

Creating an Urban Middle Class: Social Engineering in Beijing*

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Dogs on a leash are a common sight in Hopetown,¹ one of Beijing's "new cities", residential compounds for the professional middle class. Hairy and generally noisy, dogs are not allowed to grow beyond the 35cm limit set by the city government for the inner suburbs. Nonetheless, residents here are ready to pay a registration fee of 5,000 yuan plus a 2,000 yuan annual "management" fee to the city and to spend between 800 and 10,000 yuan to buy full-blooded puppies from the *zifa* (self-organized) market that rural breeders set up every Sunday in the eastern county of Tongxian. Dog food, dog health magazines² and dog clothes fill the shelves of supermarkets.³ Dogs become attached to the household registration of their owners and obtain a document with a colour photo. In what is almost a metaphor of today's urban China, non-residents are not entitled to the privilege of walking a dog.

Until a decade ago, there were ordinances against the possession of pet dogs, in recognition of China's poverty and because of a concern for urban health issues. Their recent reappearance indicates new affluence, embodied in an item that—unlike the modern electric appliances of previous years—can be showcased in the neighbourhood's playground, as a way of displaying who has "made it".

For the purposes of this article, dogs help to introduce four questions: Who are their owners and where do a growing number of Beijing residents get the money to afford exuberant consumption in a society where average disposable income remains very low? What drives them upward? And what is the role

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¹ Hopetown is a free translation of the name of the neighbourhood where fieldwork was undertaken. All information concerning the area, unless otherwise indicated, is taken from participatory observation, materials published by residents of Hopetown and a set of 50 open-ended interviews that I carried out with residents and officials between March and May 2002 while I was living in the neighbourhood. In order to protect the interviewees' identity I will use fictitious names and avoid mentioning personal details. Unless otherwise indicated, information and quotes in this paper are from interviews with local residents.

² "Petzone" (*Longwu shenghuo*) sells for 16 yuan and is one of the most popular. It also runs a website: <www.chinapetzone.com>. Another website for pet lovers is <www.petism.com> (*Longwu zhuyi*).

³ Pet ownership is believed to have surpassed 300,000 in Beijing, while only about one third of pets are officially registered. Luo Zhongyun, "Pets Change Beijingers' Lives", in *Beijing Review*, No. 20 (June 2002).

played by housing reform, the growing residential segregation it creates and the rise of yuppie neighbourhoods in shaping status enhancement among the new wealthy groups?

Hopetown is one such neighbourhood in northeastern Beijing. It is in Chaoyang District and has officially been described as a quarter developed “with the support of the central authority”. The planning of the whole area is therefore influenced by the directives of the city planners. The housing-project developer of its two enormous gated communities is one of the largest state-owned construction corporations in the country.⁴

The long succession of high-rise buildings where Hopetown is nestled, just outside of the fourth ring road, is scheduled to become what is publicized as the largest residential development in Asia and is expected to be home to around 250,000 people by the second half of this decade. It is a very concentrated residential area, covering only about 3 per cent of the city’s total area, but in 1999 accounted for about 13 per cent of that year’s housing construction in the capital.⁵

Hopetown itself is a small area encompassing these two gated communities and, thus far, a total of about 25,000 people. The first neighbourhood of 26 buildings—each containing 20 to 29 floors—was completed in 1997 and hailed as the first fully commercial high-standard apartment block at the disposal of the increasing purchasing power of the Beijing middle class. The largest part of the almost 6,000 units in this housing development—which I will call Hopetown 1—had been sold on the free market by the end of 1998 to people who did not need bank mortgages, as these did not exist at the time.⁶ They had the money in hand to pay an average price of 5,017 yuan (around US\$600) per square metre. Despite this being fairly high in absolute terms, housing prices here are around the city’s average (4,764 yuan per square metre in 2002).

The second neighbourhood (Hopetown 2), completed in 1999 by the same developer, is smaller (around 3,000 units) and includes both market-price “commodity” apartments (*shangpin fang*) and “economy apartments” (*jingji shiyong fang*) sold at a subsidized price. The prices of these units vary from around 4,000 yuan per square metre for the subsidized units to 5,500 yuan for the

⁴ Beijing Chengshi Kaifa Jituan Youxian Zeren Gongsi, better known as Chengkai, has a total asset capitalization in excess of US\$1.5 billion and is responsible for the construction of 11 million square metres of housing in the capital, or around 180,000 residential units (an estimated 660,000 Beijing people presently live in houses built by Chengkai). Information on the company’s activity is available from its website: <www.cbud.com.cn>.

⁵ *China Daily*, 31 January 1999.

⁶ In 1996 the People’s Bank of China lifted the limit of five years on mortgage lending, but the 1998 housing reform regulations can be taken as the beginning of a mortgage market in China. One of my interviewees claimed that his 1998 loan agreement carried the Beijing serial number 001, and that he “received from the bank 90,000 yuan in cash” to buy his first apartment.

“commodity” units, despite a remarkable similarity in quality, location and services.⁷ Buyers in this second development are generally mortgage payers.

Both areas are intended to attract a relatively well off and educated group of residents, by providing good-quality apartments, high levels of services and a green environment within a short distance from the city. The general manager of the state-owned enterprise that developed the complex described it, upon completion in 2000, as a “modern and culturally advanced” project that should become “a model for other residential developments in Beijing and the rest of the country”.⁸

Residents of Hoptown are mostly nuclear families, typically young couples with one or no child. Household composition often includes retired parents. They generally are employed in skilled positions, especially in the public sector, but also in private or international ventures.

Defining the Argument

This paper argues that a dramatic status enhancement for wage-earning professionals has been among the major determinants of social change in the late nineties and that it happened *despite* the market more than because of it. The development of a high-consuming urban society has been as much the outcome of the social engineering project of the contemporary reformist state and its agencies as it has been a consequence of the opening up of the economy and society.

While a theoretical discussion of the “middle class” is not the focus of this paper, it is important to make clear that my understanding of social stratification is based on the different abilities by social actors to access resources, more than on their relations to the means of production. The term “salaried middle class”, therefore, refers to the popular image evoked by the expression (educated people enjoying a comparatively well-off and modern lifestyle) that can be used to pinpoint and identify groups in the urban social landscape; this includes many from the ranks of the employed population who have recently experienced a dramatic improvement of their living standards and purchasing power. Although these groups might appear amorphous and lack the cohesiveness required by the traditional definitions of class, they appear increasingly to shape their status around a new set of collective interests, especially in their modes of consumption and access to resources.

The idea that, in transitional China, wealth is not for everyone at the same time has been engraved in the reform policies since Deng Xiaoping formulated the target of a “well-off society” (*xiaokang shehui*) and the strategy of allowing

⁷ There also are price differences within “economy” buildings (depending on *feng-shui*, views, floor space, and so on).

⁸ Jin Biao and Chuan Shan, “Wangjing Yezhu: wo de siyou caichang zai nali?” (Hoptown homeowners: where are my private property rights?), in *Sanlian shenghuo zhouban* (Sanlian Life Week), 20 March 2002.

some to “get rich first” (*xian fuqilai*) in 1979.⁹ In the eighties and early nineties the Chinese who benefited from this strategy were especially those with the ability to extract public resources from the economic system and to reinvest these in productive activities in the form of private or collective enterprises. In the nineties, however, the picture of the high achievers has become more complex and has begun to include a larger group of urban professionals and skilled employees in both the public and private sector.

Analyses of the high-achieving sectors of urban society have focused on the challenges that the emergence of this group—armed with social capital composed of money, knowledge and social relations—poses for the authoritarian state. Some authors have assumed that the upward social mobility of high-consuming social clusters is the outcome of the self-serving manipulations of resource-controlling bureaucrats, and of the osmosis of state resources through the economic apparatus into the hands of the new entrepreneurial elites. Attention has been devoted to the emergence of independent entrepreneurs and “cadre capitalists” as the “new rich” and “new middle class”.¹⁰ They were considered “inherently more entrepreneurial”¹¹ and were deemed to be the section of society that the Communist Party was most willing to co-opt into its ranks.¹²

Because of their apparent inability to profit entrepreneurially from the improved market conditions, the professionals have for a long time been excluded from the picture of the high achievers. To testify to their belated economic mobility, professionals are now called “the fourth generation of those who got rich first” (*xian fu qunti*). The first three generations were: hard-working agricultural entrepreneurs in the late seventies; entrepreneurs in rural township

⁹ According to Li Shouen, the concept of *xiaokang* comes from the definition of an ideal society in the Confucian *Book of Rites* (*Li ji*). Its first appearance in the Communist era is attributed to a reference Deng made to a foreign guest in 1978, when he argued that China’s reform target was to reach a per capita GDP of US\$1,000 by the end of the century. Li Shouen, “Lun quanmian jianshe xiaokang shehui” (On Building a Well-off Society in an All Round Way), *Shishi qiushi* (Seek Truth From Facts), No. 1, 2003, pp. 13-16. Its revival is related to Jiang Zemin’s use of the word in his report to the 16th Party Congress.

¹⁰ David S. G. Goodman, “The People’s Republic of China: The Party State, Capitalist Revolution and New Entrepreneurs”, in Richard Robison and David S. G. Goodman (eds), *The New Rich in Asia: Mobile Phones, McDonald’s and Middle-class Revolution* (London: Routledge, 1996), pp. 225-42; Christopher Buckley, “How a Revolution Becomes a Dinner Party: Stratification, Mobility and the New Riches in Urban China”, in Michael Pinches (ed.), *Culture and Privilege in Capitalist Asia* (London: Routledge, 1999), pp. 208-29; David S. G. Goodman, “The New Middle Class”, in Merle Goldman and Roderick MacFarquhar (eds), *The Paradox of China’s Post-Mao Reforms* (Cambridge, Mass: Harvard University Press, 1999), pp. 241-61; Xiuhong Hu and David H. Kaplan, “The Emergence of Affluence in Beijing: Residential Social Stratification in China’s Capital City”, *Urban Geography*, Vol. 22, No. 1 (2001), pp. 54-77.

¹¹ David S. G. Goodman, “The People’s Republic of China”, p. 229.

¹² Bruce Dickson, *Red Capitalists in China* (Cambridge: Cambridge University Press, 2002).

and village enterprises in the early eighties; and successful entrepreneurs in speculative activities such as construction and the stock market in the nineties.¹³

If the Chinese salaried middle class resembles in any way the popular images of middle-class lifestyles that have been experienced and studied in industrialized countries, and if this group has some collective form of social identity, then Hopetown and the other gated communities that have sprung up in recent years are the ideal-type environment in which to observe it.

A large number of middle-to-high income earners are concentrated here. Residents share the relatively new experience of home ownership, are generally highly educated and put substantial resources into education, and are largely employed in positions that imply some levels of responsibility, either managerial, technical or administrative, often in the public sector. They have in common a well-defined consumer identity and, as will be explained, share the benefits of privileged access to the real-estate market and an awareness of the rights that this arouses. To borrow an evocative expression, Hopetowners are overwhelmingly “salary men”,¹⁴ and are vociferous about the difference between those who have earned a deserved high salary thanks to their skills and loyalty to an employer and those who earned early riches through means that in their view were often corrupt.

By this I do not mean to deny the importance of entrepreneurial elites among the high-achieving status groups, but rather to stress the often overlooked relevance of the emerging professional urban population and its exposure to policies aimed at stimulating consumption. While successful entrepreneurs might in some cases have accumulated greater capital, the salaried professionals have been well positioned to obtain the most out of recent efforts by the central state to create a consumer society. While the progressive privatization of the economy and growing urban unemployment meant for many in the traditional urban working class a “downward” mobility in society and an “informalization” of their work situation, with less job security and fewer guaranteed benefits,¹⁵ those who managed to maintain a good position within the formal employment system could take advantage of policies aimed at increasing their consumption. In the emerging market environment they have also cashed in on status privileges inherited from the socialist distributive system, as will be observed.

Marketization amplified the original policy intentions. My analysis of status enhancement strategies among the residents of Hopetown suggests, for example,

¹³ See Yan Zhimin (ed.), *Zhongguo xian jieduan jieji jieceng yanjiu* (Research on the Classes and Strata in China During the Initial Phase) (Beijing: Zhonggong zhongyang dangxiao chubanshe, 2002), p. 238.

¹⁴ I borrow this term from Ezra Vogel’s study of the Japanese salaried middle class in the 1950s, despite the obvious differences. *Japan’s New Middle Class: The Salary Man and His Family in a Tokyo Suburb* (Berkeley: University of California Press, 1963).

¹⁵ Luigi Tomba, *Paradoxes of Labour Reform: Chinese Labour Theory and Practices from Socialism to Market* (London: RoutledgeCurzon, 2003).

that early access to the privatization of housing has become a major discriminant between social actors, and that it often determines social status more than income does. In the words of geographer Wu Fulong, “the privatization of real estate itself becomes a source of socio-spatial differentiation, because through the real-estate market households are able to capitalize properties that were not distributed equally during the socialist period”.¹⁶ But beyond the macroscopic effects of a differential access to housing, the emergence of a professional middle class was also the consequence of intensive, ideologically justified and coordinated policymaking, which manifested itself in a steep rise in public sector salaries and a protection of the welfare privileges of the skilled, publicly employed urban population.

The Liberation of Consumption Forces

The 16th Party Congress in November 2002 marked the strengthening of a policy, in the words of Jiang Zemin, of “building a well-off society in an all-round way”.¹⁷ Among the features of this strategy, the idea of co-opting private entrepreneurs into the Party has been the most eye-catching, because of its revolutionary implications for the very foundation of Party ideology. Nonetheless, while the role of entrepreneurs as power brokers and supporters of economic liberalization must not be underestimated, the project of a middle-class society is of greater importance as it has focused on expanding the purchasing power and status of significantly larger groups of urban employees and professionals.

The rationale behind the policy to stimulate consumption stems first and foremost from the need to sustain economic growth. As much as the initial stage of reform in the eighties entailed a “liberation of productive forces”, the present drive away from “heavy production and light consumption” (*zhong shengchan qing xiaofei*) is hailed as the necessary “liberation of consumption forces”. A recurrent opinion in China’s academic literature is that the traditionally low consumption rate (60.3 per cent in 2001 vs. a world average of 75.3 per cent) constitutes a major bottleneck for economic development.¹⁸

¹⁶ Wu Fulong, “Sociospatial Differentiation in Urban China: Evidence from Shanghai’s Real Estate Markets”, *Environment and Planning A*, Vol. 34 (2002), p. 1591. A similar point has recently been made by Li Jian and Niu Xiaohan, who define this group as a “middle class within the system” (*tizhinei zhongchan jieji*) in “The New Middle Class(es) in Peking: A Case Study”, *China Perspectives*, No. 45 (January 2003), pp. 4-20. I prefer the definition of “salary-earning middle class”, since this today comprises not only state employees but also people who have managed to maintain a certain level of administrative status while moving more recently to the private or foreign-invested sector.

¹⁷ “*Quanmian jianshe xiaokang shehui*”. Jiang Zemin’s Report at the 16th Party Congress.

¹⁸ If state consumption is subtracted, the rate falls to 47.1 per cent (while the world average is 60.0 per cent). See Yi Shijie, “Tigao xiaofeilü ladong jingji cengzhang” (Increase the Consumption Rate, Stimulate Economic Growth), *Jingjixue dongtai* (Trends in Economics),

A second and possibly equally important reason, however, is embodied in the argument that a large middle class improves social and political stability. The idea that “only if a large number of people will enter the middle income strata will it be possible to protect the existing stability of the social structure”¹⁹ has repeatedly appeared in the recent public discourse and academic research on stratification.²⁰

A book-length study of stratification in China that was recently sponsored by the Chinese Academy of Social Sciences proposed a definition of the characteristics of the middle strata which seems tailored to salary-earning professionals and employees of the public sector.²¹ It suggested that six elements identify members of the middle strata: 1) the type of work (intellectual labour in a safe and clean environment); 2) rights and duties at the workplace (including responsibilities, the right to speak up, make suggestions and exercise some form of control); 3) income, including all perks, patrimonial assets and other benefits directly or indirectly deriving from employment;²² 4) skills (especially education higher than high school, training and experience); 5) lifestyle and consumption habits; and 6) moral and civic consciousness.

In identifying middle strata characteristics the study carefully separated the effects on individuals of their participation in production on one side and of their participation in consumption on the other, a facet suggesting that members of this group are increasingly forming their status outside of the traditional network of

No. 10 (2002), pp. 14-17. Yi is among the most active authors in the growing field of “consumption economics” (*xiaofei jingjixue*).

¹⁹ This quote is from a study commissioned by the State Development and Planning Commission: Zhou Changcheng (ed.), *Shehui fazhan yu shenghuo zhiliang* (Social Development and the Quality of Life) (Beijing: Shehui kexue wenxian chubanshe, 2001), p. 2. Others stress the same point, see for example, Li Qiang, *Shehui fenceng yu pinfu chabie* (Social Stratification and Inequality) (Xiamen: Lujiang chubanshe, 2001), p. 91.

²⁰ The link between political and social stability on one side and the need to improve living conditions and reduce poverty on the other is also one of the favourite topics of political scientist Kang Xiaoguang’s work. See for example: “Weilai 3–5 nian Zhongguo dalu zhengzhi wending xing fenxi” (Analysis of Mainland China’s Political Stability in the Next 3–5 Years), *Zhanlüe yu guanli* (Strategy and Management), No. 3 (2002), pp. 1-15.

²¹ Lu Xueyi (ed.), *Dangdai zhongguo shehui jieceng yanjiu baogao* (Research Report on Contemporary China’s Social Stratification) (Beijing: Shehui kexue wenxian chubanshe, 2002). Lu Xueyi is the head of the Sociology Department of CASS. The book was criticized by conservative elements in the Party for suggesting a much more complex stratification in China than the traditional “two classes and one stratum”, and for pointing at bureaucrats and party officials as an independent upper class, while workers and peasants lie at the bottom.

²² The book suggests that an income of 25,000–30,000 yuan a year per person is the average in the “initial phase of socialism” (pp. 252-3), despite the fact that average incomes are much lower even in the most affluent urban areas.

power relations represented by the work-unit.²³ By including moral and civic consciousness the author also seems to address the fact that these people are the least inclined to social disorder.

The sense here is of a civilized and “advanced” middle strata—which many believe to be instrumental to Jiang Zemin’s thesis of the “Three Represents”.²⁴ However, sociological literature has recently acknowledged the far-reaching impact of the consumption variable on social relations, at a time when the nature of urban dwellers is shifting from being *danwei ren* (work-unit individuals) to being *shehui ren* (social individuals) or *shequ ren* (community individuals).²⁵

Increasing the Purchasing Power of Urban Public-Sector Employees

During the second half of the 1990s, groups of Beijing public employees whose income had been stagnating during the early reform years experienced a sharp increase in salaries. Employees in the healthcare sector, for example, saw their salaries rise by 168 per cent between 1995 and 2000, and their average salaries are now around 40 per cent above the average (they were average in 1995). The same thing happened in tertiary education and in scientific institutions (increasing 158 per cent in five years, 31 per cent above the average, whereas they stood below average in 1995).²⁶

Shortages in specific areas of expertise also contributed to the competitiveness of professionals’ salaries. A breakdown of salaries among the professions shows that skills often provide higher remuneration than administrative responsibility: such highly demanded occupations as telecommunication technicians (42,305 yuan/year), software engineers (33,201

²³ Ibid., p. 252. The topic of middle strata and consumption has attracted many scholarly works in China. Li Qiang’s study of stratification, which appeared in 2000, contained warnings about the risks for stability and economic development of a declining consumption capacity among the “traditional white collar middle strata”, *Shehui fengceng yu pinfu chabie*, p. 91.

²⁴ Jiang’s Theory of the Three Represents refers to the Party’s role in representing the development trend of China’s *advanced productive forces*, the orientation of China’s *advanced culture* and the fundamental interests of the overwhelming majority of the Chinese people.

²⁵ All of the very numerous new works on “community building” (*shequ jianshe*) utilize this slogan-like definition of the on-going social transformation of urban society. The “official” inspiration for the slogan is the document “Minzhengbu guanyu zai quanguo tuijin chengshi sheque jianshe de yijian” (Ministry of Civil Affairs’ Opinion on Speeding Up Urban Community Building Across the Country), 3 November 2000, in *Zhongguo minzheng* (China Civil Affairs), No. 1 (2001), pp. 4-6.

²⁶ *Beijing Statistical Yearbook*, 1996 and 2001. The Chinese Academy of Sciences, for example, spent about 600 million yuan to recruit 300 talented young researchers, at salaries and a level of resources envied by many Western colleagues. See Cao Cong, “Strengthening China through Science and Education: China Development Strategy Toward the 21st Century”, *Issues and Studies*, Vol. 38, No. 3 (September 2002), pp. 122-49.

yuan/year) and even bank clerks (24,100 yuan/year) today earn higher salaries than the average state factory director (24,070 yuan/year).²⁷

However, government policies also played a major role in picking winners, and in lifting the livelihoods of skilled personnel in the public sector. While enjoying a shorter working week since 1995, employees in the public sector have seen their salaries raised four times between 1999 and 2003, in what Zhu Rongji himself described as attempts “to boost consumption demand”.²⁸

“Improving people’s living standard” has been declared a “crucial factor in expanding domestic demand” in the 10th Five Year Plan.²⁹ The National Bureau of Statistics suggested in 2002 the need to increase the overall private consumption rate from 60 per cent to 65 per cent of GDP in line with that of other East Asian countries.³⁰ The possibility of reaching 68 per cent by 2005 was suggested, if the remaining consumption-restricting regulations are gradually lifted, salaries are raised steadily, public expenditure is contained by marketizing social services, and the high-spending clusters of society are encouraged to spend in such sectors as tourism, higher education, cars and other means of transportation, and financial and insurance services.³¹

For some of the positions in the administration of public affairs, the call for a clean and efficient government modelled on Singapore and Hong Kong has also been behind the policy of paying a “high salary to foster honesty” (*gaoxin yanglian*).³² While many of the 45 million public servants are benefiting from this boost, some especially sensitive categories such as judges—where bribe-taking

²⁷ *Zhongguo laodong he shehui baozhang nianjian* (China Labour and Security Statistical Yearbook) (Beijing: Zhongguo laodong he shehui baozhang chubanshe, 1996 and 2001).

²⁸ *Government Work Report to the 10th NPC*, 5 March 2003.

²⁹ “Premier Reports on Outline of Five-year Plan”, in *People’s Daily Online*, 6 March 2001.

³⁰ National Bureau of Statistics Research Group, “Tigao chengxiang goumaili shuiping shi kuoda neixu de guanjian” (Improving Urban and Rural Consumption Levels is Crucial to Expanding Domestic Demand), *Jingji yanjiu cankao* (Documents of Economic Research), No. 5 (2002), as quoted in Yi Shijie, “Tigao xiaofeilü”, p. 16.

³¹ Yi Shijie, “Tigao xiaofeilü”. Other authoritative articles include Liu Guoguang, “Tigao xiaofeilü shi kuoda neixu de biyou zhi lu” (Increasing the Consumption Rate is the Road we have to Follow to Raise Domestic Demand), *Zhongguo jingmao daokan* (Journal of Chinese Economy and Trade), No. 8 (2002), pp. 9-11.

³² On the rationale for this policy, a hot topic in Chinese academic journals during 2001–2002, see for example Xie Ming, “Lun ‘Gaoxin yanglian’” (On “High Salaries to Foster Honesty”), *Beijing Xingzheng xueyuan xuebao* (Journal of the Beijing Institute of Public Administration), No. 3 (2002), pp. 14-19.

would be particularly egregious—are expected to experience a fourfold increase in salary by the end of this decade.³³

In Beijing, the city with the largest concentration of officials, the effect on public employment has been remarkable: the capital's employees in public administrative units (*shiye danwei*), who are recruited today on the basis of examinations and educational credentials, saw their average salaries more than double in the 1995–2000 period (an increase of 133 per cent).³⁴ Increasingly, employment is education-driven, evidenced by the soaring increase of graduates produced by China's tertiary institutions (a 46.2 per cent leap in 2003 alone).³⁵ After the hardening of universities' budget constraints and the need to recruit full-tuition-paying students to stay afloat, the bargaining power of well-known scientists and teachers has also rapidly increased, as academic institutions compete to recruit them.

Another indication of a state commitment to increase consumption is the post-1995 policy to provide additional leisure-time. With the declared aim of increasing consumer spending, in May 1995 a compulsory 5-day working week (*shuangxiuzhi*) was introduced³⁶ that suddenly brought the number of non-working days in a year among urban employees to 115, while major national festivities were progressively extended to week-long holidays. This jump-started both domestic and international tourism. According to one recent study carried out in three major cities, the average amount of leisure time available to urban employees has already surpassed actual working time.³⁷ Those who have been given the greatest number of days of leisure time happen to be skilled employees (in the cultural, health, research and education sectors) as well as Party cadres.³⁸

³³ Pan Jianfeng, "Gaoxin zhi: shenpan gongzhen, lianjie he faguan gao suzhi de jiben baozhang" (High Salaries System: The Basic Guarantee of Fair Trials and Honest and High-quality Judges), *Zhengfa luntan* (Legal Forum), No. 6 (2001), pp. 15-21.

³⁴ *China Labour and Security Statistical Yearbook*, 1996 and 2001.

³⁵ See *Renmin ribao* (People's Daily), 12 June 2003. According to the Ministry of Education *Jiaoyu tongji baogao* (Educational Statistics Report), 27 March 2003, the number of enrolled university students reached 16 million in 2002, and rose from 0.326 per cent to 1.146 per cent of the population between 1990 and 2002.

³⁶ State Council Decision No. 146, "Guowuyuan guanyu zhigong gongzuo shijian de guiding" (State Council Decision on the Worktime of Staff and Workers), of 3 February 1994, later modified by Decision No. 174 of 25 March 1995. On the desire to stimulate consumption as the impetus for this decision see Zhu Jialiu, "Shuangxiuzhi gei shangye yingxiao celue dailai de sikao" (The Implications of a Short Working Week for the Strategies of Commercial Marketing), *Shanghai shangye* (Shanghai Commerce), 1995, No. 2.

³⁷ Wang Yalin, *Chengshi xiuxian: Shanghai, Tianjin, Haerbin chengshi jumin shijian fenpei de kaocha* (Report on the Distribution of Time among Urban Residents in Shanghai, Tianjin and Harbin) (Shehui kexue wenxian chubanshe, 2003).

³⁸ *Ibid.*, pp. 159-161.

After being portrayed as perennial under-achievers until well into the reform era, these public employees, professionals and skilled employees are sharing the experience of sudden upward economic mobility. This includes more than higher salaries. Equally important are their perquisites in accessing resources such as education, welfare and housing, which depend on their type of work-unit and their administrative status. Under this condition, it is not surprising that high-income households in Beijing have a higher than average number of their members employed in the state sector, as well as a higher level of education and professional training.³⁹ This emerging social class enjoys the economic stability that is increasingly slipping from the hands of the working class, at a time of massive layoffs of unskilled and redundant personnel. Workers in Beijing's manufacturing sector were at the short end of a growing income gap. Their salaries expanded less than the average (up 72.5 per cent, against a general average salary growth of 93.1 per cent between 1995 and 2000). The manufacturing sector lost over 520,000 employees in the same period.⁴⁰

Residential Segregation

The state's social engineering to enlarge the ranks of a consuming middle class has had the most visible effects in housing policies. The continued involvement in housing distribution by the state and its agents is affecting the patterns of class formation in two fundamental ways: 1) the patterns of *residential segregation* determined by the commercialization of housing are shaping the urban environment around gated communities, whose residents enjoy a relative autonomy from traditional workplace relations and engage in new forms of autonomous and interest-based collective activities; 2) *state intervention to subsidize home ownership* favoured public employees and provided them with easier access to status-enhancing home ownership.

The apparent freedom to decide where to reside is limited by economic as well as cultural and social dynamics: in China as much as in other countries, it is not enough to say that people with better incomes tend to have a higher number of possible choices, because other factors such as administrative barriers, economic competition and ethnic and cultural divisions can affect the possibilities of accessing residence in a particular area.

This social division of space within cities has attracted the interest of the social sciences from their very beginning. Friedrich Engels' portrayal of the conditions of the British working class included a fierce attack on the segregated nature of cities organized in order to avoid letting the working class get too close to the better-off elements of the urban population. Engels' work lies at the foundation of socialist anti-urban ideals and of the (often unsuccessful) attempts

³⁹ BSB, 2001. Also see Wang Ya Ping, "Housing Reform and its Impact on the Urban Poor", *Housing Studies*, Vol. 15, No. 6 (2000), pp. 845-64.

⁴⁰ *Beijing Statistical Yearbook*, 2001.

by socialist urban planners to avoid the degeneration of large cities and to overcome their embedded social segregation.⁴¹

In the 1920s, from a different perspective, the Chicago School set the course for urban sociology by resorting to the idea of “human ecology”. This explained segregation via recurrent cycles of migration (invasion) into peripheral areas and the progressive movement of upwardly mobile groups from those areas to better locations in town, while new invaders took their place. Robert Park envisaged a structure of the city resulting from the “biotic” competition for scarce resources, and described organization of a city as the product of competition in a “natural” environment.⁴² For sociologists differently inspired by human ecology, the effect of this competition was a city structure made of concentric social areas, or competing social sectors or multiple nuclei.⁴³

Later studies increasingly stressed the relevance of social factors in the city’s segregation. One approach based on social stratification is that of “housing classes”, utilized by John Rex and Robert Moore, for whom cities are divided along the lines of a differential and spatially informed access to housing. Following Weber, they argued that access to housing (ownership, private tenancy, public tenancy and so on) is a determinant of class situation, and is largely determined by employment.⁴⁴

The relationship between access to housing and class position was also linked to the availability of other resources. Ronald Van Kempen recently pointed out that resources available to households in the competition for scarce housing are not only financial (income, security of income and capital assets) but also cognitive (education, knowledge of the housing market), political (referring to the “possibility of attaining and defending formal rights in society”)⁴⁵ and social, especially belonging to social networks.

⁴¹ Friedrich Engels, *The Condition of the Working Class in England in 1844* (London: Allen and Unwin, [1892] 1936). For accounts of the anti-city attitude of Chinese socialism see John W. Lewis (ed.), *The City in Communist China* (Stanford: Stanford University Press, 1971); and Janet Salaff, “Urban Communes and Anti-city Experiments in Communist China”, *The China Quarterly*, No. 29 (January 1967), pp. 82-109.

⁴² Robert Park, *Human Communities: The City and Human Ecology* (Glencoe: The Free Press, 1952). The classic work of the Chicago School is Robert E. Park, Ernest W. Burgess and Roderick McKenzie, *The City* (Chicago: University of Chicago Press, 1967 [1926]).

⁴³ See A. Sule Ozuekren and Ronald Van Kempen, “Ethnic Segregation in Cities: New Forms and Explanation in a Dynamic World”, *Urban Studies*, Vol. 35, No. 10 (1998), pp. 1631-56, for an overview of the literature and of the different research traditions.

⁴⁴ John Rex and Robert Moore, *Race Community and Conflict: A Study of Sparkbrook* (London and New York: Oxford University Press, 1967).

⁴⁵ A. Sule Ozuekren and Ronald Van Kempen, “Ethnic Segregation in Cities”, p. 1642. See also Ronald Van Kempen, “The Academic Formulations: explanations for a partitioned city”, in Peter Marcuse and Ronald Van Kempen (eds), *Of States and cities: the Partitioning of Urban Space* (Oxford: Oxford University Press, 2002), pp. 35-58.

Residential segregation has also been associated with the “localized” factors of class formation. In Anthony Giddens’ formulation, for example, the process of class formation and reproduction would only be traceable if inscribed within what he called *structurations*: a “mediate structuration” that refers mainly to the “distribution of mobility chances in societies”⁴⁶ (the more open the mobility chances the less demarcated the classes); and a “proximate structuration” that is based on the division of labour, authority relations within the enterprises and the influence of “distributive groupings”, that is, “relationships involving common patterns of the consumption of economic goods”, of which “community or neighbourhood segregation” would be the most important.⁴⁷

Following Giddens, class has both objective and subjective determinants (or “overall” and “localized”, to borrow his words) and is the outcome of a complex structuring involving both economic and authority relations, as well as their subjective perception. Class structuration occurs, in Giddens’ view, not only within the production arena but also outside of it, in the field of consumption, and among people sharing a common style of life. Distributive groupings such as segregated communities “interrelate with the other set of factors ... in such a way as to reinforce the typical separations between forms of market capacity”.⁴⁸

In China, under Mao the socialist urban planners tried, more or less successfully, to design cities free of segregation, in the belief that different housing conditions could determine social inequality. The administrative and economic control over population, production and consumption, and the fact that the state controlled the processes of building and distributing housing and that it owned the urban land, all contributed to make this project relatively successful. With restrictions in place against migration into cities, for a long time urban resources could be concentrated on a relatively small and stable population, and cities were organized in self-reliant cells (generally around or within the work-units, in integrated residential/productive neighbourhoods providing essential services and controlling consumption and distribution), rather than as functional areas (residential, industrial, service and commercial). Transport was left underdeveloped for large cities such as Beijing and Shanghai, since the problem of moving the working population was solved (at least in theory) by placing residential areas near to the work place.

⁴⁶ Anthony Giddens, *The Class Structure of the Advanced Societies* (London: Hutchinson and Co, 1973). Giddens’ formulation is that the “structuration of classes is facilitated to the degree to which mobility closure exist in relation to any specified form of market capacity”, p. 107.

⁴⁷ Quite significantly for this study, Giddens sees the formation of “working class neighbourhoods” separated from “middle class” neighbourhood as the possible outcome of differential access to home loans. The facilitation of home consumption would therefore be a distinctive pattern of class formation (p.109-110). On this topic see also Manuel Castells, *City Class and Power* (London and Basingstoke: MacMillan, 1978).

⁴⁸ *Ibid.*, p. 109.

Due to the nature of the *danwei* (work-unit) system and its dominant role in the construction and allocation of employees' accommodation, housing quality largely depended on the resources available to the different work-units, and a certain level of egalitarianism worked to limit differences among members of the same work-unit. In an era when a work-unit constituted the basic administrative, production and social unit in the cities, one's overall social status was dramatically influenced by the resources and status of the employer. Units' choices in terms of housing quarters affected the nature of urban "social zones" more than socio-economic or cultural stratification patterns. Victor Sit's study of early 1990s Beijing revealed, for these reasons, a much lower level of residential and functional segregation than was the case in East European socialist countries in the 1970s.⁴⁹

Since then, much has changed. China has embarked on a pattern of urban organization that recognizes a correlation between status and housing consumption patterns, and residential segregation⁵⁰ thus can become a fundamental marker for the analysis of social stratification and the emergence of new classes. The rapid growth of home ownership in Beijing is determining a new skyline of buildings and lifestyles dominated by the imposing presence of neighbourhoods of high-rise developments for the newly affluent professional middle class.

⁴⁹ Victor Sit, *The Nature and Planning of a Chinese Capital City* (Chicester: Wiley, 1995), esp. Ch. 11, which provides a review of the earlier literature on spatial transformation in China).

⁵⁰ The relationship between spatial organization and social segregation has been the focus of a number of recent studies on urban China. Geographers should be praised for pointing out the relevance of the housing reform in reshaping post-socialist Chinese metropolises. Their studies have especially concentrated on Shanghai and Guangzhou, but several tackle the transformation and residential mobility of the capital city. Laurence J. C. Ma, "Urban Transformation in China, 1949–2000: A Review and Research Agenda", *Environment and Planning A*, Vol. 34 (2002), pp. 1545-69; Wu Fulong, "Sociospatial Differentiation in Urban China: Evidence from Shanghai's Real Estate Markets", *Environment and Planning A*, Vol. 34 (2002), pp. 1591-615; Anthony G. O. Yeh et al, "The Social Space of Guangzhou City, China", *Urban Geography*, Vol 16 (1995), pp. 595-621; Piper Gaubatz, "Changing Beijing", *Geographical Review*, Vol. 85, No. 1 (January 1995), pp. 74-96; Ya Ping Wang and Alan Murie, "Commercial Housing Development in Urban China", *Urban Studies*, Vol. 36, No. 9 (August 1999), pp. 1475-94; Fulong Wu, "The New Structure of Building Provision and the Transformation of the Urban Landscape in Metropolitan Guangzhou", *Urban Studies*, Vol. 35, No. 2 (February 1998), pp. 277-83; Xiuhong Hu and David H. Kaplan, "The Emergence of Affluence in Beijing"; Si-min Li and Doris K.W. Fung, "Housing Tenure and Residential Mobility in Urban China: Analysis of Survey Data", Occasional Papers Series (Hong Kong: Hong Kong Baptist University, Centre for China Urban and Regional Studies, July 2001); Si-ming Li, "Housing Consumption in Urban China: A Comparative Study of Beijing and Guangzhou", *Environment and Planning A*, Vol. 32, No. 6 (2000), pp. 1115-34.

Today, the Soviet-inspired low-rise concrete buildings of Beijing are rapidly being replaced by these modern, colourful high-rise housing projects⁵¹ that can accommodate a larger number of homeowners in much-sought-after locations. While the fancy up-market villas out of town remain a dream that only the truly rich (plus Western and Asian expatriates) can afford, an increasing number of more reasonably priced, middle-income apartments of good quality have been built in the immediate suburban areas. The new institutional blend, where state agents and market forces interact, has made it more likely for social groups with a similar mixture of administrative access to housing and relative affluence to concentrate together.

Hu and Kaplan attempted to map Beijing's affluent population.⁵² Through a survey of residence and income characteristics, they mapped out a concentration of well-off households in the suburbs between the northern sections of the third and fourth ring roads. They also revealed that the areas where more affluent people are settling down correspond to those that the municipality had zoned—since the 1982 master plan—to “specialise in culture, education, scientific research and government” activities.⁵³ This is a sign of the shifting focus in the planning of the capital city—from an industrial and administrative centre toward a modern, service-based urban economy—but also of the relevance of culture and education in the housing choices of the new rich.

Subsidizing Home Ownership

The effects of the housing reform were not only geographic. At the present stage of China's development, higher salaries and a better bargaining power in the labour market would not be enough to account for the dramatic rise in status and consumption levels experienced by some employees and professionals. The patterns of housing *acquisition* are also proving to be decisive in changing the lifestyles and consumption abilities of the professional middle-class.

Even after the dismantling of the virtually free allocation of rented accommodation that prevailed until the early 1980s, both housing and the financial tools necessary to make its purchase possible have been circulating in a less than perfect market. The administrative role of urban gate-keeping institutions and the interest structure inherited from the earlier socialist modes of distribution have helped to decide who was going to “get rich first”. Despite the progressive decline of traditional redistributive institutions such as work-units, other agents of the state's project to “create” a middle class have contributed to shaping this strategy, such as state-owned real-estate developers and state commercial banks. Those who managed to maintain a relatively high status

⁵¹ About 15 per cent of all of the floor space in Beijing's residential buildings that are higher than 9 floors was built in the year 2000. BSB, 2001.

⁵² Hu and Kaplan, “The Emergence of Affluence in Beijing”.

⁵³ *Ibid.*, p. 70.

position within the public sector appear to have been privileged (either directly or indirectly) in the access to these assets and today form what is popularly known as the *fangchan jieji* (propertied class).

The massive sale of public housing to employees throughout the 1990s occurred at highly subsidized prices for the existing housing stock, or alternatively employees were given the option of buying newly built houses while the work-unit carried the lion's share in the construction or purchasing costs. Although the share of housing directly built by work-units declined from the first part of the 1990s, to the advantage of major real-estate developers,⁵⁴ public employers remained the engine of the real estate market, buying extensively to cater for the needs of their professionals and other employees.⁵⁵ Hopetown 1 was an early example of this attitude: large state-owned enterprises and public institutions purchased blocks of private apartments and then resold them at very low prices to some of their key employees. Contracts often included clauses that link the property rights to a long-term working relationship with the employer. This practice of rewarding loyalty and substituting real-estate properties for higher salaries continued in the years following the 1998 housing reform, especially in organizations such as universities that depend on the availability of key human resources.⁵⁶

Beijing's experience is emblematic. According to 2001 data, about 58 per cent of the city's resident families have purchased properties from or through their work-units.⁵⁷ Almost 90 per cent of all residential housing units sold by Beijing work-units to their employees have gone for less than 100,000 yuan (around US\$12,000),⁵⁸ a very low price considering the average costs of housing in the capital.⁵⁹ This selling-off of public housing stock at uneconomic prices

⁵⁴ See for example Wang Lina, "Urban Housing Welfare and Income Distribution", in Carl Riskin, Zhao Renwei and Li Shi (eds), *China's Retreat from Inequality: Income Distribution and Economic Transition* (Armonk NY: M. E. Sharpe, 2001), pp. 167-83.

⁵⁵ In 2001 central and local work-units still built around 33 per cent of all newly built residential floor space in Beijing, while developers built the remaining two-thirds. *Beijing Statistical Yearbook*, 2002, p. 143.

⁵⁶ Both Beijing University and People's University recently purchased entire buildings within newly constructed compounds to be re-sold to their employees. Despite the private nature of these transactions, on some occasions the universities maintained some level of administrative control over the management of these sections of the compound and acted as a go-between when conflicts arose with the developer. I am grateful to Zhang Jing for bringing this situation to my attention.

⁵⁷ *China Daily*, 4 January 2002.

⁵⁸ *China Economic Information*, 9 August 2002.

⁵⁹ The average price per square metre in Beijing in 2001 was 4,517 yuan, the highest in China and well above the national average (2,227 yuan). This would place the average price of a "raw" (without internal decoration and appliances) 70-square-metre apartment at about 320,000 yuan (US\$38,000). If we consider that work-unit housing is generally located in

enabled well-placed employees to obtain a low-cost entry ticket to the real-estate market, effectively boosting the new owners' incomes.⁶⁰ According to a 1988 survey, the housing situation at the beginning of the labour-market and housing reforms was greatly affected by employment status: cadres had a per capita living space about 30 per cent higher than that of workers, Party members did better than non-Party members by a margin of 20 per cent, employees in centrally administered units had more space than those in locally managed units, and state enterprise employees' housing was more spacious than that of employees in the collective sector.⁶¹ Since the housing reform was carried out on the basis of actual housing conditions, rights to subsidized sales of existing housing or newly built apartments varied greatly among employees and between work-units.⁶² Its effects were to amplify an old distortion with the help of a new market environment.

While in the early days of housing reform buying the apartment one was already living in virtually for free seemed a waste of money, in the second half of the nineties a speculative rent market, an emerging mortgage market and a secondary property market finally turned these properties into wealth multipliers. In order to boost a secondary market, the Beijing government progressively reduced restrictions on property rights, and properties bought at ridiculously low prices became marketable at increasingly inflated market prices.⁶³

The introduction of housing provident funds⁶⁴ in the nineties did not enhance egalitarian distribution of housing assets either. The funding schemes ended up advantaging employees in the financially and economically most viable enterprises and, within this group, privileged employees with a high level of employment stability and prestige who could rely on a long-term relationship with the enterprise and were less at risk of sudden unemployment. Enterprises

what are now Beijing's central suburbs—compensating for the lower construction quality of such housing—such a heavily subsidized sale means the apartments have in fact been allocated at a two-thirds discount.

⁶⁰ Li and Niu, "The New Middle Class(es) in Peking", present a number of examples of the comparative monetary advantages generated by such purchases.

⁶¹ Li Bin, "Zhongguo zhufang gaige zhidu de fenge xing" (The Unequal Nature of China's Housing Reform), *Shehuixue yanjiu* (Research in the Social Sciences), No. 2 (2002), pp. 80-7.

⁶² *Ibid.*, p. 81.

⁶³ A limit of five years between the purchase of a public house and its possible sale was dropped in 2002. The secondary market, although still small in comparison to more mature real-estate economies, corresponded to 85 per cent of the new housing market in 2001. Ministry of Construction, *Guanyu Beijing zhufang er san ji shichang wenti diaocha baogao* (Research Report on Beijing Secondary and Tertiary Housing Market), October 2002.

⁶⁴ Provident funds pool resources from employers and employees and are aimed at providing monetary incentives for the purchase of apartments by employees. For an analysis, see Wang Ya Ping, "Urban Housing reform and finance in China: a case study of Beijing", *Urban Affairs Review*, Vol. 36 No. 5 (May 2001), pp. 620-45.

with a better economic performance were able to make higher contributions to the funds, helping the accounts grow faster. Collective and private enterprises largely did not participate in the scheme, thereby excluding most of the non-state-sector urban employees, numbering about 45 million.⁶⁵

Funds were also managed in the interest of a minority of well-placed borrowers: about 80 per cent of the fund's total lending in Beijing was destined for the purchase of high-cost commercial housing, while in Shanghai 44 per cent of the funds went to just 4 per cent of the fund's contributors.⁶⁶

A policy step that improved the chances of middle-income earners becoming homeowners was enacted in 1998 when all major cities were instructed to begin construction of so-called "economy housing" (*jingji shiyong fang*). These are not public housing but a subsidized form of commercial buildings, comparable in quality and location to commodity housing, but whose price is kept in check following an agreement between the local government and the developer. When assigning land-use rights to the developers (which in most cases are state-owned companies), the local authority stipulates that, in exchange for free or cheaper land and reduced fiscal charges, the developer must sell a portion of the units at a discounted price decided by the local authorities.⁶⁷ Access to this indirectly subsidized housing is formally granted only to households with a yearly income below 60,000 yuan, who have no property of their own and who have been occupying substandard rental housing.⁶⁸

Despite aiming at such families, the policy outcome was in favour of the usual groups. During my fieldwork in Hopetown 2, where most of the homes are of this type, evidence surfaced that the income limits are loosely enforced and are easily circumvented by higher-income families or by families with pre-existing properties, a situation that has led to widespread criticism of the system by lower-income families.⁶⁹ Those in Hopetown who have had access to this form of subsidized housing are often the same privileged buyers of public and work-unit apartments. Among the reasons that lower-income families have been kept out is that the units are sold privately and there has been a tendency for the developers to build large apartments to cater for richer customers.⁷⁰ Thus, despite the

⁶⁵ Li Bin, "Zhongguo zhufang gaige zhidu de fenge xing".

⁶⁶ Ibid.

⁶⁷ The price of economy housing is therefore not standard (as also is generally the case for the sale of public housing) but is linked to the quality and prices of the commercial housing in the vicinity. See Xing Quan Zhang, "Governing Housing in China".

⁶⁸ *China Economic Information*, 6 February 2001. Also, limits were imposed in a second phase of the policy initiative. At the beginning, the only requirement was a Beijing *hukou*.

⁶⁹ Mainstream media also recently highlighted the anomaly. See Lan Xinzheng, "Housing Policy Falls Short", *Beijing Review*, 8 May 2003, pp. 24-5.

⁷⁰ Economy apartments should, according to the regulations, not exceed 80sqm in size, but many are much larger. In Hopetown 2 small economy apartments remain the exception, and

discounted prices, these so-called “economy apartments” remain beyond the reach of entitled lower-income families. As one author suggested, they risk becoming, instead, “the weekend residences of the rich”.⁷¹

Also stimulated by government policy, a commercial mortgage market emerged rapidly after 1998. In China as much as anywhere else, mortgages typically reward those with stable incomes and pre-existing property. Ownership of assets or an employer’s endorsement are important credentials in accessing commercial bank loans, enhancing the chances of the usual suspects. Reformed commercial banks in search of relatively low-risk private consumption markets began to enter the arena aggressively from 1998, relying on the long-term consumption-stimulus policy of the central bank. The outstanding balance of individual housing loans issued by commercial banks countrywide has increased from 19 billion yuan in 1997 to 750 billion, a 39 times increase, by October of 2002.⁷²

Making Sense of Hometown Residents’ Economic Circumstances

As seen, at least in this transitional phase, the importance of income levels is overshadowed by the distorted access to housing. This does not mean that high-income earners do not enjoy an advantage in the competition for better housing. Rather, it means that in a situation where the gap between housing prices and income remains wide, people with a privileged access to the state’s distribution policies have managed to carve out lifestyles well beyond their means and that this phenomenon has contributed more to the emergence of prestigious residential communities than has the acquisition of wealth. The high rates of home ownership claimed by local authorities⁷³ seem otherwise not sustainable in terms of disposable income, nor the great expanse of excellent new housing that is obvious to anyone who has visited Beijing. On the open market, in 2002 an average apartment of 80 square metres cost around 33 times the average yearly disposable income of a Beijing household!

Buying a home is a fundamental concern for anyone wishing to climb the ladder of social status, and the experience of “becoming a homeowner” is central to many of the conversations of Hometown neighbours. Buying an apartment is considered a life-changing experience, and many expressed surprise at how

I visited apartments that are more than double the maximum size. The Ministry of Construction has recently launched an investigation on the violations of sales regulations by developers. *China Economic Information*, 1 April 2003.

⁷¹ Li Bin, “Zhongguo zhufang gaige zhidu de fenge xing”, pp. 85-6.

⁷² See People’s Bank of China, *Monetary Policy Report 2002*, January 2003.

⁷³ The Beijing Statistical Bureau’s yearly sample survey of 1,000 urban household signals a steep decline in public home occupancy after the 1998 reform (from 76.6 per cent in 1998 to 53.2 per cent in 2000), although this seems to contradict the claim by officials in the capital that home ownership has already reached 80 per cent. BSY, 2001.

quickly this had become an opportunity. “Five years ago I did not think this was possible” is a phrase I heard several times.

In the older (Hopetown 1) neighbourhood only “commodity” apartments were available. People who bought here in 1997 had to face high costs and virtually no access to commercial credit. Provident funds were helpful for some but often were not sufficient, and some resorted to family savings while accessing extra income sources such as second jobs. Many of them used resources that had become available to them during the initial phase of the housing reform, such as apartments they had bought from their work unit.

As one illustration, Mr. Wang used to work for a state museum. He keeps using his old work-unit’s name card (“it is easier to introduce myself to people”), but actually works as a consultant for a private museum and an auction house. His wife, who used to work in the public administration, received what she describes as a “generous early retirement package” that grants her almost the same income as before. They bought their old apartment, in a very central area, from his work-unit after they both retired. When they moved to Hopetown looking for more comfortable quarters to spend their retirement, they relied on the extra income generated by the first apartment, which they renovated to “make it suitable for a foreigner”. The social capital earned on the right jobs gave them access to the right people (renting a *danwei* apartment to a foreigner generally implies an agreement with the local police station) as well as to material benefits.

The link between public employment, the state and the status achieved is also often explicitly central to the experience of Hopetown homeowners. During a dispute with the housing developer for one specific building, written materials prepared by residents were signed “old Communist Party members of building xxx”. “I have been a Communist Party member for thirty years”, said an elderly woman prominent in this *weiquan* (“defend your rights”) protest, “and when I had to decide where to buy a house I thought that buying here would have been like buying from the state itself”. Others, especially younger employees, see the role of the state in the development of this area as a guarantee for the protection of their equity. This includes the confidence that the relevant transport network and infrastructures will soon be completed, including one of the 13 stations of the underground train planned for the 2008 Olympics, adding both to the investment value and the convenience of their properties.

Many residents see apartments as their principal means of investment, and they use their privileged access to acquire property not just to live in but also to rent out. Despite the limitations imposed by law on the purchase of Hopetown’s subsidized “economy houses” (Hopetown 2), families with second properties managed to circumvent the regulations. The subsidized apartments in Hopetown 2 are occupied only in 60 per cent of the cases by their owners, indicating that a large proportion of them ended up in the hands of owners of multiple properties.

As one example, a middle-ranking cadre in a state financial conglomerate obtained her apartment in 1997 at “a fraction of the cost”, and the company covered the rest. The contract she signed with her employer does not give her the right to sell the unit for fifteen years. But she and her husband, who works as a public accountant, lived in the apartment for only two years and then moved to an

“economy” apartment in Hopetown 2 that they purchased at a 30 per cent discount from the developer. They have been renting out the first unit ever since, making a good profit and ploughing part of this back into the mortgage. A year later they purchased a third apartment, in the same “economy” building where they live. In the case of this family, the properties were made accessible to them by work-unit affiliation and state policies to subsidize urban home ownership.

In addition to receiving money from rents, professionals’ disposable income is often higher than their salaries because of moonlighting from their state employment. Many even see the community as a potential “marketplace” in which to sell their expertise and special skills. The growing demand for insurance policies, for example (car, life, house), has provided some with an easy way to boost their family income by selling policies to their neighbours in their spare time.

Household budgets of 8,000–10,000 yuan a month are most common, when both members of the family earn a salary. This places them in the high-income cluster of Beijing’s employees, considering that in 2001 only about 11 per cent of the city’s employed population had salaries above 2,000 yuan a month.⁷⁴ The average Hopetown 2 family pays 2,000 to 3,000 yuan per month in mortgage repayments,⁷⁵ a very high instalment for the average Beijing resident, but less than the monthly rent I was charged for my apartment in the neighbourhood.

For Hopetown’s yuppies this burden is small enough to allow a high level of consumption as well as investments in second apartments. Status-related consumption is generally in line with the newly acquired prosperity. One young woman who earns a salary of 9,000 yuan a month as an accountant at a major state company complained to me that Beijing does not offer enough for her as a consumer, and that she ends up “buying a new mobile phone every time I get bored”. Despite a mortgage, this Party member⁷⁶ and middle-ranking professional owns her own car (her husband uses the company car), pays 250 yuan a month at the local gym, and has travelled overseas several times: “When we travelled to the US they only took us to cheap stores, where most of the goods were made in China. They did not think that we could buy expensive stuff too!”

In addition to the services provided by the management company and by the local government (a primary school, sports and recreational facilities, a clinic, security guards, and women who operate the elevators 24 hours a day) Hopetown 1 has a much larger and riper commercial network than Hopetown 2. The large

⁷⁴ *Beijing Review*, 8 May 2003.

⁷⁵ At the rates offered by the Construction Bank of China, a repayment of 3,000 yuan a month is enough to pay back 350,000 yuan over 15 years. Provident funds, that in Beijing are managed through CCB, can provide better conditions but generally involve a more thorough check of the employees’ entitlements.

⁷⁶ It is not uncommon for people who work in positions that involve money and responsibility to join the Party at the request of their employer.

community of high-spending residents has stimulated the establishment of all sorts of businesses. The large basements underneath each building have been rented out—to the disappointment of some residents—to all kinds of commercial activities, from 24-hour restaurants to laundries and fancy teahouses.

Buying a car is a high priority in the wish list of Hopetown's residents, and the growth in the number of vehicles often outpaces the construction of parking facilities. While car sales grew dramatically in 2002 (133,000 vehicles were sold in Beijing in the first six months of 2002),⁷⁷ cars have become an even hotter consumption item in 2003, with the SARS outbreak convincing many to speed up the purchase of a private car to prevent risks from public transport and taxis. Cars circulating on the traffic-congested roads of the Chinese capital have already reached the 2 million mark.

Electronic goods are also a top priority, with some families owning more than one personal computer, as mobile phones have partly lost their image as status symbols and have become a daily accessory. Hopetowners have a high level of technological awareness, and many of them are computer geeks who use the net extensively. Most of the apartments are equipped with broadband connections at relatively low cost. Hopetown is one of the hotspots in the Internet "home-owner clubs" (*yezhu julebu*). It is, in fact, hosted by the largest community Internet service provider in China.⁷⁸ The club has several hundred members and runs a dedicated website and discussion forum that attracts a large number of postings every day.

Hopetown residents are no run-of-the-mill consumers. Restaurants privilege the re-discovery of traditional Beijing cuisine over junk food, and a McDonald's has not yet appeared. One of the two supermarkets runs a well-frequented bookshop that includes books of translations, poetry and art books, together with textbooks for MBAs and the excessively popular Chinese version of *Who Moved my Cheese*.

Despite the role played by consumption in shaping status in the neighbourhood, a surprising feature of Hopetown is that a certain number of residents have nominal incomes that do not suggest an ability to buy expensive housing or to lead an expensive lifestyle. One of my neighbours, Fang, has

⁷⁷ He Yingchuan and Liang Yi, "Toushi. Beijing xiaofeixin bianhua" (Perspective. New Changes in Beijing Consumption), in *Hongguan jingji guanli* (Macroeconomic Management), No. 2 (2002), pp. 9-17.

⁷⁸ Sina.com. The "club" has 270 registered compound-based forums (*luntan*) in Beijing alone. Each of them corresponds to one gated community, but not all of them exhibit the same level of activity. Each forum allows discussion-like postings accessible to everyone, members and non-members alike. An individual registration and a forum moderator are required by the provider, while self-imposed rules are in place about politically and culturally sensitive material. Nonetheless discussions about ongoing conflicts affecting the communities are generally very open and heated. A city-wide forum on real estate conflicts is also hosted by the same provider.

recently been named director of a state-run chamber of commerce in Beijing. Nonetheless, his salary is only around 2,000 yuan per month. Despite the low salary and his young age (he is in his mid-thirties), he owns an apartment and recently bought a car. His father was a well-known academic who bought the apartment where he had lived for decades before retirement. Fang was later allowed also to buy an economy apartment in Hopetown 2. His parents moved into that apartment and rented out the first apartment. With the income obtained from the first apartment, Fang bought a third one that he is now sharing with his fiancée.

Xiao Du is a young technical employee for a state-owned TV production company in the capital. His salary is not particularly high, especially because he is a self-taught technician and does not have a university degree. Nonetheless, due to the nature of his job he enjoys long periods of free time that he can spend at home waiting for the next episode of the soap opera to be shot. This gives him the chance to take up second jobs for other production houses, and to devote time to social activities in the neighbourhood. His wife, who has a degree in industrial chemistry and works for a Taiwan-funded company, earns more than he does. Together they make around 5,000 yuan from their salaries, and spend about half of their income on the mortgage for their small “economy housing”. Their parents, however, have been well placed to benefit from the housing reform: Xiao Du is the son of a cadre from the railway ministry, and so is his wife. Both sets of parents have been able to buy homes from their work-units and secure an extra income from them. The young couple, however, does not seem to fit the general picture of Hopetowners: their consumption is much lower than others in the neighbourhood and they are not planning for the moment to get another loan to buy a car, or to have a child. Their status in the community is based on their entitlement to economy housing in Hopetown and to their families’ early access to the property market. Also, availability of time, the pressure he feels to assure the security of his housing investment and his good communication skills have placed Xiao Du at the forefront of the homeowners’ association in the neighbourhood, enhancing his status among his higher-consuming neighbours.

More than their monetary income, what makes residents similar to each other is their multi-generational ability to access valuable resources from the public system, and to maintain this privileged relationship until the time when these resources have become private assets.

Property Rights and Social Conflicts

For many families in Hopetown, as seen, home ownership has become the most salient element of their social status, and thus protecting their property rights can become a central concern to them. Whatever the source of finance for the purchase, the subjective perception is that home ownership is the result of a difficult process that affects decisions of the whole household and entails previously unknown levels of risk. Borrowing money or using up one’s savings are new and often frightening experiences regardless of the discounts, privileges or contributions these individuals have been entitled to. When nervousness about this investment and pride in home ownership meet poor maintenance of the

housing-estate facilities and excessively high maintenance fees, aggravated by the management's frequent non-compliance with the contract's provisions, conflicts of a collective nature easily erupt, in Hopetown as much as in other similar communities in urban China.

Conflicts typically concern unfinished gardens and parking facilities, discrepancies between the original project and the final configuration of the neighbourhood, misleading calculations of floor areas, unauthorized use of land by the developer and management incompetence.⁷⁹ There exists a strong link between the emergence of at-times-militant homeowners' associations and the disproportionate relevance of their real-estate interests to these upwardly mobile middle-class families.

Their dissatisfaction, however, only revolves around their home ownership. In fact, the same people speak of their "gratitude" for their rapid and unexpected upward social mobility into a privileged cluster of Beijing's society. Members of this community are generally supportive of the present national leadership and feel that their social status today is largely dependent on the reform policies and the present program to manage the economy. Despite being unusually outspoken, they consider protests against the housing-project developer as being rightfully within the framework of the reform policy. They tend to direct the authorities' attention towards the property developer's "violation of the spirit of reform politics".

Political leaders perceived as outspoken and upright are middle-class heroes:

If someone behaves like this it is not the fault of the central policy. I don't think Zhu [Rongji] would tolerate the behaviour of these corrupt people: we have to let him know, we have to let the centre know.

Criticism of the developers or the housing-estate management company typically includes calls for them to learn from the "spirit of the central leadership" or Jiang Zemin's "Theory of Three Represents".

Although the systemic importance of these conflicts for the process of political change in China might be limited, something is indeed happening in these communities. They are becoming an autonomous space where collective interests are being formulated that are no longer connected to the workplace. While work, as a channel to improve access to resources, remains a fundamental factor in shaping the status of these residents, the community of interests emerging in the neighbourhood provides an environment that affects social patterns, highlights skills irrelevant in the workplace, and engages a new and different set of authority relations.

⁷⁹ On the residents' grass-roots organizations that handle such disputes, see Benjamin Read, "Democratizing the Neighbourhood: New Private Housing and Home-Owner Self-Organization in Urban China", *The China Journal*, No. 49 (January 2003), pp. 31-59.

Conclusions

In this article I have argued that the creation of a highly consumer-oriented professional middle-class has been among the objectives of the economic reforms in recent years. Public policies, economic conditions and the allocation of resources have all contributed to the rapid upward socio-economic mobility of the professionals.

After years of underachievement, public employment has returned to the top of the wish-list of job-seekers, while the need to boost consumer spending and to stimulate economic growth, the quest for social and political stability, and a desire to foster a more efficient and dynamic bureaucracy have convinced the state to raise salaries and improve conditions for officials and to professionalize their recruitment process.

The middle-class strategy of the Chinese government has employed a redistribution of public assets—especially of housing—based on the interest structures that existed during the years of planned socialism, in a way that has greatly favoured sectors of urban society with strong ties to the state and to public employment. The social legacy of the traditional distribution of welfare and of the housing patrimony has put those with skills who “held on” to the state into a position of earning higher incomes and of profiting from a relatively inexpensive acquisition of valuable resources.

One of the direct consequences on the urban environment of a middle-income-oriented housing reform has been the deliberate re-zoning of the urban space, with the emergence of gated communities and segregated residential neighbourhoods populated by new homeowners. In this paper I have utilized some of the stories of my neighbours in Hopetown, Beijing, to point out how strategies of housing acquisition have provided a path for status enhancement, and how administratively granted access to ownership of subsidized housing has influenced segregation and stratification.

Gated housing developments such as Hopetown produce a complex social fabric that is becoming a new arena for class formation. While employment remains the major condition of status enhancement, consumption patterns and family socialization and lifestyles tend now to evolve outside the purview of the workplace, in a relatively autonomous space shaped within the neighbourhood’s gates. Conflicts at this level are restricted and localized and generally do not challenge the political legitimacy of the state. Nonetheless they provide a testing ground for independent forms of social organization.