staff and workforces and become separate enterprises. The glass workshop became a successful jam jar and bottle manufacturer; the vehicle pool became a transport company; the school became a commercial kindergarten (still for the children of the workforce, though now on a different financial basis); and a number of the canteens became different kinds of commercial eateries. At the same time, the iron and steel company in question ensured it retained more than 50% equity in each of these new enterprises.

Second, of course not every entrepreneur had previously been in the state sector or working in the party-state at a senior level. Those who had not quickly found that the party-state attempted to accommodate them and bring them under its influence as quickly as possible. CCP membership was offered; seats on people's congresses and

people's political consultative conferences; membership in government-run chambers of commerce; status as model entrepreneurs, and so on. The bigger the enterprise, the more assuredly the local CCP branch ensured it had a branch in the company.

And the third reason was business. Without links to the party-state, entrepreneurs have had difficulties obtaining the resources to develop businesses. Land, labour, and particularly capital remain remote if the entrepreneur does not get involved in some way with the party-state. Studies have repeatedly shown that active CCP members who are entrepreneurs have significantly more success in obtaining bank loans than those who are not; and the business opportunities flow for those business people under the aegis of and within the portals of the party-state. The classic study of these proposals comes from the University of East Anglia in the UK. (Talavera, Xiong and Xiong)

La Vie des Idées: In « Sixty Years of the People's Republic: local perspectives on the evolution of the state in China ». *The Pacific Review*, 22(4), 2009, you emphasize the limits of the all-too-popular approach in Western academia of contrasting China's dramatic economic growth with the lack of political change. In what respect has economic reform in China brought about significant political change? You have conversely highlighted the fact that China is far from a capitalist country. Can you expand on this idea?

David S. Goodman: Under state socialism and during the Mao-era, China was a byword for political instability. The strategy for change altered every five years or so, and there were some major man-made political upheavals – the Great Leap Forward and the Cultural Revolution. Since the start of the Reform Era in 1978, greater political stability has eventuated and with it more regularised rules of politics. There has been debate within the CCP on many things with the outcomes being more mediated for the losers than in the past. They would still for the most part be around and participant in politics. With the passage of time and the development of technology, there has even been a degree of wider public debate about things, through social media as well as the less-controlled press and mass media. It could now be safely argued that politics is a more confined activity in a more limited space than was the case before. Politics may still impinge on the ordinary lives of people, but on the whole much of politics has become more escapable than was the case previously. Within the CCP, the institutions and operations of the party-state have certainly become more routinised with timed changes of leadership, regular party and state congresses and meetings, and rules about political engagement. There have even been regular local level direct elections, though tightly under local government influence.

Economic growth in China is often presented as though China has already reached the level of an advanced industrial country and developed capitalism. The assumption is then that liberal democracy cannot be far behind. This seems to me far-fetched. China's economic growth, though remarkable over thirty plus years, remains limited, and while it may have capitalist practices it is not capitalist. To start with, China's economy may be the second largest in the world (or the largest by PPP measure) but there is a certain inevitability to that. China has never had a small aggregate economy – the size of its population ensures that. Until 1830 it was the largest economy in the world simply because it had the largest population. Once other countries started to

industrialise, their GDP per capita increased but China's did not. Nonetheless China has never been less than the fifth or fourth largest economy in the world. But in terms of GDP per capita it does not do so well. It is currently (2014) running at about US\$11,000 per capita, only slightly better than the former Soviet Union was doing at the height of its success in about 1983. In parts of the country, the growth and wealth per capita has been spectacular. Southern China around Guangzhou and the Pearl River Delta; Shanghai and the Lower Yangtze Delta; Beijing and Tianjin. In the Suzhou Industrial Park (actually a new city to the east of Suzhou) in the Lower Yangtze Delta Region GDP per capita is now higher than the UK's. At the same time the national picture still has a long way to go quantitatively, as it does qualitatively. Who has benefitted primarily from this growth? Not the capitalists and entrepreneurs *per se*, but rather reform-minded officials of the party and state, technocrats, and particularly the children of officials. This is a pattern that was established for other reforming state socialist systems during the 1970s and 1980s in Eastern Europe, in Yugoslavia, Hungary and Poland, and that has been analysed in detail by Ivan Szelenyi over thirty years. On that model, it is likely that it will be the technocrats and former bureaucrats and not the capitalist class who will become the prime beneficiaries of any political change.

La Vie des Idées: What has happened to class discourse in China during the last thirty years since the reform era started?

David S. Goodman: The starting point to understand the changes of the reform era is the notions of class that existed in the Mao-dominated era of state socialism in China. An ideological problem for the CCP on coming to power in China in 1949 was always going to be how to handle class analysis once stability and their rule was ensured. Class analysis is after all an ideology of conflict to ensure change. By the mid-1950s Mao and the CCP were beginning to feel that there were no more antagonistic classes in society. After all, they had socialised the means of production. Everyone in short was a worker or a peasant, the only two acceptable classes left, or a member of the intellectual stratum. Note an old Soviet distinction between stratum and class. A class can have consciousness. A stratum is just a categoric identification. For various reasons, including simply not getting his way in policy debates, Mao decided that counter-revolutionary classes could reappear, even within the ranks of the CCP itself. Hence the call to weed out the bourgeoisie and 'capitalist roaders' in the ranks of the Party that led into the Cultural Revolution, and essentially the Mao-led destruction of the CCP's system of governance. For some time after Mao's death and the shift towards more market-oriented reforms under Deng Xiaoping, the CCP was too shell-shocked from the experience of the Cultural Revolution to attempt ideological reformulations about class. Indeed, more cynical commentators have suggested that there was no longer any justification for describing the CCP as the party of the proletariat. (Yingjie Guo) Especially by the late 1990s when many (perhaps as many as 60 million) of the former proletariat had been laid off by the restructuring of state-owned enterprises to make them profitable under marketised conditions. Moreover, increased trends towards market socialism meant that entrepreneurs were once again becoming economically powerful. The CCP responded to this development by welcoming these entrepreneurs into its fold, as 'advanced representatives of social and economic element.' At the same time, the CCP's ideological formulation was that there were only two active classes in China - everyone was either a worker or a peasant. Even the members of the intelligentsia by this stage were regarded as

'workers.' Most of this dramatic social change had occurred on the watch of Jiang Zemin as General Secretary of the CCP. Almost his final act, in 2002, before standing down from that post, was to suggest that the upper layers of society had grown too much and that the next stage in China's development would be to grow the middle layers of society. This proved to be the catalyst for a remarkable ideological development, led by sociologists under Lu Xueyi at the Chinese Academy of Social Sciences [CASS]. They attempted to put empirical clothing on the demand for the growing middle of society, and significantly pushed at the envelope of ideological formulae by suggesting that in fact in the 'contemporary era' there was no difference between class and stratum. Repeated CASS surveys showed how the middle class had grown under reform, advocating its further growth. Others in the Party-state then started making targets for the growth of the middle class as well as developing ideological justifications that the middle class could indeed be a universalising class, since a soon-to-be-achieved majoritarian middle class would mean a happy and contented society, in which there was little conflict and considerable political stability. It was said that society would move from being represented by a hierarchical period in structure to one which was olive-shaped. The empirical sleight-of-hand which made this possible was a new classification of Chinese society in terms of ten social strata or classes. [See Figure 1] This was essentially class by occupation along the lines laid out by Anthony Giddens, with a touch of Marxist Erik Olin Wright thrown in for good measure, that would exist alongside the two class-by-ideology structure of the CCP. In particular, the CASS' sleight of hand was to claim that all but one class in their new structure (the unemployed) could be middle class, and to conveniently omit discussion of a ruling or upper class. This last approach was one rapidly followed by the State Statistical Bureau who ceased to include the income of the super rich in their calculations. Teresa Wright estimates that this upper class constitutes about 3% of the population.

Books&ideas.net, 29th October 2015.

© booksandideas.net

Further Reading:

Chen, Jie (2013) *A Middle Class Without Democracy: Economic Growth and the Prospects for Democratization in China*. New York: Oxford University Press.

Chen, Jie and Bruce J. Dickson (2010) *Allies of the State: China's Private Entrepreneurs and Democratic Change*. Cambridge, MA: Harvard University Press.

Dickson, Bruce J. (2007) 'Integrating wealth and power in China: The Communist Party's embrace of the private sector' in *The China Quarterly* 192: 827–54.

Dickson, Bruce J. (2008) *Wealth into Power: The Communist Party's Embrace of China's Private Sector*. Cambridge: Cambridge University Press.

Dickson, Bruce J. (2010) 'China's cooperative capitalists: the business end of the middle class' in Cheng Li (ed.), *China's Emerging Middle Class*. Washington: Brookings Institution Press, pp. 291–306.

David S G Goodman *Class in Contemporary China* Polity, 2014

Guo, Yingjie (2009) 'Farewell to class, except the middle class: the politics of class analysis in contemporary China' in *The Asia-Pacific Journal* 26: 189–205.

Guo, Yingjie (2012) 'Class without class consciousness and class consciousness without classes: the meaning of class in the People's Republic of China' in *Journal of Contemporary China* 21: 723–39.

Lu, Xueyi (2002) (ed.) *Dangdai Zhongguo shehui jieceng yanjiu baogao* [Report on Research into Social Stratification in Contemporary China]. Beijing: Shehui kexue wenxian chubanshe.

Lu, Xueyi (2004) *Dangdai Zhongguo Shehui Liudong* [Social Mobility in Contemporary China]. Beijing: Shehui kexue wenxian chubanshe.

Lu, Xueyi (2005) *Social Mobility in Contemporary China*. Montreal: American Quantum Media.

Lu, Xueyi (2012) (ed.) *Social Structure of Contemporary China*. Singapore: World Scientific Publishing.

Solinger, Dorothy (2001) 'Why we cannot count the "unemployed"' in *The China Quarterly* 167: 671–88.

Solinger, Dorothy (2002) 'Labour market reform and the plight of the laid-off proletariat' in *The China Quarterly* 170: 304–26.

Solinger, Dorothy (2004) 'The new crowd of the dispossessed' in Peter Gries and Stanley Rosen (eds), *State and Society in 21st Century China*. New York: Routledge, pp. 50–66.

Solinger, Dorothy (2011) 'Dibaohu in distress: the meagre minimum livelihood guarantee system in Wuhan' in Beatriz Carrillo and Jane Duckett (eds), *China's Changing Welfare Mix: Local Perspectives*. Abingdon: Routledge, pp. 36–63.

Szelényi, Ivan (1978) 'Social inequalities in state socialist redistributive economies' in *International Journal of Comparative Sociology* 19: 63–87.

Szelényi, Ivan (1988) *Socialist Entrepreneurs: Embourgeoisement in Rural Hungary*. Madison: University of Wisconsin Press.

Szelényi, Ivan (2008) 'A theory of transitions' in *Modern China* 34: 165–75.

Szelényi, Ivan and Eric Kostello (1998) 'Outline of an institutional theory of inequality: The case of socialist and postcommunist Eastern Europe' in Mary C. Brinton and Victor Nee (eds), *The New Institutionalism in Sociology*. Redwood City: Stanford University Press, pp. 305–26.

Talavera, Oleksandr, Lin Xiong and Xiong Xiong (2010) 'Social capital and access to bank financing: the case of Chinese entrepreneurs', University of East Anglia Applied and Financial Economics Working Paper Series 019, Norwich: School of Economics, University of East Anglia.

Wright, Teresa (2010) *Accepting Authoritarianism: State-Society Relations in China's Reform Era*. Redwood City: Stanford University Press.

