

The New Rich in the Party-State China

– A case study on their consumption patterns

王 武雲
WANG Wuyun

朱 藝
ZHU Yi*
*香港大学

Abstract

This paper attempts to analyze the relationship between the party-state and the new rich by examining China's ownership system in the economic reform since 1978, and chart some fundamental issues concerning the consumption patterns of the China's new rich. It starts by laying out issues which pertain to the social basis and the formation of the new rich, before turning to examine the specific role of consumption in this process. Survey findings will be used to shed some light on the attitude towards the new rich, before moving on to examine the likelihood of the new rich whose subjective identity is constructed upon distinctive consumption patterns and accompanying values. This is achieved by examining findings from an exploratory study which analyzes respondents' outlooks, practices and patterns of consumption as well as their social distinction.

Keywords: party-state, the new rich, consumption patterns

More than thirty years have passed since China started its economic reform in 1978. This economic reform has in any case been explicitly modeled on the rise of the East Asian newly industrializing economies (NIEs) since the 1960s. At the end of the 1970s China began to realize how poorly China's economic performance was compared with that of Hong Kong and Taiwan, as well as Singapore and South Korea. It determined that China, despite obvious differences in size, could emulate the East Asian NIEs, adopt their techniques (particularly expert-oriented production) and even encourage their investment. One result is that since 1978 China has become increasingly economically integrated with capitalist East Asia.

It is clearly the case that the transformation of state socialism in China has some features, politically as well as economically, that it does not share with capitalist development in more free-market societies, the continued but changing role of the party-state is the most obvious and probably the most important.

It is also the case that China is undergoing a capitalist revolution of some sort even if the end result may not be a capitalist system. Rapid industrialization and economic growth, often utilizing capitalist techniques, are dramatically changing the nature of China's economy although the longer-term social and political consequences remain uncertain (Glassman, 1991). In the short term it is already clear that the reform era which started in the late 1970s has seen the emergence of new social categories of wealth.

The focus of this paper is on this specific category of wealthy individuals who have emerged in the course of

industrialization in China: the 'new rich'.¹ As the term 'new rich' suggests, two criteria are critical: the first is the characteristic of being 'new', and the second is the trait of being 'rich'. 'New' and 'rich' are two concepts that cannot be understood in separation. They have to be put back into the context from which the affluence of China is derived. In other words, conceptually as well as empirically, these two basic demarcating criteria – new and rich – are inseparably related to the context of capitalist expansion that has involved China. The identification of 'new' elements in the hierarchy of the social stratification requires the existence of an old structure of social classes to provide a comparative basis. In the case of China, the transition from a planned economy to a market-oriented one, mainly caused by the adoption of open-door and reform strategy since 1978, is presumed to explain the presence of the varied new rich individuals in the present Chinese society. Over these thirty years, structural changes are progressively transforming China into a consumption-oriented affluent society. China witnessed a surge of mass conspicuous consumption from the beginning of the twenty-first century in which the existence of the new rich became visible.

An examination of the Chinese new rich is an important part of the analysis of modernization, not least in order to assess the extent to which there may be alternatives to capitalism. In the 1990s and the aftermath of imploding state socialism in Eastern Europe there are many who would claim that only capitalism is able to deliver sustained economic growth. The China's case would seem to suggest otherwise, or that capitalism itself requires redefinition. In particular, where Western

capitalism developed through the actions of a capitalist class independent of the state, capitalist development in China emphasizes the continued social basis of its new rich in the party-state (Hsing, 1998).

This paper, therefore, attempts to analyze the relationship between the party-state and the new rich by examining China's ownership system in the economic reform since 1978, and chart some fundamental issues concerning the consumption patterns of the China's new rich. In what follows, we start by laying out issues which pertain to the social basis and the formation of the new rich, before turning to examine the specific role of consumption in this process. Survey findings will be used to shed some light on the attitude towards the new rich, before moving on to examine the likelihood of the new rich whose subjective identity is constructed upon distinctive consumption patterns and accompanying values. This is achieved by examining findings from an exploratory study which analyzes respondents' outlooks, practices and patterns of consumption as well as their social distinction.

1 The social basis of the new rich: the party-state

China's industrial capitalism emerged within the framework of political authoritarianism and interventionist states (Garnaut, 2000). The political, ideological and economic agendas were set largely by generals, party bosses or bureaucrats operating from within the state apparatus or state parties rather than by capitalists and the middle classes. Capitalist industrialization has taken place outside the liberal pluralist political paradigm. State technocrats and state managers have played a strategically critical role in the economy, and the consequent patterns of economic development bear the strong imprint of state orchestration. Social and political life is heavily influenced by views that the national interest should assume priority over vested interest, with the state naturally constituting the guardian of the former. A centralized communist state has provided the framework for industrialization and today it is this same communist party apparatus that provides the incubator for the capitalist revolution. The new rich emerge from the state itself in a process that blurs notions of public and private, state and market.

Perhaps the most important way in which current developments have their roots in the party-state is through the reallocation of state or public sector assets and resources, usually to a collective enterprise. There are basically two different methods of appropriation (Cook, eds., 2000). A state sector enterprise finds that it can make a profit from its previously under-utilized resources by meeting a market need and providing goods or services to the economy outside the plan. A collective enterprise is thus established by the state enterprise. The pattern is one of a parent company with subsidiary companies, and sometimes remarkably even holding companies. Usually resources and assets from the parent company are used to start the collective enterprise at essentially no cost to the new enterprise. The state enterprise provides the time of its workers and managers,

land, equipment, buildings or whatever resources are required as its equity in the new collective enterprise.

The second path to appropriation occurs when local government or a state sector enterprise or unit decides that an activity is no longer economically viable within the state sector. A local government might determine that it could no longer maintain its transport department, but a new transport company could well be formed using the vehicles previously available. Quite apart from the ability to respond to market opportunities, one major advantage in the transfer of resources is that most of the new collectives have been able to avoid the labor regulations that apply in the state sector and to save on the additional costs of pension schemes, health and welfare insurance.

It is important to recognize that these developments represent not the privatization of the economy but the continued influence of the party-state. China recognizes state, collective, private and foreign-funded sectors (Chan, 2002).

- 1) The state sector of the economy is not the only public sector, but that part of it governed by the state plan.
- 2) The collective sector is the non-planned part of the state economy: that is, its supplies and inputs, labor force and operations, and distribution are not governed by the state plan. In fact the meaning of enterprises registered as part of the collective sector has become extremely attenuated. For a variety of reasons, many enterprises that are part of the state, private and foreign-invested sectors have been registered as collectives. In practical as opposed to ideological terms the definition of a collective has come to be that at least one of the partners in the enterprise is a governmental agency or part of the state sector. Even in those collectives formed by initially individual entrepreneurs with private capital and seeking to escape the small-time and to upgrade, enlarge, recapitalize and secure their enterprises, partnership with local government is the necessary step to collectivization.

In fact, China's true private sector has been characterized by its small scale, low cost, labor intensive and short-term nature. There is little or no reinvestment in this sector, chiefly because the resources and structures are lacking for the development of a larger private sector. When private entrepreneurs want to develop larger businesses, they find it necessary to set up joint ventures, usually with a section of the apparatus. An individual entrepreneur, for example, might be producing small domestic boilers with one other person, perhaps an engineer. They decide to tap into a larger market for huge industrial boilers. They pay a call on representatives of the local state authority and propose a deal. If the local authority provides the land and plant, they will provide know-how and invest their profits in the new business. Importantly, the current taxation system is biased in favor of such deals, which are also largely unregulated by wider laws. The local authority can charge "management fees", while the private entrepreneurs pay lower taxes to

the local authority than they otherwise would to the state. From such deals derives the burgeoning realm perversely known as the 'collective sector'.

Nationwide, car pools belonging to state enterprises have been turned overnight into taxi companies; glassworks sections of state enterprises are being transformed into 'collective sector' jam jar factories. For many state enterprise managers, struggling to comply with the leadership's imperative to make their enterprises more profitable, the collective sector provides a ready solution of sorts. And it is here we find majority of the China's new rich.

China's new rich as a whole are being subsumed by the party-state. The enterprise managers deal with more or less the same cadres who accept personal commissions for assisting foreign corporations to invest in China. It is, then, unsurprising that China's legal system has so far failed to clearly regulate activities within the collective sector. For the time being, it is to the advantage of new rich, both within and outside the party, that definitions of ownership remain fuzzy.

Amongst the new rich many have party connections, were party members or are party members now. The system now is about turning cadres into managers. The party woos Star Culture members like Li Ning² in order to emphasize political messages about developing an enterprise culture.

2 Who are the new rich?

China's economic development since 1978 has certainly produced its own new rich: new categories of the wealthy and wielders of economic power. Who really are the 'new rich' in China? How much should a person have so as to be regarded as the rich? David S.G. Goodman and his team from Murdoch University's Asia Research Centre surveyed 1000 of the new rich at the beginning of 1990s and drew some preliminary conclusions (Goodman, 1996). The new rich in the first half of 1990s were those with relatively high disposable incomes, in excess of 1000 yuan RMB per month, (the national average was 250-300 per month). Interestingly, the traditionally more educated layers such as teachers, technical personnel and cadres did not fall into the new rich category. Throughout the 1980s and 1990s, the press was full of rags to riches' stories about successful private entrepreneurs, especially from the agricultural sector. In 1995 it was estimated that the total savings of China's 10 million private business people exceeded those of its 800 million peasants (*Asiaweek*, April No.4 1996).

Obviously 1000 yuan RMB per month cannot be regarded as rich at all at present China. Recent official figures refer to the following three groups as the wealthy. 1) 10.6 million Chinese (1% of the total population) with assets in excess of 1.6 million yuan RMB, 2) 1.6million Chinese (0.08% of the total population) with assets in excess of 10 million yuan RMB, 3) 85 thousand Chinese (0.006% of the total population) with assets in excess of 102 million yuan RMB (Zhong, 2004). The new rich cannot be regarded as a single homogeneous group. The composition of the new rich in the present China is

characterized by fragmentation and heterogeneity. Though still not large in number the new rich comprise individuals from different social classes and status groups.³ These different segments of the new rich emerged at different stages of the industrialization process and thus they are susceptible to different sets of social values. They are not to be found so much within the ranks of the professional middle classes as within the emerging business classes. They range from the new capitalist farmers and private sector traders to much larger-scale industrial capitalists, often entering into partnerships with foreign investors. Less obvious but perhaps more important in the development of capitalism are the new kinds of managers who control the entry of huge state enterprises into the market. Although the most spectacular and ostentatious of the new rich may be owner-operators, the more significant and numerous new wielders of economic power are to be found elsewhere, among the executives and managers of the various sectors of the rapidly expanding collective sector.

1) State capitalists and model managers

In general, managers of state and collective sector enterprises clearly cannot be considered part of China's new rich, particularly where their specific enterprises existed before the start of the reform era. However, some have used the opportunity offered by the introduction of market reforms to radically alter their own enterprise structure, and some have even become distinguished formally as 'model managers'. In the state sector, and even in nationally prestigious heavy industrial concerns, some managers have transformed themselves into a form of state capitalist by decentralizing their corporations and establishing conglomerates.

For these people, personal wealth, although it certainly exists, is less important than the control of economic wealth. The state capitalists, like their predecessors in the state sector, are ultimately responsible for considerable investments of state capital and the employment of large number of people. Model managers are also important because of the control of wealth, but their influence is also indirect in that by definition they are held up for emulation by the party-state system.

By definition the managers of state and collective enterprises in China are not the owners. However, it is far from clear that ownership is as important as control. In the collective sector many managers behave as if they were owners and the relationship is often ambiguous. A substantial proportion is indeed the previous owners where the collective enterprise emerged from the private sector, and they are often aggressively defensive of their interests. For others there is not just a sense of personal investment and commitment, but of responsibility, which may have something to do with the emergence of collective enterprises from relative small communities.

2) Owner-operators

The most visible, or at least the most highly publicized, of China's new rich are the owner-operators, private entrepreneurs who have developed their own businesses. The owner-operators have been a new departure and a key feature of the reform era. At first the

retail sector of the economy rapidly came to be dominated by owner-operators. As the state withdrew from direct economic management of enterprises and market reforms are introduced, owner-operators gradually developed larger enterprises in a wider range of activities, notably light industry. Similarly, whereas the first owner-operators were individuals with what had previously been regarded as unsatisfactory political backgrounds, and thus had other channels of advance blocked to them, economic expansion and the changed political environment by 1990s meant that owner-operators were drawn from a wide range of society.

Owner-operators exist throughout China and there are likely to be regional variations – somewhat more in big cities like Shanghai, Beijing, Guangdong and the South, considerably less in the interior Northern provinces. There is a wide range of wealth and there are those with annual incomes of 10 million yuan RMB and assets in excess of 1 billion yuan RMB.

3) Suburban executives

The development of so-called rural (or town and village) industry has been slightly less publicized than the private sector, but it has actually been a function of urban development. Some 84 percent of the industrial output by value (GNP) of so-called rural industry is based in the suburbs, specifically the rural districts of administratively higher-order cities and urban areas (*Beijing Weekly*, August No.4 2004). Suburban villages had always benefited from the availability of both technical inputs to their production and urban markets for their output. They were consequently well placed to take advantage of decollectivization and other aspects of economic reform in the early 1980s that were first implemented only in rural areas. This comparative advantage was further increased when economic reforms were extended to urban areas after October 1984, and economic activity began to grow exponentially.

The economic wealth of these suburban villages is not personal but is wielded collectively on behalf of villages and ownerships by executives who form an important section of China's new rich. For the most part those who were the village-level cadres and administrators of the former activities have become the managers and executives of the new enterprises. Although the personal wealth of these new suburban executives is not negligible, their real importance is the economic wealth that they control. They come to act as conglomerates owned nominally by the village when village enterprises expand and develop subsidiaries in a largely unregulated way.

4) Trend-setters

Another section of the new rich is important because of its influence rather than its access to absolute wealth, although most are also by no means poor. They are the trend-setters: those who constantly appear in the public eye and set the standards, socially and economically, that others follow. Almost by definition, the new rich are very fashion-conscious, in its widest senses beyond just clothes and personal appearance. The pattern of

conformity of the new rich are to be found in the newly emergent 'star culture' created around sports stars, pop music idols and television personalities; the activities of the 'princelings', the high-profile children and grandchildren of high-ranking cadres; and, at the more local level, the world of the private restaurateur.

One of the first investments made as personal wealth increases is to buy a house. Cars, particularly the most obvious luxury cars, also have an immediate appeal for the new rich although in most cases they are technically bought by the enterprise rather than the individual. Rolls-Royce, Cadillac and Mercedes Benz are doing excellent business in China. Similarly China's new rich attempt to provide their children with a good education.

Some of the trends set by and for the new rich are more specific to the time and place. In 1980s mobile phone became a potent status symbol, and was worn or carried accordingly. In Beijing during 1998 a hint of foreign décor, be it Japan, Thailand or Southeast Asia, was regarded as necessary for the best of the new private restaurants. In 2003 the fashion was for the new private restaurants to emphasize exclusivity in small dining rooms modeled on English country house of the eighteenth century, with Palladian arches, statues of Greco-Roman gods, oil paintings of the master and mistress of the house, and appropriate table settings. In the process, of course, the new-style restaurateurs themselves become relatively wealthy trend-setters.

With the growth of the new rich has come a demand for the chance to spend their new disposable incomes. It is not uncommon to find a million to a million-and-a-half RMB invested in the purchase and conversion of a restaurant and in many cities the richest private entrepreneurs are restaurant owners and those concerned with food supplies. The new status symbols include not only garment of famous brand, the latest technology and food fads, but for many rich households and the non-working wife.

In general, the new rich in Chinese society are a 'conglomerate' composed of many different social actors, whose increased earnings are tightly related to the consolidation of a market economy. More than thirty years of rapid social and economic development has bred a sizeable aggregate of wealthy individuals, who constitute the backbone of the post-Mao social stratification system.

3 Attitude towards the new rich

China's new rich are the direct beneficiaries of the era of reform and rapid economic development since 1978. Previously, although China certainly had its relatively wealthy, at least in terms of access to goods and services, conspicuous consumption and individual wealth creation were largely regarded as hostile acts in China. With the early 1980s the previous negative official attitudes towards wealth were replaced by new and more positive imperatives, in the words of late Deng Xiaoping, "Don't be afraid to be rich" and "Let a few get rich first, and the rest will follow suit."

The interest of almost cargo-cult proportions in the

world towards the new rich of China has been emphasized as consumers (Becker, 2000; Young, 1995). These new rich constitute the new markets for world's products: processed foods, computer software, educational services and films and television soaps. They are the new tourists, bring foreign exchange in hard times. What has helped such an enthusiastic embrace of the China's new rich is that they are emerging at a time when prolonged recession and low growth rates have depressed markets in the world.

However, there are more subtle reasons that the China's new rich are looked at with such hope and expectation in the world. They are increasingly regarded as the economic dynamiters of the twenty-first century at a time when the old industrial economies of the West appear to be in decline. In this view it is they who can revitalize the world economy: they are the joint venture partners, the investors, the financiers, the fixers and facilitators who Western companies increasingly meet. For Western liberals, there is an expectation that the rise of the 'new rich' in China will be, in cultural terms, a process of convergence. They are seen as embodying universal interests which will create China more like the liberal stereotypes: more rational, individualistic, democratic, secular and concerned with human rights, the environment and rule of law. There is certainly a range of evidence that something of the kind is happening. Middle-class students were seen to be at the heart of the Tiananmen Square protests in 1989 (Solinger, 1991). In cultural life too there is an increasing vigor. Chinese film-makers are producing films that compete with the world's best at international festivals.

Along with the increasing interest from the world has come a changing attitude of the new rich themselves toward wealth. For years, the Chinese assumed that anyone who was wealthy owed their fortune to corruption, monopolies and political influence. It was believed that most of the rich avoided taxes. So the rich liked to keep a low profile. Researchers and financial journalists who compiled 'rich lists' in China were constantly threatened with lawsuits and by hired thugs. But all that has started to change. Today's rich in China seem to be more willing to be outed.

The story profiles Rupert Hoogewerf, who started compiling a rich list while working for Forbes and now sells his own independent list. In 1999 when he started, it took \$6 million to get on the China Top 50 but now it takes \$100 million (*Beijing Review*, November 2004). Years ago, being listed on the China top 50 meant a visit from the tax police, legal actions from communist officials and public resentment. "There was a lot of hostility to people on the list," Hoogewerf said. "If you were a rich man you had to be corrupt." Now, the rise of stock markets in China has brought wealth more into the open, and it is viewed as more legitimate. For example, real-estate magnate Yang Guoqiang is listed in 2007 at around \$10 billion because of his company's listing on the Hong Kong exchange. According to Hoogewerf, most of today's Chinese rich are young, self-made entrepreneurs who made their money in real estate (50 of

the top 500 are women). Some things have not changed: "A political connection is still extremely helpful," the article says — hence the concentration of real-estate fortunes, which are tied to "insider deals and government connections."

Although the new rich have contributed greatly to the development of China's economy they seem not to be so welcomed by the ordinary people. A survey by the *People's Forum* has found that more than 90 percent of people think the new rich in China have benefited from networking with government officials and 42 percent have a "bad impression" of the group (*People's Forum*, August 2008). According to the survey, 91 percent of the respondents think all rich have deep political backgrounds. And 74 percent believe the key to success for these people is "being good at networking with officials" while only 16 percent think "wisdom and hard work of family members" are the reason for their success. The poll suggested that 69 percent of people think "badly" or "really badly" of the new rich in China, while only 3 percent said their impressions of the group are "OK" or "very good". Survey results show most people think the biggest reason causing the public's bad impression of the newly rich families is that they are involved in power-money deals (79 percent), followed by 48 percent who think this group has failed to shoulder its social responsibility, and 40 percent who think the group is rich but immoral. Meanwhile, 86 percent are concerned about the close relationship between entrepreneurs and officials in China, doubting whether this rich group could have accumulated its wealth if there were no links with officials. "The public gives positive evaluation to the ability of the group in making fortunes, and has no bad impression of their firms or assets. What causes resentment are the paths they take to gain wealth and some bad behavior after getting rich," the *People's Forum* magazine explained.

Money Week, a weekly magazine under *Nanfang Daily*, released a list of the top 3,000 wealthiest families in China in 2008 (*Money Week*, November No. 2 2008). The list shows the total assets of these 3,000 families reached 1.69 trillion yuan RMB (\$249 billion), and the top 1,000 rich families have average property worth 200 million yuan.

However, Cai Jiming, director of the Center for Political Economy at Tsinghua University, reminded people to look at the whole picture (*China Daily*, September 2, 2008). "It is natural to understand the public's anger but we should also be aware that the wealth and deals of bosses in State-owned enterprises are more lacking in transparency," he said. He also pointed out that an investigation by the Boston Consulting Group in 2005 suggested that 70 percent of China's fortunes were held by 0.4 percent of the population, and this class included not only rich families on various fortune lists, but also many unknown rich people, like bosses of State-owned enterprises, who are getting rich by using the country's monopoly in some industries or abusing public rights.

"So I think problems in this field are more

dangerous, and need tighter supervision. But generally speaking, the booming of the private economy is doing much more good than harm to the nation,” Cai said.

4 Consumption behavior of the new rich: a case study in Beijing

Studies on China’s new rich have taken two general directions. On the one hand, some writers are interested in the political organization and participation of the new rich (Becker, 2000; Fewsmith, 1994). On the other hand, interest on the new rich lies within broader issues of China’s class structure and openness (Harvie, 2000; Guthrie, 1999). Recently a new trend is seen on the consumption behavior of the new rich with the social change (Ji, 2003). It is not surprising that sharp consumption sector cleavages can be found in China, particularly in housing, health care and educational provision. In the leisure sector, some information has been brought to bear that consumption patterns and lifestyles vary amongst different sectors within the population in China. Xiao identified eight broad types of consumers in China, each with a distinctive combination of consumption and leisure patterns and corresponding socio-demographic characteristics (Xiao, 2004). In general, those with higher levels of educational attainment are more likely to have been to a Western restaurant, read a book, listened to classical music, and have been to a shopping mall; whereas those with a lower level of education and engaged in routine manual work are more likely to watch football at home, bet on horse races, watch TV and engage in minimal physical activities. In terms of cultural activities, those with higher levels of education have the highest rate of attendance at ‘high’ cultural performances. Findings from recent surveys also indicate that consumption knowledge and practices vary also along the lines of class, age, income and education (Zhang, 2003).

In any cases, however, relatively little information has been gathered concerning the culture of the new rich, that is, the relative autonomy of consumption as a basis of social division and the significance of consumption as a form of capital for cultural and social reproduction. In what follows, findings from an exploratory study are presented which addresses some of these issues.

Most of the China’s new rich live in a few relatively well-developed cities such as Guangzhou, Shanghai, Beijing and Shenzhen, and enjoy a much higher standard of living than their fellow citizens living in other areas. Their consumption patterns may represent the trend of the future. Since the most visible part of this expansion of consumption among the new rich is to be found among the relatively younger population⁴ we will examine further the consumption pattern of this particular group in greater detail.

Respondents in the study fit the following descriptions:⁵

- a. age 22-35
- b. employed in non-manual, professional, managerial or administrative occupation,
- c. financially independent

- d. annual income more than 300 thousand yuan RMB or with assets in excess of one million (the average annual income is 20 thousand).
- e. attained post-secondary education

In all, 25 in-depth semi-structured interviews were successfully conducted. In this section, we summarize findings on respondents’ leisure and consumption patterns, their views on the meaning of taste as a form of social distinction. We will argue that systematic patterns of consumption practice and orientations can be found along lines of respondents’ social origins and occupational sector, and that these differences are to be understood within the context of a society which is undergoing rapid socio-economic and socio-political change.

1) Leisure activity

The most commonly reported leisure activities practiced by respondents are cinema-going, eating out, sports (going gyms or playing golf) and shopping. Television viewing, on the other hand, ranks low on respondents’ agenda. This stands in contrast to the general Chinese, where TV viewing is the most popular form of entertainment, followed by listening to the radio and chatting with friends (Cinema-going is put even after shopping or window shopping (Chan, 2002). Long working hours and severe competition at market might be one reason for respondents viewing the home as a place for relaxation and rest rather than for entertainment. Because of this, common leisure activities are usually bought and consumed in the market. Almost all respondents named eating out as a major leisure activity. While some respondents regarded eating out as an end in itself, i.e., for the food, drinks or atmosphere, others saw it as the means for social gathering. Most respondents were highly selective as to what films they see, and, like eating out, movie-going was often used as a means of socializing. Literary and artistic activities were rare amongst these respondents. Only a handful of them mentioned reading at all, and those who have had formal training in the high arts (e.g. piano, violin, ballet and painting) admitted that they rarely practice due to the lack of leisure time.

Table 4.1 Participation of major leisure activities

Leisure activity	Number of respondents
1 Cinema-going	24
2 Eating out	23
3 Shopping or window shopping	21
4 Karaoke	21
5 Watching TV	18
6 Travel	17
7 Sports activities	9

2) Outlooks on consumption

While general leisure activities do not vary greatly amongst respondents, this does not imply that they are more or less homogenous as consumers. A closer look reveals that respondents differ in terms of their outlooks on consumption. Two major types of outlook could be identified amongst the respondents.

- (1) those who adopt a consumerist attitude, projecting their identities in terms of individuality and style in consumption;
- (2) those who adopt a more practical attitude to consumption, whereby they may be constantly aware of alternative lifestyles yet do not find them attractive.

We shall label these two types of respondents as ‘consumerist’ and ‘pragmatist’. The consumerist view of consumption can be illustrated by the following excerpts: “I like shopping very much ... I’m a very vain person, both materially and spiritually ... I like to possess things, it makes me feel secure and happy. I don’t save at all; or rather, I can’t.” (Publisher)

“There are so many beautiful things in life, and if money can buy them and make you happy, there’s nothing wrong with consumerism. It’s important to have savings too, but I won’t starve myself in order to save.” (Chain store manager)

“My motto in life is ‘work hard, consume hard’. Most of my friends would agree with me”. (Music producer)

“I’m not the type of person who saves from buying less or eating less ... I think that’s absurd. I won’t change my consumption habits. I’ll just work harder to make more so I could consume more”. (Antique shop owner)

These respondents expressed an attitude which resembles what some have described as characteristic of consumerists of the ‘postmodern’ variety — i.e., indulging in pleasures, fantasies and dreams through acts of consumption. Consumerists within the sample, however, are not impulsive buyers. While consumption is seen as desirable, they do not spend recklessly.

“I’m willing to spend lots of money on just one item, but it also depends ... I really like a necklace at Xindongfang, it’s 58,000 yuan RMB. If it’s 48,000 yuan, I probably would have bought it without thinking. But now I’m waiting for the big sale at the end of the season ... 58,000 is too much. Not that I can’t afford it, but I’ll feel better if I’d bought it on a sale.” (Actress)

“When I was younger I was quite a big spender. I was easily tempted by ‘special offers’ on expensive skincare products which I don’t need ... I try to control myself now. I now stop and think and ask myself, do I really need this?” (Fashion designer)

“I buy expensive things sometimes, and definitely with no regrets if it’s worth it. If I spend 2,000 yuan RMB on a shirt, I want to make sure it’s not made in China or something, make sure it’s of high-quality craftsmanship.” (Insurance company manager)

Even though these consumerists remarked on how they do not spend money just for the sake of it, and in some cases how they have changed their ways from ‘buying without thinking’, the prices they mentioned for a piece of necklace or a shirt still seem extravagant by most standards. Pragmatists, on the other hand, rarely

spend large sums of money on one item and articulated the ‘need’ to consume differently compared to consumerists. For them, consumption is based on ‘need’, rather than based on a way of life or the pursuit of ‘pleasure’.

“Even though I’m much better-off now than when I was young, I still don’t spend much on unnecessary things. If I go shopping I only buy things I need for my flat.” (Public relation executive)

“I buy something only when I really have a need. Like, if my old coat is looking too scruffy, or if my shoes become uncomfortable. Then I may go and buy some new ones ... I like taking pictures and I have a camera and it’s quite cheap and works well. Some people think that expensive is always good, but it’s not really so.” (Retail manager)

There are only four respondents within the sample who expressed a ‘pragmatist’ outlook towards consumption while the rest twenty-one hold a consumerist attitude.

Table 4.2 Consumption outlooks and specific consumption patterns by profession

Occupation	Outlook*	Films**	Eating out***	Shopping****	Score‡
Actress	2	1	1	1	5
Art director	2	3	1	1	7
Antique shop owner	1	2	2	1	6
Chain store manager	1	2	3	2	8
Commercial photographer	1	3	1	2	7
Fashion designer	2	1	1	1	5
General manager	2	2	2	1	7
Hotel executive	1	3	3	2	9
Hotel manager	1	3	2	1	7
Insurance company manager	2	2	1	1	6
IT company manager	1	2	1	1	5
Marketing manager	1	2	2	1	6
Music producer	1	3	2	1	7
Private school owner	2	2	1	1	6
Project director	2	2	1	2	7
Public relation executive	3	1	2	2	9
Publisher	1	1	2	2	6
Retail manager	3	2	1	1	7
Sales supervisor	3	2	2	1	8
Trading company manager	1	2	1	2	6
Travel agency manager	3	1	2	1	7

- * 1= consumerist outlook
2= agrees with 1 but not always do so in practice
3= pragmatist outlook
- ** 1= into arty film
2= don’t mind much
3= into mainstream blockbusters, resist arty films
- *** 1= exquisite, expensive restaurants
2= occasionally eat at 1, mostly 3
3= average priced restaurants, fast food
- **** 1= exquisite, designer labels
2= department stores and foreign chain stores, occasionally shop at 1
3= local chain stores, local small shops

A high total score indicates an overall pragmatist attitude towards consumption, whereas a low score indicates a generally consumerist attitude.

3) Specific patterns of consumption

The following will make a more detailed examination on the first three leisure activities chosen by respondents.⁶

While cinema-going, eating out and shopping are the main leisure activities, respondents do not go to the same cinemas, restaurants or shops.

(1) Cinema-going

Two broad categories of cinema-goers can be identified within the sample. First is the pragmatist. Pragmatists are those who are interested only in 'big production' or highly entertaining blockbusters. They do not express a particularly high interest in films in general, mainly because they think that cinema-going is too time-consuming. Therefore, they only go and see films which are 'guaranteed' to be 'good'. This might be one reason why they also resist 'arty' films or mainstream 'rubbish' domestic productions — both considered to be a complete waste of time.

"I don't read film reviews. I only see movies that are entertaining or have won or been nominated for Oscars. I once went to see a Russian film with some friends, and it was a total waste of time...didn't know what it was all about." (Art director)

"I do like watching films. I only see the really good ones, not any of the rubbish domestic films." (Hotel manager)

"For me nothing is better than going to cinema. I spend almost all my weekends on watching films. I try to go to the International Film Festival every year. That is my best time." (Commercial photographer)

Unlike the pragmatists, who adopt a middle-of-the-road/mainstream taste in films, a second group of cinema goers does not resist mainstream films, but tends to favor 'arty' films if they have to make a choice. While agreeing with pragmatist movie-goers that popular domestic films are often quite 'rubbish', they nevertheless do not mind seeing these films, since watching the film itself is not necessarily the reason behind a trip to the cinema.

"Mainstream films are too commercial, and they use very basic techniques only ... you can't learn much from them. If I see a more serious film I usually go by myself. They make you think about things, and you can always learn something from them." (Sales supervisor)

"If my friends ask me to (go to a movie), I'll go, just for getting together with friends. I am not very picky about films, but I'm quite interested in more serious ones. I find them interesting because they make you think about things." (Marketing manager)

"For the rubbish films, I watch them when I'm really bored. But if my friends ask me then I don't mind going along. They are good for killing time. If I go the cinema, I usually to see more serious or interesting films in film

festivals, and I'll make sure I won't miss any good ones." (General manager)

All the respondents quoted above seem to be fully aware of the difference between films for 'killing time', 'getting together with friends' and those which are more 'serious' or 'interesting'. Film festivals and Oscars seem to represent the place where 'quality films' are shown.

(2) Eating out

Respondents eat out both out of necessity and for leisure. There are those who eat in modest establishments (e.g. fast-food and average-priced restaurants) when eating on their own or with friends, and seldom initiate dining with expensive restaurants.

"I seldom spend hundreds of yuan on one meal. I wasn't brought up that way. But sometimes I have to choose if I go out with a group of people. It's okay if it's for work and I could get my company to pay. But still it seems such a waste of money." (Hotel executive)

"If I eat with my family we go to Chinese restaurants near home. If I eat with close friends we usually go to western-style restaurants, like Pizza Hut, Russian Star. On special occasions we might go to hotels and more expensive places about four or five times. But I sure don't mind going more often if I don't have to pay." (Sales supervisor)

For these respondents, eating out at one's own expenses is infrequent, and when it does happen it is the norm to visit an average-priced restaurant. Spending large sums of money on eating out is seen as 'waste' and undesirable. On the other hand, there are respondents who regularly eat at modest establishments but feel quite comfortable splashing out once in a while.

"I like going to nice coffee shops and try new, interesting restaurants. True, they are a bit pricey but it's the atmosphere that counts. And it's not like I spend hundreds of yuan on every meal." (Private school owner)

"I spend quite a lot of money eating out. I'm crazy about Japanese food, so even though I don't have sashimi three times a day, when I go I spend thousands of yuan on one meal. But for an average meal, I think I spend under a hundred." (Project director)

There are more respondents who are consumerists rather than pragmatists when it comes to eating out — nearly half of all respondents claim to enjoy frequent visits to upmarket restaurants. They tend to take eating out seriously, and were often able to readily name their favorite restaurants.

"I spend a lot of my money on eating. I love food, even though I don't eat a lot. I often go to Quanjude (the most famous Beijing dock restaurant) and Wangfuzai, where they serve the best food and service ... It's been a long while since my last visit to McDonald's. It's junk food, it's not good for me. I hope you don't get the wrong idea that I'm a snob, but since I can afford to eat better, I'd rather do so." (Fashion designer)

"I like eating in nice places. It's more for the atmosphere than for the food, even though that is important too. I like

the restaurant with European decoration like Xiouyuan or Oufengxuan. They make me feel like I'm in Europe ... and you can meet a lot of nice people there.” (Actress)

“Most of my friends like Western food but I prefer Chinese food, especially those famous Chinese restaurants. I also like Japanese food, and Japanese beer, Asahi, Kiling, they are fantastic ... It's very hard to say how much I spend on one meal, because my friends all like drinking and you know how expensive alcohol can get in these places.” (Commercial photographer)

The above respondents are familiar with the most trendy and exquisite eateries. They stressed the aesthetics, atmosphere and quality of service of eating-out experience, rather than the price or convenience — as is the case with pragmatist diners.

(3) Shopping

Three categories of shopping can be identified within the sample.

- a. First there are the pragmatists, who do not mind much where they shop. They might buy their clothes from local chain stores or sometimes from small shops in major shopping arcades, and cannot always name the shops they frequent.
- b. A second group of shoppers do their shopping mostly in Japanese department stores (e.g. Isetan, Itoyokado), and sometimes at more expensive outlets or foreign chain stores (e.g. Vanguard, Carrefour).
- c. A third group of shoppers regularly do their shopping at exquisite outlets and designer labels and claimed that they almost never buy anything from chain stores. Unlike the pragmatic shoppers, this group of shoppers can readily name their favorite designers or labels and the names they gave are surprisingly similar — designers such as Yohji Yamamoto, Alexander McQueen and Giorgio Armani are mentioned by most respondents in this category of 'big' spenders.

More interesting is the disgust some respondents expressed towards domestic chain stores. These are the first signs of consumption used as social distinction by respondents, since a moral evaluation was made on the desirability of certain labels.

“I really hate Eerduosi. I don't understand why it is chosen as one of the most famous brand in China.” (Travel agency manager)

“I even cannot stand those wearing Eerduosi or Bosideng.” (Art director)

This expression of distaste and contempt for mass-produced clothing is at the same time a statement of their subjective identity (e.g., they are the kind of people who only wear certain kinds of clothes). Those with much higher income, however, tend to be more sympathetic and expressed little distaste towards mass outlets. The following respondent is one of the most expensive shoppers in the sample, yet seems to hold no prejudices against mass outlets.

“Eerduosi is a famous label in China! Many people know

that ... I don't need to wear Eerduosi, but I have nothing against it ... at least its styles are clean and basic, and quality is reasonable.” (IT company manager)

It appears that not all respondents show the same contempt for mass tastes. Most of them seem to be quite knowledgeable about designer labels, expensive shops and high-quality goods, even though some do not often buy them. These economically stable respondents already 'have it all' and can relax about their social identity.

Most respondents, no matter male or female, see fur as a status symbol to add to the Mercedes.

“I definitely like fur. I bought a full-length white mink coat with matching hat last year for 69,000 yuan. It is very clean looking.” (Insurance company manager)

“By wearing a fur coat you can show others that you've bought the most expensive thing, and it looks very upper class.” (Retail manager)

In some developed countries, models have been protesting against the fur trade. In China people view the matter differently. In September 2003 Beijing played host to the biggest fur fashion show ever in Asia, organized by Saga Furs, a Scandinavian consortium (*Asian Forum*, November 2003). On the catwalk were such style setters as Gianfranco Ferre's skin-on-skin pink dyed Pastel Mink zipper bomber jacket and Saga's own flared skirt in aqua blue plastic with fur, worn with tank top in petrol-blue linen with fur. “Chinese men as well as women are going fur crazy,” according to Saga's president, Boe Hansen. “You see the young men in their leather bomber jackets with mink trim or mink collar. You will see so many that you will hardly believe it.” Does snob value count in China? “There is no doubt,” said Mr. Hanse. “I think the Chinese are born with the feeling.” In fact the same coat is priced much higher in China than in the West. As one of the respondents (Sales supervisor) said, “If it is too cheap I'll not buy.” For Saga Furs, China has become the most important fur market in the world.

(4) Level of Satisfaction

Living standards of the new rich are undoubtedly in a very high level but what about the level of satisfaction regarding their current living standard? The result is shown in Table 4.3.

Table 4.3 Average level of satisfaction with consumer goods and services

Item	Level
Food and beverages	5.1
Clothing	5.2
Furniture and electric appliances	5.3
Education	4.1
Entertainment	4.8
Sports activities	3.2
Living environment	5.7
Health	2.3
Transportation system	3.1

Key: 6= very satisfactory, 5= satisfactory, 4=basically satisfactory, 3= barely satisfactory, 2= unsatisfactory, 1= very unsatisfactory

Table 4.3 shows that the respondents feel satisfied with their current level of 'private' material consumption which is within their control. They are less satisfied with sports activities which they claimed to escape their control because of their too busy work. They are also not so satisfied with Beijing's transportation system although most of them use their own cars. In Beijing traffic and environment pollution are among the major inconveniences. Indeed, in the pursuit of economic growth, the entire nation has long neglected the need for environmental protection, a problem which intensified after economic reform. Beijing's municipal government has begun to take tentative steps to curb pollution and traffic problems, as yet the results are still far from satisfactory. However, the greatest dissatisfaction shown by the respondents is their health. As mentioned before, very few respondents spent time on reading or on sports activities due to the lack of enough time. All the respondents have at least one health problem, e.g. excess fats in the bloodstream, high blood pressure and high blood sugar. The figure for hyperlipidemia is 20 percentage points above the national average, while those for hyperglycemia and high blood pressure are each ten percent above the national average. "High pressure from my work and irregular lifestyles may be the main causes for my high blood pressure." (General manager)

"Some of my friends are playing golf now and they always ask me to join them. I am so busy every day. I know I am sacrificing health for money." (Sales supervisor)

Another survey also showed that the new rich in China are not as healthy as average persons (*People's Daily*, April 23 2008). The survey of medical checks of 183 middle-aged company owners showed they were suffering from disproportionate diets and a lack of exercise. The electrocardiogram tests of 33.8 percent of the entrepreneurs were found to record abnormalities, while 62.8 percent suffered cervical spondylosis, or neck pain due to wear and tear of vertebrae, and 32.2 percent had too much fat in their livers.

It seems that the new rich are paying a high cost for their affluence. The affluent, to some degree, are regarded as successful, but this survey shows that they are not so successful in terms of health. A respondent (Chain store manager) sighs, "Health is the biggest asset and cannot be bought with money. I'd rather regain my health than make more money." However not every new rich thinks so. Table 4.4 provides a glimpse into their aspirations for future material consumption.

Table 4.4 Respondent answering 'yes' to money-related questions

Questions	Number of respondents
Is becoming a millionaire a goal of your life?	20
Is the amount of money one makes the main criterion to judge a person's success?	22
Do you prefer the present ownership system in China?	10

Table 4.4 shows that most respondents consider

wealth to the measure of success and most have a clear goal in their life, that is, to become a millionaire. Less than half have preference for the present party-state and some even express their strong wish for the change of the present ownership. "The ownership characteristics of privatization are fuzzy. People say we are behaving *like* capitalist entrepreneurs, in fact we want to become *real* capitalist entrepreneurs," said a respondent.

Conclusion

As inequality had been compounded by uneven regional development, uneven income distribution, which had not been a public issue in the pre-reform period, has emerged as a serious social and economic problem in contemporary China (Wen, 2005). However, in spite of the increase in income inequality, it should be noted that economic reform has actually raised the overall income condition nationally; for example, the proportion of the population living in poverty was halved between 1978 and 1986, when stood at 250 million, and further reduced to 90 million by 2011 (*Beijing Review*, March 2012). On the other hand, in the words of late Deng Xiaoping, the economic reform has indeed "let a few get rich first".

Unlike elsewhere in East and Southeast Asia, China's new rich do not generally include the professional middle classes. A modernizing elite based on state bureaucrats, managers of state enterprises and technocrats already existed in China before 1978. The new rich now, as opposed to those older modernizing elites created in the 1950s, are inherently more entrepreneurial: specifically those able to take advantage of the changed policies of the reform era. These include most notably the introduction of market economies into an economy that was previously command-oriented; the changing roles of the state from direct economic management to indirect market supervision; and the opening of the domestic economy not only to international trade but also foreign investment.

Despite, or more probably because of, the continued role of the party-state in economic development, not only the entire process of economic restructuring in China since 1978 has been summarily regulated but more and more new rich have emerged. There is as yet very little evidence to suggest that these new rich represent the development of an independent capitalism. On the contrary, the conditions of operation for most enterprises, and the structures of ownership and control in the economy as a whole, point to the continued importance of the party-state in economic development, and particularly industrialization. The fact is that the party-state's role may have changed, but it is far from having withdrawn.

However, China's ideological prescriptions and its emphases on ownership systems have limited its ability to regulate the new departures in economic management, particularly in the collective sector. In consequence, some of the key features of capitalism more generally understood — as for example asset control, accountancy and even accountability — remain largely undeveloped. This may have become one of the main reasons why so

many Chinese remain equivocal about even disgust at the existence of the new rich, who are often simultaneously admired or despised for their wealth. One instinctive reaction is to attribute individual economic wealth solely to official corruption, or other illegal arrangement, rather than simply recognizing the consequences of economic growth.

The 25 young new rich interviewed differ in terms of their outlooks as well as specific consumption practices. It was found that, despite overall similarities in life cycle, levels of income, occupational class and educational attainment, two broad categories of consumer can still be identified within the sample. Pragmatists stand in contrast to consumerists, in terms of general outlook on consumption as well as specific patterns of consumption. Respondents' practices and orientations to eating out, cinema-going and shopping can be seen as fitting within broader patterns of association between occupational class and consumption knowledge and practice.⁷ One difference, however, is that the cleavages here are along lines of social origin and occupational sectors *within* one distinct social-occupational grouping, rather than *between* occupational classes as such. This suggests that present occupational class alone does not determine consumption practices and orientations. In other words, obtaining a high level of living and higher levels of educational attainment do not necessarily mean that one will attach a higher significance to taste and consumption as part of one's subjective identity and as part of everyday life. How the meanings of consumption are articulated also depends on personal history and mobility experience. That is to say, we need to locate consumption culture within the context of individuals' experience and history in a changing society. This will be our next study topic.

Notes

1 Different countries have different criteria for judging the 'rich'. Here we will use the China's official criteria, that is, a person with assets in excess of one million yuan RMB is regarded as 'rich'.

2 Li Ning is a former Olympic gold medal gymnast and current business entrepreneur. He stands as a symbol of China's new 'enterprise culture'. Together with other select sports stars, pop stars, film actors and television personalities, Li Ning is a member of China's new 'Star Culture'. Their extravagant lifestyles, far beyond the realms of possibility for the vast majority, are being displayed and promoted by China's official mass media.

3 According to the latest Merrill Lynch Cap Gemini survey, China had 320,000 millionaires (those with \$1 million in investible assets) in 2004, up 6.8% from 2003. Granted, China's millionaire growth rate is the same as that of the U.S., which had 2.67 million millionaires in 2004.

4 China's age-income profile is distinctively different from those in developed Western countries. For example, Zhong (2004) reports that in the United States, the wage rate of a typical white, non-farming, man rises rapidly after he joins the work-force; reaching its peak when he

is about 45 and starting to decline only after he becomes about 60. The rapid increase of income in the first half of an American's working life can be explained in terms of increased productivity with experience of working. However, economic reform has radically changed the economic 'institutions' in China. It rendered, on the one hand, an older worker's education and extensive experience in the old planned economic system 'useless' to his productivity in the new economic system; on the other hand, the human capital acquired in schools by the young people is more useful in commerce and industry in contemporary China. Thus, a typical young worker would tend to earn more than an old or even middle-aged worker in China, which explains partly why they are also the wealthiest consumers.

5 This analysis examines the significance of consumption for a group of new rich in Beijing which is based on a research program carried out in cooperation with Beijing Normal University from September 2008 to January 2009. We have got the permission of the respondents to publish openly the contexts of the interview without mentioning their names.

6 The reason for choosing only three is because of the space here. For the examination of the other leisure activities, we will try to publish it in near future.

7 Findings from recent surveys indicate that consumption knowledge and practices vary along the lines of class, age, income and education. Consumption knowledge and practices differ clearly along class lines. Those who are young, have achieved post-secondary education and are employed in service-class occupations have much more knowledge. Consumption knowledge and practices are also found to correlate significantly with respondents' economic and political priorities.

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