

Positions Related to the “System” and Views on Social Change: A Comparative Analysis of Three Types of Middle-Class Professionals in China¹

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Abstract: Social functions, political attitudes and behaviors of the middle class in China are long debated issues among Chinese scholars. This paper suggests that the reason why these issues are so debatable lies in the differentiation within the middle class itself. The differentiation is due to a variable with “Chinese characteristics”; that is, *positions related to the Chinese “System”* (“*Ti-Zhi*”, which mainly refers to the state-ownership system and the redistribution system controlled by the state). In this study, we make a comparative analysis of three types of middle-class professionals in order to find out their different *views on social change* arising out of different positions related to the “System”. The three types of middle-class professionals are: doctors, investment bankers and information technology (IT) practitioners. The study finds that the “*Degree of Marketization*” of the industry and the “*Definition of the Identity with the ‘System’ - Forms of Interest Acquisition*” (DIS-FIA) of these professionals, serve as two mechanisms that lead to professionals’ varied views on the main power for social reform (state or market), and their varied outlooks (pessimistic or optimistic) on the future of Chinese society. The political attitudes and behaviors of these three types of middle-class groups also diverge correspondingly.

Key words: State-ownership system (“*Ti-Zhi*”); Middle class; Professional groups; Political attitude; Social change

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² The division of work between Zhengfen Wang and I is that I conducted the interviews and collected data on “Weibo” of doctors and IT practitioners, and Wang was responsible for conducting interviews and collecting data from the investment bankers. I proposed the framework of analysis, and wrote the paper. (Weirong Guo is currently a PhD student of Sociology at Emory University, and Zhengfen Wang is a PhD student of Sociology at Fudan University.)

In the early twentieth century, middle class, which was disparate from the proletariat and the bourgeoisie, emerged due to the separation of the right of ownership and management. Studies concerning middle class began with the question of how to define and measure the class (see Grusky, 2008). Later, researchers probed into more specific and inner representation of middle class, including differences between the old and the new middle class, class consciousness, political attitudes, and middle-class life styles (Mills, 2002; Bell, 1976; Lipset, 1981; Veblen, 2009). Relevant studies in China focus primarily on measurement and identification of Chinese middle class (through indexes such as occupation, income level, educational level, consumption patterns and Party (CPC) membership). The studies on Chinese middle class also cover topics that include social functions, political attitudes and behaviors, and life styles of the middle class (Lu, 2002; Liu, 2007; Lu, 2011; Sun, 2007; Chen, 2013; Li, 2005; Xia, 2008). Among these studies some controversial questions have been raised. These include: To what degree is the Chinese middle class heterogeneous? What are the features of the political attitude and behavior of the middle class in China? Will the middle class be able to drive a transition to democracy in China?

We argue that the reason why these issues are so debatable lies in the differentiation among the middle class itself. Such differentiation is caused by a variable with “Chinese characteristics”; that is, *positions related to the Chinese “System”*. (“System” is spelled “*Ti-Zhi*” in Chinese, which refers mainly to the state-ownership system and the redistribution system controlled by the state.) In their studies on middle class in China, Chinese researchers usually adopt classical perspectives in western social stratification theories. These studies, however, lack elaborate discussion of specific variables with “Chinese characteristics”. The position related to the state-ownership system (“*Ti-Zhi Wei-Zhi*”) is a significant variable that matters greatly in the context of China.

In this paper, we make a comparative analysis of doctors, investment bankers and information technology (IT) practitioners who represent respectively three groups of middle class that have different positions related to the “System”. Here, we explore their political attitudes and how these attitudes correspond to their different positions. Their views on social change (mentioned as “VSC” in the following paper) are analyzed to illustrate the political attitudes of these three groups.

In appearance, doctors, investment bankers, and IT practitioners are all professionals belonging to the middle class. Nevertheless, once we view them from an in-depth angle, we can discover that both their formation mechanisms and positions related to the “System” are dissimilar, indicating that their VSC are likely to diverge. Major goals of this study are to reveal such divergence, and to offer an explanation that bridges macro structure and micro mental operation.

1. Literature Review and Framework of Analysis

The “System” (“*Ti-Zhi*”), in the description of many Chinese scholars, refers both to the economic system based mainly on public ownership and the centralized authoritarian political system in China (Nee, 1989; Bian and Logan, 1996; Lu, 2002; Chen, 2005; Bian *et al.*, 2006; Li and Li, 2007; Lu, 2011). Being inside the “System” generally means being under state control, whereas being outside the “System” means complying with the force of the market. The reason why the “System” is of great significance in China’s context is that the “System” plays an important role throughout the whole process of market transition in China since the implementation of the policy of “Reform

and Opening up”³. It has consequently shaped different types of middle class.

The period from 1980 to 1992 is called the “double-track” era when the planned economy dominated and the market economy was partly applied in China. During that period, people from the lower class who were the very first to engage in the market economy, and the cadres’ offspring who benefited from the double-track policy, became the first two groups of middle class in China. After the year 1993, marked by Xiaoping Deng’s “Southern Talks”⁴, China stepped into a transition era, in which economies were organized by the market mechanism. The offspring of cadres who once enjoyed the economic power of redistribution, and professionals, began to use their political and cultural capital or human capital to pursue market success. Both of these groups compose the backbone of middle class. Those little educated people, who were the first to venture into business, had already been marginalized by the market by that time (Zhou and Chen, 2013).

The “System” is special in China in that it has penetrated the whole process of economic and political reforms since the implementation of the policy of “Reform and Opening up”. On one hand, the private economy has been developing rapidly with the reform of the economic system, thus boosting the market economy. On the other hand, when it comes to the reform of the political system, the Party (the Communist Party of China) still remains in an unshakable ruling position. The strong state power forces the “System” to stay in a static state that goes through little change (Li, 1998; Li, 2005; Chen, 2005; Zhou and Chen, 2013).

To put it another way, the impact of the state redistribution mechanism remains strong even in the emerging market economy. Marketization in China has always been under the control of the state public power, and the emerging market is always embedded in the existing structure of political authority (Liu, 2005a; 2007). Accordingly, differentiation has emerged within the middle class. The formation of China’s middle class follows two paths: the formation of one type of middle class is affected by the state power mechanism (redistribution mechanism), while the formation of the other type is through the market mechanism. Corresponding to these two paths, China’s middle class can be divided into two sub-types: one is endogenous middle class (i.e. middle class within the “System”), and the other is exogenous middle class (i.e. middle class outside the “System”) (Li and Li, 2007; Lu, 2011).

Szelenyi (1988) points out that the formation of class consists of three dimensions: *agency, structural position, and consciousness (types of knowledge)*. Whether the “System” has caused variation in the middle class on these three dimensions, and to what extent the resulting variation is, are questions worth exploring. The reason why these questions need further exploration is that answers to these questions are related to the answering of the following questions: As the market transition in China deepens, would technical professionals (middle class) in China be able to form a “new class” whose ruling are based on the monopoly of knowledge? Would such a new class be

³ “Reform and Opening up” is a famous economic policy made in 1978 by Xiaoping Deng, who was the core leader of the second generation of leadership of CPC (the Communist Party of China), to promote market economy in China and social-economic exchange with countries outside China.

⁴ “Southern Talks” refers to the talks by Xiaoping Deng during his visit to Wuchang, Shenzhen, Zhuhai, and Shanghai, eastern coastal cities in China, in the year 1992. The key point of his talks was to push the economic reform a big step further. “Southern Talks” marked the beginning of the second wave of “Reform and Opening up” in China.

unified or divided? If it were divided, would the new class persist?

1.1 “System” and the Structural Position

As an important mechanism of social stratification, the “System” has divided the structural position of the Chinese middle class into two parts. Class position is the institutionalized social position. China’s economic system, based largely on public ownership, plays an important role in the formation of such class position. Public power (including the power of redistribution and the derivative ability of rent seeking (Liu, 2005a)) is the main driving force of class stratification in contemporary China. As to the social positions with little public power, market ability becomes the basis of class division. Compared with people outside the “System”, those who are inside the “System” have more redistribution power and opportunities for rent seeking, and therefore they occupy the position of the upper class (Liu, 2005a; 2005b; 2007). Lin and Bian (1991) also argue that working at the public sector (working inside the “System”) rather than the job *per se* plays an essential role in one’s attainment of higher status in 1990s’ China.

In addition, since marketization in China is a gradual process instead of a radical one, the advantages of being within the “System” are likely to convert to the advantages of being outside the “System” (Bian and Logan, 1996). Lu *et al.* (2002) also made a distinction among three positions in the political system in contemporary China. These include positions “at the core of the political system”, “at the margin of the political system”, and “out of the political system”. Lu *et al.* (2002) believe, in contrast to the case in western countries, that the political system has become an important mechanism of social stratification in China. Members within the “System” generally enjoy more social and political privileges than members at the margin of the “System” or outside the “System”. Furthermore, due to the strong continuity of the self-sustaining redistribution system and the strong liquidity brought by the market system, intergenerational reproduction of the middle class within the “System” is stronger than the middle class outside the “System” (Li and Li, 2007).

From what has been discussed above, the middle class within the “System” can be regarded as “upper middle class”, because individuals in this class have the opportunity to rise to the upper stratum of the social structure by competing in closed internal labor market in ten to twenty years (such as junior civil servants and doctors). This allows them to acquire some power of redistribution and opportunities of rent seeking to a certain degree, and the advantages of being within the “System” are also likely to convert to the advantages outside the “System” (such as stronger social and cultural capital), which makes them more likely to reproduce their status of upper middle class. In contrast, the middle class outside the “System” mostly belongs to “lower middle class”. Even if they have strong market ability, they can only occupy the middle position in the social structure since they have no access to the public power. The high competition level and liquidity of the market make it difficult for them to reproduce their middle class status.

Nevertheless, on a global scale, human capital (including labor, education and skills) rather than physical capital or political capital, has become increasingly important in modern society. Wright (1980; 1984; 2005) notes that in slave society or feudal society, slaves did not (fully) have ownership of their labor. On the contrary, in the modern capitalist society, everyone equally possesses his/her own unit of labor (which is regarded as personal asset). In post-capitalist society, the ownership of skills (non-alienated assets) even serves as the main criteria of social stratification. Moreover, according to the knowledge-class theories in the 1970s, a new class consisting of the

humanistic intellectuals and technical intelligentsia has risen in the twentieth century; they contended with capitalists and bureaucrats for power. It is predicted that the post-capitalist society would be ruled by the new class in the end (Gouldner, 1979). Corresponding to the social transition to the post-industrial society, the roles of scientists and scientific theoretical knowledge have become increasingly important, thus creating new space for the new knowledge class (Bell, 1976; Szelenyi, 1988).

In the context of China, during the era of planned economy, human capital was combined with means of production through non-market trade, and operating surplus persisted in the form of state rent. Human capital property was wanting in this sense (Liu, 2005b). The market transition, however, would fundamentally change the condition in the redistribution economy where public power served as a main mechanism of social stratification. Compared with the power of redistributors, the power of direct producers increases, and therefore both depreciation of political power and appreciation of human capital can be expected in the future (Nee, 1989). Human capital is an important component of an individual's market ability, and market ability influences one's life chances (Zhou, 2004). As a result, the returns of human capital can be regarded as an intermediate variable used to detect to what extent a country (or an industry) is dominated by redistributive mechanisms or by market mechanisms.

1.2 “System” and Consciousness

The “System” has also exerted influence on the political consciousness and behaviors within the middle class. There are two opposing views on such influence brought by the “System”. One view holds that middle class within the “System” is more conservative, while middle class outside the “System” is more radical. The other argues that the former group of middle class has more sense of responsibility, and is more willing to participate in public life, whereas the latter is more nonchalant about politics.

According to the research of Li and Li (2007), endogenous middle class is more politically conservative, and exogenous middle class is more radical. Chen (2013) discovers that the middle class which relies on the Party and the state (middle class within the “System”) is more in favor of protecting the rights of individuals, but they adopt an evasive attitude towards issues concerned with the political freedom of demonstration and association, and they are apathetic about commenting on political institutions and participating in political actions.

Lu (2011) analyzes the data from “Survey on the Political Participation of China's New Social Strata” conducted in 2008. Unlike the findings above, he finds that the middle class within the “System” shows a higher degree of agreement than the middle class outside the “System” on China as a political community, the basic principles followed by the government, specific policies implemented by the government, and actions taken by specific agencies of the government. What's more, the middle class within the “System” evaluates China's democracy most positively. They are proponents of paternalistic government leaders and a strong government. They also attach great importance to the stability of society. Meanwhile, the middle class outside the “System” features apathy and rearguard in politics (Lu, 2011). Li (2005) also argues that the white-collar group in Shanghai often has strong political orientation that occurs simultaneously with weak political participation.

1.3 “System” and Agency

Concerning the third dimension of class formation, we may ask the following questions to define the “agency” of a class: *Who* is it that hold the position of the middle class in China? How do they *define* themselves? Are they ready to pursue the *interests* of their class? According to Lu *et al.* (2002), there are ten strata represented by ten occupations in contemporary Chinese society. From high to low, these strata are: (1) state and social administrators, (2) managers, (3) private entrepreneurs, (4) technical professionals, (5) office clerks, (6) the self-employed, (7) workers in commercial service industries, (8) industrial workers, (9) agricultural laborers, and (10) those who are unemployed or underemployed. The strata numbered 2, 4, 5 and 6 are classified by Chunlong Lu (2011) as middle class, among which technical professionals belong to the fourth class in the sequence.

Liu (2007) proposes a more sophisticated “five-class” framework, in which division-level cadres in the party and the government, section-level cadres in state-owned enterprises, and technical professionals with semi-senior (or higher) titles belong to the upper middle class, accounting for 7.6 percent of the total population in society. Section-level cadres in the party and the government, cadres below section level in state-owned enterprises, and technical professionals with junior (or lower) titles belong to the lower middle class, accounting for 22.8 percent of the population in society. Corresponding to the two paths through which the middle class is formed, the middle class can roughly be divided into two subtypes: the middle class within the “System”, and the middle class outside the “System” (Li and Li, 2007; Lu, 2011).

The “agents” mentioned above, however, are classified as middle class with certain man-made criteria. We know neither how they define themselves nor what kinds of interests they are seeking. In a word, we cannot see their “agency” through these criteria.

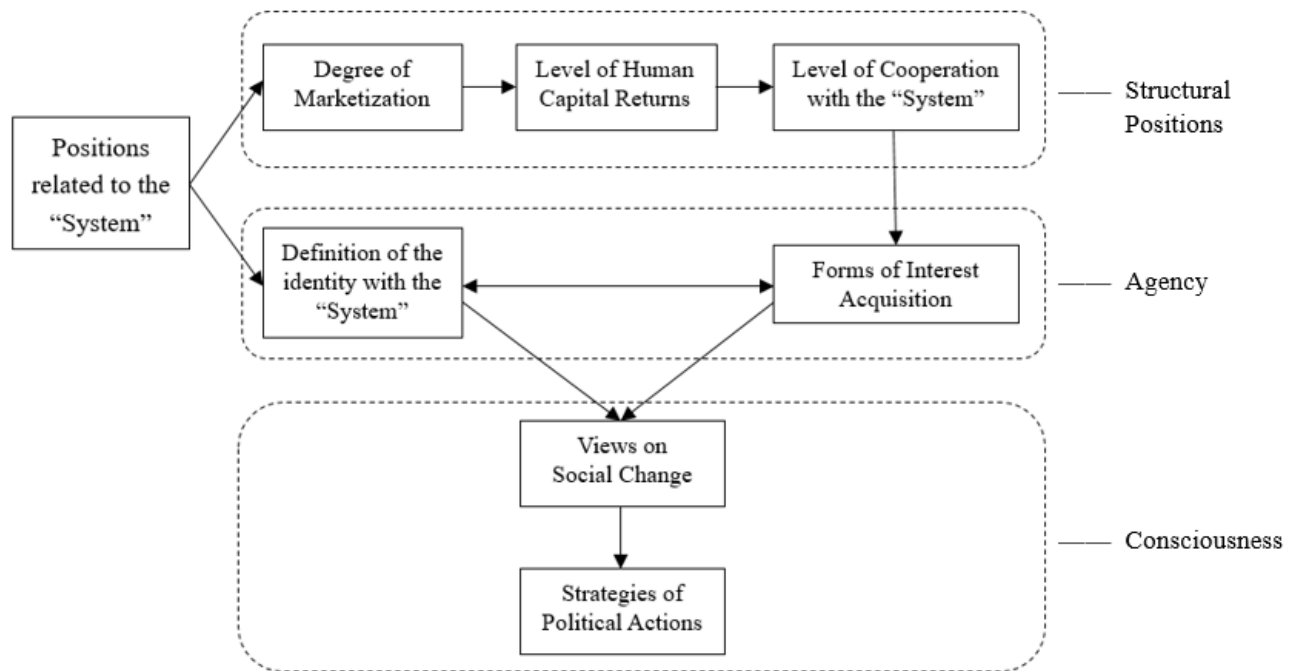
The previous studies place their emphasis more on structural factors brought by the “System” that influence social stratification and life chances, from which we can draw out “degree of marketization” and “returns of human capital” as macro effects of positions related to the “System”. But few studies have shed light on the micro effects of positions related to the “System”. The micro effects refer to the dimension of “agency”, including the agents’ identity and appeal of interests, which concern the following questions: How do different groups *define* their relationship with the “System”? What type of *interests* can they acquire from the “System”? Do the interests acquired correspond to their *identity*? In view of this, in addition to the macro intermediate variable of marketization level, we add in our study “Definition of the Identity with the ‘System’ - Forms of Interest Acquisition” (abbreviated as “DIS - FIA”) as a micro intermediate variable.

This paper adopts the three-dimensional framework mentioned above, that is, the framework of “structural position - agency - consciousness”. Here, we take technical professionals in the middle class as an example to show how positions related to the “System” affect their consciousness (views on social change and strategies of action) through the structural position and agency. This paper explores the views of doctors (in public hospitals), IT practitioners and investment bankers in order to highlight the variation caused by the “System”. The three groups all belong to the same stratum of technical professionals, and they are non-manual workers within or outside the “System”. They share the same features of having semi-senior or senior professional titles, possessing no means of production, but owning some autonomy in their field.

Among the three groups, doctors belong to the middle class inside the “System”; they are technical professionals in the public institutions (public hospitals). IT practitioners belong to the middle class outside the “System”; they are technical professionals in private enterprises or foreign-funded enterprises. In terms of investment bankers, although they are technical professionals outside the “System”, they frequently encounter the “System” in their work, and they cooperate actively with the “System” as well. Therefore, they are such middle class as *attached to* the “System”. To conclude, doctors, investment bankers and IT practitioners are in similar structural positions, but work in different sectors (public, semi-public and private sectors), which demonstrates the comparability of these three professional groups⁵.

Furthermore, rather than the dichotomy made by previous scholars between middle class within the “System” and middle class outside the “System”, we add into our analysis a third type of middle class - middle class attached to the “System”. Even though this type of middle class is outside the “System”, the state power is never absent in their industries (namely financial industries). Rather, development of the industry and practitioners’ personal career are strongly dependent on the institutions and policies of the state. After the middle class is divided into three types according to their positions related to the “System”, we can better understand the characteristics of these groups, as well as their social and political attitudes.

The framework of analysis is shown below:



⁵ As to the question of whether doctors at private hospitals and doctors at public hospitals are more comparable than the three professional groups analyzed in this paper, it has to be noted that currently doctors at private hospitals only account for a very small proportion of all the doctors in China, and private hospitals are mainly composed of marginal specialized hospitals (such as gynecology hospitals and andrology hospitals), which are not part of the mainstream in China. For this reason, doctors in marginal private hospitals cannot represent such an important subtype of the middle class as market-oriented middle class.

2. Research Methods

According to different positions related to the “System”, we take doctors, IT practitioners and investment bankers as the research subjects, representing respectively middle class within the “System”, middle class outside the “System”, and middle class attached to the “System”. The main research method adopted is semi-structured interviews, supplemented by the observation of posts on “Sina Weibo”⁶.

We interviewed 28 doctors working at public hospitals in Shanghai and Nanjing, 18 investment bankers in Shanghai, and 31 IT practitioners in Shanghai and Beijing (for detailed information about the interviewees please see Table 1). Most of the doctors interviewed work in 3A hospitals (which refer to top public hospitals in China). The IT practitioners interviewed are mainly mid-level technical managers (such as product managers) and lower-level technical staffs (such as programmers). To be exact, the sample of IT practitioners in our research is limited to those technical professionals who engage in programming, design or management in private or foreign-funded enterprises in IT industries. Among the investment bankers interviewed, some of them possess a senior title, and some are novices in this area. All interviews were conducted between April 2013 and August 2015 in Shanghai, Nanjing and Beijing. Each of the interviews lasted approximately two hours.

In addition to conducting interviews, we randomly sampled 50 certified users on “Sina Weibo” for each group according to their occupational keywords such as “doctor” (or “physician”), “IT” (or “IT practitioner”, “programmer”), and “investment banker” (or “investment bank”, “investment banking practitioner”). We read all of the posts on their “Weibo” posted in the past two years, and coded their social and political attitudes⁷.

The empirical analysis is presented in three sections. The first section contains the description of the specific views of the three groups on social change. The second and third section demonstrate, from the dimension of structural positions and agency respectively, the intervening mechanism through which positions related to the “System” affect certain social cognition of the professional groups.

⁶ Sina Weibo is a Chinese counterpart of “Twitter”, of which active users have reached 210 million in China by the end of 2015.

⁷ Considering the length limit of the paper, this research presents mainly typical citations of interviews and “Weibo” posts, rather than analysis of coded data from texts of the posts on “Weibo”.

Table 1 Basic Information of Interviewees

| | Doctors | Investment Bankers | IT Practitioners |
|---------------------|---------|--------------------|------------------|
| Gender: | | | |
| Female | 7 | 5 | 9 |
| Male | 21 | 13 | 22 |
| Age: | | | |
| 20-29 | 2 | 7 | 7 |
| 30-39 | 5 | 9 | 17 |
| 40 and above | 21 | 2 | 7 |
| Position Ranking *: | | | |
| Lower | 2 | 8 | 9 |
| Middle | 7 | 7 | 6 |
| Higher | 19 | 3 | 16 |
| Years of Working: | | | |
| 5 years and below | 2 | 10 | 6 |
| 6-15 years | 2 | 8 | 22 |
| 16 years and above | 24 | 0 | 3 |
| Total | 28 | 18 | 31 |

* Position ranking of doctors: Lower: resident; Middle: attending physician; Higher: (associate) chief physician / (associate) professor

Position ranking of IT practitioners: Lower: junior engineer; Middle: senior engineer; Higher: product managers, department managers and other managerial positions

Position ranking of investment bankers: Lower: (senior) associate; Middle: (senior) vice president; Higher: (executive) director

3. Views on Social Change: How Technical Professionals Regard Social Reforms

These three professional groups have different views on what composes the main force of social reforms. Doctors hold that the state should assume the role of regulator, so as to reform the institutions from the top down. IT practitioners, however, believe that the market in itself can promote bottom-up reforms. Investment bankers, who acknowledge the role of the state, maintain that the state should refine its mandate and leave more space for the civil society to flourish.

3.1 Doctors: “National Elitism”

Based on interviews and observation on “Weibo”, we found that when doctors talk about social problems, they tend to attribute them to the social institutions or policies rather than blame the individuals. They believe that the individuals accused are actually “scapegoats” of inadequate institutions and policies.

“Conflicts between doctors and patients in China is a big problem. However, the real problem is in fact, conflicts between patients and the healthcare system, and conflicts

between doctors and the healthcare system. The public, nevertheless, are induced to see them as conflicts between doctors and patients. Real conflicts are concealed, and the government has never fulfilled their obligations in the healthcare system.” (Weibo, YRZHX-20120519)⁸.

In their comments on social problems, doctors pay more attention to structural factors (such as the “System”, institutions, policies, and procedures) while less attention is paid to those slippery, elusive, and personal factors (such as ethics, morality, and mentality).

“If we simply attribute out of indignation lots of social problems to the crisis of morality, belief, or national disposition, then this society is really desperate in that those are problems that haven’t been solved by mankind for thousands of years. But if we see the problems rationally and responsibly, and attribute them to problems of management, procedures, or laws, then many of these problems can be solved, or at least be controlled.” (Weibo, SYPYZ-20120529)

It is the tendency of doctors’ attributing social problems to neutral and impersonal factors that makes the solutions they proposed more institutionalized. Since many doctors neutrally blame healthcare and social problems on “impersonal” institutions, to reform the institutions in their view is the fundamental solution to many social problems such as inequality. At the same time, doctors believe that the power of individuals is too weak to reform the institutions. Additionally, they believe that reforms from the bottom up would be ineffective, especially in an authoritarian country like China. Therefore, they pin their hope on the “top-down design”, the top being the government. They expect the state as a regulator to solve healthcare and social problems by reforming from top down. As one interviewee pointed out:

“The reform should follow a ‘top-down design’. Government leaders should decide how to reform from the top at a macro level, and it should be a wide-ranging reform aiming to fundamentally change the social conditions. Minor reforms from the bottom is just useless.” (Interview, DP-20130506)⁹ (Guo, 2014: 69-74)

This type of view on social change can thus be called “National Elitism”, holders of which believe that the state and elites at the top compose the main force of healthcare and social reforms. Since doctors maintain that their current predicament is due to the negligence of the state, they argue that the state should assume their responsibilities more actively in the future reform. Moreover, some of the problems are deemed not only healthcare problems but also social problems that the state needs to manage. For example:

⁸ “YRZHX” here in the “Weibo” citation represents the initials of the blogger’s ID. “20120519” represents the post date of the blog, which, for example, means May 19th, 2012. Other similar letters and numbers appearing in the citation are reflected in the same way in this paper. To protect the privacy and safety of the bloggers, the citations have, to some extent, been revised without the interference of the understanding of the citations’ original meanings. All the quotes have been translated from Chinese.

⁹ “DP” in the interview citation means that the interviewee belongs to the group of doctors in public hospitals, and “ITP” represents IT practitioners; “IB” represents investment bankers. “20130506” is the date when the interview was conducted, which, for example, means May 6th, 2013. Other letters and numbers in the citation are reflected in the same way in this paper. All the quotes have been translated from Chinese.

“In the case of medical accidents such as death caused by virus H7N9, hospitals may compensate his family for humanitarian reasons. But note that medical practice itself has its uncertainties, and it is hard to prevent accidents. It’s the state that is to blame if doctor-patient conflicts occur. Epidemics, or tuberculosis like AIDS, must be managed and controlled by the state, because these diseases are not only medical issues, but also will become social problems. The ‘HIV-pin’ event (where a person infected with HIV took revenge on the society and injected his infected blood into innocent people’s arms) is an example.” (Interview, DP-20130427)

3.2 IT Practitioners: “Social Evolutionism”

As a market-oriented middle class outside the “System”, IT practitioners generally believe in a philosophy of “social evolution”. This kind of social philosophy guides them in forming certain views on the political and economic operation of the whole society. Evolutionism here refers to a belief that things will naturally evolve and the fittest survive. Actually, the ideal mode of society in IT practitioners’ eye is “anarchy”. In such an anarchic society, the role of market can be fully fulfilled, and the state withdraws from the market, or just plays an appurtenant role, in the economic sphere. In the political sphere, on the other hand, market competition is expected to push forward political reforms from the bottom up, thus promoting democracy. The belief is that democracy in turn would support fair competition in the market. In other words, their views on the political reform and the economy can be traced back to the same origin.

Almost all the IT practitioners interviewed and observed advocated free market competition while opposing monopoly and government intervention. They held firmly that market competition benefits the entire IT industry and even the whole society. A survey on IT practitioners in Beijing¹⁰ (China’s capital city) shows that 46.6 percent of the respondents think IT industry needs only a little state intervention (especially in improving relevant laws and regulations), and 32.8 percent of the respondents think the industry need no state intervention since the market can naturally adjust the industry¹¹.

“In my opinion, social problems [such as food safety and other issues] will naturally be solved when the economy develops to a certain degree. Material conditions in China today are not bad though, but are still relatively poor in comparison with the material conditions in those [western developed] countries. As a result, some people may do bad things [such as making products with illegal food additives that violate food safety laws] in order to make large profits. This situation is sure to change with the evolution of the society.” (Interview, ITP-201305XXa)

¹⁰ This is an exploratory small-scale email survey that investigates IT practitioners who work in Zhong-Guan-Cun Science and Technology Park (a Chinese counterpart of Silicon Valley) in Beijing in March, 2014. A total of 58 valid questionnaires were returned. In this sample, 69 percent of the respondents were male. All respondents were between 23 and 52 years in age, with an average of 33 years old. Their working length spanned from 1 to 20 years, with an average of 9 years.

¹¹ Although they reject state intervention and state monopoly, they can, to some extent, accept the monopoly formed by market competition within the industry, because to them, this is the result of “survival of the fittest” in natural selection (the market selection). Their belief is that “all the existence is reasonable”, and that the market, rather than the government, should pick out the best market “players”.

“We hope that the policy of ‘Reform and Opening up’ can push the reform of the ‘System’. It is hard for many people within the ‘System’ to make a change actively because they gain no good from it. The policy of ‘Reform and Opening up’, however, has allowed more foreign companies to come into China, which requires us to make changes to the existing policies and institutions. These changes may then be beneficial to people within the ‘System’. Once they realize the potential benefits, they would be willing to reform. Once they reform, the entire domestic political environment will be improved and become more open, thus forming a virtuous cycle.” (Interview, ITP-20131231)

From the interviews above, we can conclude that in the eyes of IT practitioners the market resembles a big filter; no matter what is put into the market (filter), competitors or social problems, the market will, in the end, produce a satisfactory and justified outcome. Mandatory regulation of the market that contradicts the market mechanism is deemed a damage to the health of the market. Using the market as a filter is also believed to be able to promote political reform. From the perspective of IT practitioners, market competition not only encourages individualistic success but also forces the government to reform from the bottom up. IT practitioners’ views on social reforms are not subversive. They are progressive, and in their views progressive reforms are made through the medium of the market. Relevant laws and regulations would be established and developed through the introduction of market competition. Once the reform starts, the trend of reform would gradually spread all the institutions of the state, thus advancing the process of democratization.

3.3 Investment Bankers: “Weak Government - Strong Society”

Investment bankers, most of whom have received elite education, actually possess the most complete and consistent insights into what the ideal society and the ideal economy are comprised of:

“The less the state and the government regulate and control, the better the politics of the nation will be. The government should be defensive and service-oriented; it should be small. ... [The ideal] economy should be a completely spontaneous economy promoted and governed by the civil society, rather than an economy led by the government. The nation’s economy does not require massive government investment but should rely on the power of private capital. Let the economy develop freely. That is a good economic state. ...The [ideal] society is the one that is less intervened in and more diversified. Everyone should be allowed to think, talk and create freely, thus boosting cultural prosperity. In a word, the society should be free.” (Interview, IB-20130802)

“We just don’t know how long it would last if the economy is driven only by government investment. We don’t know either whether it could dovetail with the development of the real private economy and the real economic entities. ...The economy has its own law of circulation. If the economic laws are broken, and administrative means are deployed to forcibly control the economy, I think sooner or later, the economy will run out of control.” (Interview, IB-20130929)

The interviews above demonstrate the view of investment bankers that the less the government “intrudes” into the society, the better the operation of the economy will be. Moreover, they hope

that the private economy and the civil society become more autonomous, forming an ideal social pattern of “weak government - strong society”. As a banker wrote:

“When we can feel the presence of the government everywhere, it indicates that the government is in an unhealthy state. It is just like how you will not feel your organs’ presence when they are healthy.” (Weibo, SJZ-20140403)

In the ideal picture of society that they have depicted, neither the state nor the market dominate exclusively. It is the civil society, and the people themselves, that really matter. As one interviewee said:

“The public, every one of them, should have their own right to speak out. Everyone is in different groups, and has different voices. They should be allowed to give different voices to various opinions, needs and desires.” (Interview, IB-20130929)

Investment bankers, among the three professional groups, might be the ones to most emphasize democracy and freedom. They oppose government regulation, call for social and political freedom, and advocate cultural pluralism. To them, it could not be better that the totalitarian government be transformed into a service-oriented government, making way for the civil society to flourish. They hope more space is left for individuals and the public to realize themselves instead of being bound by certain institutions and policies. That is the direction of social reform in their mind.

4. Degree of Marketization and Level of Cooperation with the “System”

Variation in degree of marketization is a macro-structural outcome brought by the different positions related to the “System”. Degree of marketization refers to the extent to which the industry is demand-oriented, and free market competition is taken as the main means to achieve maximum profits, as well as the extent to which the industry is regulated and constrained by institutions and policies. Generally speaking, industries inside the “System” are minimally marketized while industries outside the “System” are highly marketized. Industries attached to the “System” are in between, namely, they are moderately marketized. The level of human capital returns of the practitioners in different industries varies with the degree of marketization of the industries, thus bringing about practitioners’ varied level of cooperation with the “System”.

4.1 Low-level Marketization, Low-level Human Capital Returns, and “Noncooperation” with the “System”

Doctors of public hospitals are generally in a “semi-open” medical environment. The word “semi-open” refers to the fact that on one hand, since the New Medical Reform in China, public hospitals have strictly been required to focus on public welfare and promote medical equity, while on the other hand, high-end medical service still has large potential to be marketized, which is beneficial to senior specialists with many specialized skills (Guo, 2014: 59). But for those doctors who are not senior specialists, marketization of high-end medical service and the opportunities brought by it have nothing to do with them. The “System”, featuring state ownership and redistribution power of the state, greatly limits doctors’ ability to acquire interests legitimately from the market.

China's medical system reform in itself shows the determination of the state to intervene in the medical industry. In fact, the history of medical reform in China is a history of state intervention. The period from the year 1949 when PRC (People's Republic of China) founded, to the early 1980s has seen the establishment of a full-covered medical insurance network covering almost all urban and rural residents through huge fiscal expenditure by the state. This insurance system, however, collapsed in the late 1980s along with the collapsing of planned economy. In 1985, the State Council approved "A Report on a Number of Policy Issues on Health-care Reforms" proposed by the Ministry of Health, which marked the beginning of the medical system reform in China. Since the reform began, government investment in the medical field has significantly decreased, resulting in a dilemma where public hospitals have been forced to start self-financing. Public hospitals plunged into serious debt. This was because medical service fees remained as low as they were decades ago and funding from the government accounted only for about 5 percent of the hospitals' total revenue (the Ministry of Health, 2012). Consequently, public hospitals can only survive by commission from selling drugs, excessive medical examination and excessive medical treatment. The property of public hospitals' being "public" exists in name only.

The New Medical Reform has come to the stage in this context. In 2009, in an official document named "Opinions from the State Council on Deepening the Reform of Medical and Health-care System", promotion of the reform of public hospitals is listed as the first priority. The New Medical Reform requires public hospitals to turn to public welfare, phasing out the "underground" act of paying doctors by selling medicines and using expensive equipment. By the year 2010, nevertheless, total health expenditure in China still accounted for only 4.98 percent of the GDP (the Ministry of Health, 2012), less than the standard of 5 percent set by the World Health Organization. The self-financing dilemma of public hospitals has not yet been solved. Hence, phenomena of excessive medical examination and medical treatment imposed on patients, doctors' receiving extra money from medicine sellers, doctors' receiving "red envelopes" (extra money given by patients for exchanging for scarce medical resources) and so on, cannot be eradicated (Guo, 2014: 91-92).

Direct intervention from the state on the medical field, and independent of the market, makes doctors in public hospitals strongly influenced by policies and the institutional environment. Doctors' level of expertise cannot be directly reflected in their income in that market competition is wanting in the medical industry due to the separation of area inside the "System" and area outside the "System". In other words, their long-term human capital investment is not appropriately rewarded. Especially when they compare themselves with their foreign counterparts or with practitioners in other domestic industries, they will have a strong sense of relative deprivation. The doctors thus tend to hold negative attitudes towards the future of the medical field and towards individual efforts as well.

"Take doctors in foreign countries as a reference. It is reasonable that the average income of doctors is 2 to 4 times higher than the national average income. For example, if the annual income per capita in Shanghai is 80,000 to 100,000 RMB (about 12,000 to 15,000 dollars), a doctor's annual income should be 400,000 RMB (about 60,000 dollars). The same work in the United States is paid 50,000 dollars annually, while Chinese doctors generally only receive 200,000 RMB (about 30,000 dollars) per year or even less. Without the 'underground' income (extra money extracted from medicines,

examination, and medical treatment, as is mentioned above), the basic salary of a doctor is even lower than the per-capita income of the city.” (Interview, DP-20130506)

“Our promotion to the intermediate and senior professional title requires a doctor’s or a master’s degree. Is there any other profession like the doctors’ that applies such high criteria for promotion? No... The promotion of a civil servant doesn’t require it. Why should the promotion of medical workers require it? There is too much pressure on us medical workers, so I don’t want my child to study medicine anymore. If my child could be a civil servant [and later become a government official], why should they give it up and study medicine? Nowadays working in the government is the best choice. Many doctors believe that.” (Interview, DP-20130426a) (Guo, 2014: 71-72)

In addition to the huge discrepancy between low income and high professional requirement, the lower return of a doctor’s human capital is also reflected in the decline of their professional reputation. Some doctors even receive threats to their life and property security from angry patients. According to the Ministry of Health, there were 17,243 incidents of medical dispute all over the country in 2010, and nearly 7,000 incidents more than five years ago¹². Meanwhile, the number of vicious incidents aimed at medical staff is also growing exponentially compared to the past few years. Take for instance the doctor-killing incidents that happened at Hospital Affiliated to Harbin Medical University, Beijing Tongren Hospital, and Wenling No.1 Hospital, to name a few. The deterioration of the contradiction between doctors and patients is also accelerated by mass media. For instance, events like “Treat the Disease of 0.8 RMB with 10 Million RMB” reported by the media give the public a negative impression of doctors, making them see doctors as profit-seeking and caring nothing about people’s lives. According to the data from “Weibo” and from the interviews, doctors insist that all of this is due to the “System”.

“The key problem is that the ‘System’ currently makes doctors feel as though they are losing their sense of professional dignity and honor. With little investment from the government, the hospital, in order to survive, has to assess doctors’ economic performance [according to how many operations they have performed, how many profitable medicines they have prescribed, and so on]. Doctors themselves also need to make a living, so it is difficult for them to stay aloof. At present, to be a ‘pure’ doctor in China is an extravagant hope.” (Weibo, BWDSYN-20110806) (Guo, 2014: 67)

Doctors hope that the top-down design of the “System” would change the current situation. Ironically, however, they also realize that a thorough reform is unrealistic, for they think that: (1) the government cannot afford so much medical investment, (2) interest groups (such as pharmaceutical companies and other ministries that oppose cuts on their budgets) will obstruct reform to safeguard their vested interests¹³, (3) doctors do not have their representatives and voice in the medical reform, (4) the government seems to take advantage of the current policy to transfer the conflicts to the doctors, thus shaking off its responsibilities. Swinging among such contradictory ideas, it is hard for doctors to actively cooperate with the “System”.

¹² Please see the article “Hidden Dangers behind the Worsening Doctor-Patient Relationship” by Jinwang Huang. <http://www.chineseworkers.com.cn/d275659423.htm> (2013-01-06)

¹³ As one of the interviewees said, “the interests of the country’s ruling class are entangled with the reform. It is impossible for them to hand over their vested interests.” (Interview, DP-20130426b).

4.2 Middle-level Marketization, Middle-level Human Capital Returns and “Active Cooperation” with the “System”

Although the degree of state intervention in the investment banking industry is lower than in the medical industry, the national regulatory authorities hold an absolutely strong position in the investment banking industry. In 1992, China Securities Regulatory Commission (CSRC), regulated by the State Council, was established. Since then, the unified management system of China’s securities market has formed. The responsibility of CSRC is to uniformly supervise and administrate the national securities and futures market, and to maintain the order of securities and futures market so as to ensure its lawful operation, in accordance with the authorization of laws, regulations and the State Council¹⁴. The Commission consists of a stock issuance and auditing committee, an administrative punishment committee, institutions directly under the State Council (such as Inspection Corps), internal functional departments (such as issuance and supervision department), and the agencies located in the various administrative regions of the country (such as Shanghai securities regulatory bureau). The hierarchical structure and precise division of functions enable the network of state supervision to cover every corner of the financial industry.

In addition to the supervision of various levels of institutions, relevant laws and regulations are also regulating the financial industry to a great extent: from 1992 when “Notice on Further Strengthening the Macro Management of the Securities Market” was issued by the State Council, 1999 when “Securities Law of the People’s Republic of China” was issued, to 2006 when “Securities Law of the People’s Republic of China and Company Law of the People’s Republic of China” were revised and implemented simultaneously, the capital market has always been under strict regulation¹⁵.

In face of such tight monitoring, investment bankers generally find it exhausting to meet the requirements of CSRC, and difficult to perform their own professional values and judgments. Furthermore, the approval system is employed in China as the securities issuance and auditing system, rather than the registration system employed in the United States, which Chinese investment bankers praise highly. In other words, the Commission has the power to determine whether the securities can be issued. Therefore, investment bankers can only submit to the Commission who dominates the life and death of their securities. They cannot disobey auditors but rather need to actively win auditors’ favor. They are not able to make full use of their abundant human capital in their work like IT practitioners do.

“As the regulatory authority, the Commission should act as a referee. However, in the past twenty years, it has first positioned itself as a mother-in-law, wantonly interfering in the capital market. As a referee, it fails to be fair, just and open. Rather, it often performs as an athlete, falling deeply into the mire of interest.” (Weibo, WYQ-20120211)

¹⁴ See the official introduction “An Introduction to China Securities Regulatory Commission” by China Securities Regulatory Commission. <http://www.csrc.gov.cn/pub/newsite/zjhjs/> (2014-05-20).

¹⁵ See the third section of *Report on the Development of Chin’s Capital Market* by China Securities Regulatory Commission. http://www.csrc.gov.cn/pub/newsite/yjzx/cbwxz/ebook/zgfzbg01_03.htm (2014-05-20).

“The relationship between China’s investment banking industry and CSRC is collusion, while the relationship between US investment banking industry and SEC (Securities and Exchange Commission) is communication.” (Weibo, NRERO-20130519).

The human capital returns of investment bankers, however, are somehow higher than those of the doctors. On the industrial level, most of the resources in the financial industry are now allocated through the market, making it possible for the industry to get rid of the problem of inefficiency resulted from applying administrative means to allocate resources as in the planned economy. On an individual level, the labor pricing of investment bankers is to a certain extent market-oriented. Their bonus is allocated according to individual contribution to the projects, which means their income is proportional to their personal efforts. In addition, the current financial system also brings them many institutional “bonuses”, including a lucrative salary, high social status, rich social resources, and so on.

In terms of lucrative salary, sponsor representative system serves as the most prominent example. In 2004, CSRC introduced the sponsor representative system, stipulating that the application of every project must have the recommendation of a sponsor representative, and that each sponsor representative can only sponsor one project every year. From that time, sponsor representatives have become the hot resource that brokers contend for. The number of sponsor representatives a company owns becomes one of the measurements of the strength of a securities company. Thus, the salary of sponsor representatives has risen greatly. In 2008 when the financial market was most prosperous, a sponsor representative could earn one million RMB (about 150,000 dollars) every year at ease even he did not do anything. In terms of high social status, due to the monopoly caused by the “System” and to professionalization of investment banking, investment bankers are recognized as “golden collar”. They enjoy the reputation of being part of the social elite. In addition, investment bankers often have to make frequent contacts with various industries and people, most of whom are senior executives in large and medium-sized enterprises, or officials from local government and the Commission. All this helps them to establish a vast social network.

“It is worthwhile to have an experience in the investment banking industry. You can be connected to many successful people from all walks of life. If you want to start your own business in the future, or try another job, it is a good starting point to first work as an investment banker.” (Interview, IB-20130804)

It is the middle-level human capital returns brought about by the middle-level marketization that makes investment bankers actively cooperate with the “System”, even though they are reluctant to do so deep inside their heart. The blocked system can benefit them a lot, and will not do serious harm to them except that their professional skills are not fully made use of.

4.3 High-level Marketization, High-level Human Capital Returns and “No Involving” in the “System”

The information technology industry is the most market-oriented among the three industries. Its strong prospect of market development and its highly competitive labor market, indicate its high marketization. The strong prospect of market development is a well-acknowledged fact among many IT practitioners. Take the software industry as an example. According to the data from *The Yearbook of China’s Economic Census*, the total asset of enterprises in the software industry was

416.55 billion RMB in 2008, 2.18 times of that in 2004. The total operating profit of the software industry reached 36.12 billion RMB, tripling that in 2004. From the standpoint of the whole industry, the spot confidence indexes of information transmission, computer services and software entrepreneurs all remained above 140 in the four consecutive quarters of 2012, respectively 156.4, 147.9, 141.5 and 148.9, to be specific. It indicates that entrepreneurs hold highly positive attitudes towards the current economic situation and future potential of the IT industry. The strong prospect of market prosperity motivates many people to enter the industry. Relatively low entry threshold and strong prospect lead to a substantial increase in the number of employees, which in turn results in fierce competition in the labor market of the IT industry. The number of employees working at private and foreign-funded enterprises in the software industry reached respectively 261, 317, 348 and 435 thousand in the years 2007, 2008, 2009 and 2010, while the number of employees from state-owned enterprises in the same industry was only 7.6, 9.0, 9.0 and 10.0 thousand respectively. Therefore, it can be concluded that the IT industry is a highly market-oriented industry with little state intervention.

In market-oriented industries, the human capital, as a kind of private property, is protected by the government and shall be free from the violation of the political power of the state. Individuals have the right to bid and transact their human capital in the labor market (Liu, 2005b). To put it another way, a highly market-oriented industry means fierce competition and a high level of human capital returns. Take as an example the starting salary of Chinese undergraduates in the Internet and IT industry. Mainstream Internet companies can offer a starting annual salary of 200,000 RMB (around 30,000 dollars) to undergraduates from the top 50 universities in China. Graduate students can receive even more. The annual salary will then rise sharply with the increase of one's work experience. For instance, after three years of work, IT practitioners can, in average, earn more than 250,000 RMB (over 37,000 dollars) annually¹⁶. The educational and technical investments of IT practitioners are most rewarded in the market place compared with those of doctors and investment bankers. Consequently, this results in the strong belief in individualistic success where one's effort will always pay off. As an interviewee put it:

“At least on a small scale, or within a city, competition in the IT industry is fair. You will get a chance as long as you work hard enough. I've read a sentence that really makes sense to me: most of us have not made so much effort that we reach a level where we have to fight by our talent. That is to say, most people just don't work hard enough.”
(Interview, ITP-20131231)

To them, the “System” will not only disrupt the market order, but also impede their achievement of individualistic success and enhance those non-individualistic and nepotistic success. Those who have worked in both state-owned and non-state-owned enterprises have a deep comprehension of this.

“If you want to work inside the ‘System’ (which means to work in state-owned IT companies), you have to make more efforts to compete with those who have powerful family backgrounds...The effort you need to make in a state-owned enterprise is totally different from that in a foreign enterprise. In a state-owned enterprise you may make

¹⁶ Please see “A Must Read for People Planning to Enter the Profession: A Ranking of the Salaries in Internet Industry” by anonymous. <http://www.yixieshi.com/it/18329.html> (2014-08-06).

100 percent of the effort to only get 20 percent of the success, while in a foreign enterprise the same amount of effort is likely to be rewarded by 80 percent success.” (Interview, ITP-201305XX)

Due to high marketization and a high degree of human capital returns, therefore, IT practitioners in the market-oriented industry, *have nothing to do with* the “System”, which means that not only does the IT industry itself lack elements related to the “System” (i.e. state intervention and the monopoly of state-owned enterprises), but practitioners themselves also subjectively do not welcome intervention by the state power.

5. The Definition of the Identity with the “System” (DIS), Forms of Interest Acquisition (FIA), and Views on Social Change (VSC)

In addition to the degree of marketization of the industry as a macro structural effect, DIS is a micro-level effect resulting from positions related to the “System”. Together with FIA, it constitutes the agency (identity and interests) of the three groups of the middle class. DIS denotes the group identification based on the judgment of the relationship between the “System” and the group. FIA denote the ways in which the three groups obtain interests through the “System”, and the types of interests that they acquire and that are damaged.

5.1 The Definition of the Identity with the “System”: “Professional Elite” vs. “Technical Civilian”

According to the observations and interviews, most doctors define themselves as professional elites within the “System”; investment bankers define themselves as professional elites attached to the “System”; IT practitioners define themselves as technical civilians outside the “System”. Positions related to the “System” cause the different identification of different groups mainly in the following two ways:

In the first place, the “System” brings about features of closure and monopoly in both the medical industry and the investment banking industry, making the thresholds of entry of the two industries higher than that of the IT industry. Entering the medical industry requires over ten years of professional learning and training, and the improvement of medical skills requires long-term accumulation of clinical experience. Investment bankers need specific qualifications to engage in the investment banking business. Their average level of education is higher: most have master’s degrees and higher (in this interview sample and the sample from “Weibo”). In contrast, the period of skill formation of IT practitioners is not as long, and their techniques can be quickly taken into practice and widely used in many areas. Their educational background also varies greatly, from high school graduates to PhDs in computer science.

The above indicates the thresholds for individual to enter the industries. For enterprises, in such industries as IT, especially the emerging Internet or APP industry, thresholds of entry are also lower. It is not impossible for a person, with a good idea, a small team and a moderate amount of money to start a business in the industry. This, however, does not work in the medical industry. Regardless of the fact that the medical industry has long been monopolized by the government,

even in the market-oriented medical field, starting a private hospital requires a large amount of money, professional equipment, specialists and many other resources. Starting an investment bank is also the same case: capital, clients, experts are all insurmountable obstacles for common people.

Secondly, the “System” creates different standards among industries. Staying within the “System” means not only stronger state intervention, but also a higher industry standard strictly monitored by the government. As mentioned above, as the key industries controlled by the government, the medical and financial industry have strict standards and norms, operating in correspondence to a set of standardized frameworks. In the IT industry, however, due to the lack of a unified, normative industrial standard, its products are often of very different quality from the highest to even the lowest. Plagiarism and piracy are also common in the industry, within which vicious competition is very likely to occur.

IT practitioners are deeply aware of these properties of their industry. When they compare their own industry with other industries that maintain a close relationship with the “System” (such as medical, financial, and “political” industry), they will see the gap clearly between the industries inside and outside the “System”, thus automatically identifying themselves as “technicians” and “civilians”, rather than “experts” and “elites”. Furthermore, the reason why IT practitioners make such an identification also lies in the differences of the systems of knowledge and techniques within different disciplines. Medicine and finance can be called “science”, with a self-contained system of knowledge and techniques. These systems are more “aristocratic”, with little accessibility to ordinary people. Comparatively, the system of knowledge and techniques of computer science is in some senses more “popular”, and more “subversive” (certain knowledge and techniques will soon be updated and eliminated), compared to medicine and finance that feature an “accumulated” knowledge system.

Closure, monopoly and stagnation are symbols of the “elite”, and the “System” denotes these symbols. Doctors and investment bankers, in that sense, define themselves as professional elites within the “System”. IT practitioners, on the other hand, only defined themselves as “technical civilians” outside the “System”, or what they might call “losers”.

5.2 Forms of Interest Acquisition: Four Types of Interests

Corresponding to DIS, the three groups also have expectations of the interests that they should obtain according to their identity. Whether the actual interests received are in line with their expectations ultimately affects their VSC and action strategies. The interests mentioned here include the basic life safety and property security, economic interests, reputation and so on. Taking the “relationship with the ‘System’” and the “level of cooperation with the ‘System’” as two dimensions of classification, we divide interests into four types (see Figure 2). The relationship with the “System” refers to the positions related to the “System”, where “inside the ‘System’” and “attached to the ‘System’” are classified as the strong relationship with the “System”, and “outside the ‘System’” is classified as the weak relationship with the “System”. The “level of cooperation with the ‘System’” refers to whether and to what degree the groups cooperate with the “System”, and whether they actively cooperate with the specific policies and regulations of the state.

| | | | |
|---|--------|------------------------------|------------------------------|
| Relationship with the “System” | Strong | The Interest of Submission | The Interest of Parasitism |
| | Weak | The Interest of Independence | The Interest of Ingratiation |
| | | Weak | Strong |

Level of the Cooperation with the “System”

Figure 2 Four Types of Interests

5.2.1 The Interest of Submission

When the group has a strong relationship with the “System” but their cooperation with it is weak, the resulting type of interest related to the “System” is *the interest of submission*. The interest of doctors is a typical representative of this kind of interest. The legitimate economic interest doctors can acquire, or rather their legitimacy to acquire economic interest, is being damaged due to the “System”. Nowadays conflicts between doctors and patients frequently occur in China, bringing about great damages to their most basic interest of personal security and their reputation being tarnished as well. Even so, however, the “System” still provides them with a guarantee for their overall interests; that is, it not only provides them with lifelong jobs and exclusive welfare inside the “System”, but it also enables them to obtain more social and cultural capital. Thus, even if doctors have many complaints about the “System” in appearance and seem reluctant to cooperate, they still “submit to” the “System” for the interests that the “System” can give them.

The interest of submission that doctors obtain from the “System” leads them to have a complicated attitude towards the “System”. Their attitude towards political reform is conservative: they are more likely to support the top-down reform in which the government acts as a regulator. In the background of the New Medical Reform, the order from the government, that public hospitals should remain public welfare, contradicts tremendously with the actual situation where hospitals are forced to be self-financing. The interests of doctors are therefore damaged. Nevertheless, they are still able to compensate for their damaged interests and to realize the income transfer, through the power and perquisite brought by their advantageous positions inside the “System” and through entering the high-end medical market, thus ensuring their superiority over most people in society. Hence, many of their appeals are made in a modified and top-down fashion.

For doctors, however, the interests they presently acquire are greatly inconsistent with their expectations, and are inconsistent with their definition of themselves as *professional elites within the “System”*. They expect that they can be highly respected as professional and technical elites by society, that their legitimate income is proportional to their professional value and personal abilities, and that doctors can have professional autonomy of their own. However, the reality never lives up to their expectations. A kind of “complaining” mood is aroused among doctors, making them pessimistic about the future society. The action strategy of doctors is, as a result, “*flinching*”: they have both complaints and rational suggestions, but they seldom take action; rather, they tend to adopt such negative strategies as “hiding when encountering the untouchables” or “prohibiting the next generation from studying medicine”.

5.2.2 The Interest of Parasitism

When the relationship between the group and “System” is strong, and the level of the cooperation is also very strong, the type of the resulting interest related to the “System” is that of *parasitism*¹⁷. The interests of investment bankers are of this type. They benefit from cooperating with the “System” in terms of economic interests and reputation, and gain “parasitic” success from the “System”. The difference between the interest of parasitism and that of submission lies in the fact that they are willing to cooperate with the “System” because the “System” gives them more benefits than damages. In other words, although they think they could gain greater economic success if there was no frequent state regulation of their industry, they might not be as successful as they are now if there was no closure, monopoly and bonuses (e.g., high income, high social status and rich social resources) brought by the “System”. They are “*realistic rationalists*”, adopting pragmatic principles to deal with almost everything. When they estimate that the loss will outweigh the gain if they resist the “System” or negatively cooperate with it, they will avoid doing so. On the other hand, if positive cooperation will bring them maximum interests, they will cooperate to a maximum extent with the “System” even if they are actually reluctant to do so.

For investment bankers, the rich economic interests they acquire now is quite consistent with their expectations and with their identity as *professional elites attached to the “System”*. Nevertheless, they are lacking in political power and social influence that the core figures in the “System” (e.g., high-ranking cadres) have, which makes them uneasy about the future. They predict that once there occurs a turmoil, they, as the propertied middle class, will suffer the most serious impact from the underclass¹⁸. As a result, the expectations of investment bankers about future society hover between optimism and pessimism. Accordingly, their action strategy is to “*vote with feet*”, which means making full use of the “System” to gain benefits at present, and once the social prospect worsens, they will run away from China and immigrate to other countries¹⁹.

5.2.3 The Interest of Independence

When the relationship between the group and “System” is weak, and cooperation is very weak as well, the resulting type of interest is *the interest of independence*, which in fact has nothing to do

¹⁷ The typical representative of this type of interest is that of the state administrators or that of the managers in large state-owned enterprises. Since this paper only discusses the impact of the “System” on the interests of middle class, the discussion about the upper class is not included here.

¹⁸ As upper middle class who own a certain amount of property and enjoy institutional bonuses, investment bankers are afraid of the underclass revolution, and afraid that they would become the target that the underclass would attack, since they recognize that the protection of private property rights is absent and there exist serious problems of social inequality in China. “The underclass is most likely to have the extreme thought of equalizing everyone’s wealth”, as an investment banker posted on “Weibo”, “and is also most likely to be bewitched by the violent revolution in the name of equalizing wealth. Once such revolution breaks out, any civilization would be totally destroyed.” (Weibo, LXDCRYYYY-20130505)

¹⁹ Among the three groups, notably, only investment bankers seem to have the *forecast* for the future (rather than simple *expectation*). They are smart enough to have already prepared two alternatives for themselves according to the two situations. If the prospect for the future is good, they will stay and continue to seek better career development. If the prospect for the future is poor, they will immigrate as soon as possible, relocating their families and assets abroad. As one interviewee put it, “My plan is to run away. That is the only thing I can do... Hiding as long as one can is a better option. In fact, no one wants to flee their homes. It’s really hard for us, but we have no choice.” (Interview, IB-20130804)

with the “System”. The interest of IT practitioners (the market-oriented middle class outside the “System”) is a typical representative of this type of interest. For them, general economic interests can be achieved by personal efforts outside the “System”, but it is difficult for them to reach such a height of economic success as achieved by those who acquire the interest of parasitism. Their profession also lacks high occupational prestige in society. The interest of independence is a special one in the four types of interests, because it is the only one that has no relation with the “System” due to the high degree of marketization in the industry. Since IT practitioners define themselves as *technical civilians outside the “System”*, there is no need to discuss whether the interests brought by the “System” live up to their expectations. All their interests have so far been the results of their own efforts and struggles within the market outside the “System”. Rather than expect the “System” to bring them any good, they just hope that the “System” and the public power do them no harm.

As the market-oriented middle class outside the “System”, the efforts of IT practitioners are much rewarded in the market. The market competition that they take part in everyday also results in their anticipation of the progress (and even evolution) of the society. Thus, they strive and look forward, believing that a better future is in front of them. Accordingly, their action strategy is a “*striving*” one, in which individual efforts and struggles are put in the first place. They hold the belief that the “System” and the society will reform and change with time²⁰.

6. Discussion and Conclusion

The main conclusion drawn from this paper is that middle class with different positions related to the “System” vary in their VSC. Positions related to the “System” influence VSC mainly through two mechanisms: (1) the degree of marketization as the macro effect; (2) DIS-FIA as the micro effect.

6.1 Three Types of Middle Class and Their VSC

Doctors belong to the middle class inside the “System”. The medical industry where they are involved has a low degree of marketization and a high degree of state intervention. The interests they actually acquire are inconsistent with their expectations according to their DIS (i.e. professional elites within the “System”). This results in their type of interest being a submissive one, which means that although their occupational prestige and interests of personal security are being damaged, they still cannot leave the “System” which brings them stable status. Under the circumstance where individual efforts and expertise are subject to the pricing by the government and cannot be market-oriented, and where their interests are damaged but they have no choice but

²⁰ The fourth type of interest is *the interest of ingratiation*. Since it does not have much relation with the topic in this paper, I only give a brief introduction here. The feature of this type of interest is that although there is a weak relationship between the group and the “System”, members of the group attempt to change their “inferior position” (position outside the “System”) as they regard it, endeavor to maintain a close cooperation with the “System”, and try actively to make themselves closer to the “System”, by ingratiating high-ranking cadres, for example (see Qin, 2006). The resulting interest relevant to the “System” is the interest of ingratiation, contrary to the *interest of submission* that is full of “grievance”. The interests of real estate developers and private business owners in China represent this type of interest.

to be subordinate to the “System”, doctors are not optimistic about the prospects of future society, and they become “cynics”. Additionally, since they have stayed in the “System” for a long time, they advocate for such social reforms as in a top-down fashion. By improving the “System” and relevant regulations step by step rather than aggressively, they hope to have the capacity to gain interests legitimately. They, ironically, are also dubious about the government as the main power of reform, so they do not expect too much as to whether the reform will really occur and work.

Investment bankers belong to the middle class that are attached to the “System”. The financial industry where they work has a moderate degree of marketization and a high degree of state intervention. The economic interests they currently acquire are consistent with their expectations according to their DIS (i.e. professional elites that cooperate with the “System”), but they lack redistributive power. The interest they obtain is parasitic. In other words, they obtain considerable economic interests and high social status through active cooperation with the “System”. Due to the large amount of interests that the “System” has brought them, they try their best to avoid conflicts with the “System”, and to avoid participating in the social events or movements that might destruct the existing “System”, for they hold a principle of pragmatic rationalism which reminds them that doing so will result in more risks and losses than benefits. Social turmoil and revolutions from the bottom of the society are most disastrous to people like them, who are propertied and positioned in an awkward place - a place sandwiched between the top and the bottom of the society. Therefore, they must avoid social turmoil and revolutions.

Consequently, even if they are dissatisfied with the existing “System” that puts a limit on their creativity and vitality, they still actively cooperate with the “System” in appearance in order to leave a way for retreat after achieving financial freedom. Their expectation of the future society is hovering between optimism and pessimism. Immigration after accumulating sufficient wealth would be their first strategy if they feel pessimistic about the country’s future. Their habitual “aphony” in social events, however, does not indicate their apathy to social problems. In fact, their high educational level, high income level, and prestigious status as professional elites in the industry enable them to form a clear and rational understanding of social reforms: what they most desire is the ideal social pattern of “weak government - strong society”, political freedom and democracy, and that everyone is able to make the best of themselves, rather than being constrained by the rigid “System”. They see everything clearly but cannot take their ideas into practice.

IT practitioners belong to the market-oriented middle class outside the “System”. Since IT industry has a high degree of marketization, and the “System” makes little impact on their interests, IT practitioners tend to believe that the market is the main force for social reforms. The force from the market would, through a bottom-up way, compel the government to push forward social reforms. They have a more optimistic attitude towards the future society, because their personal efforts and professional techniques are fairly priced by the market, and their personal efforts can be rewarded immediately. Although they always have such crisis awareness as afraid of being surpassed and eliminated at any time, they are looking forward to the future, and keep striving at the same time. Compared to the involuntary entanglement of doctors and investment bankers with the “System”, IT practitioners seem to be a group of outsiders separate from the “System” and the government. They are rarely involved in social events, and care little about social problems. Nor do they have any profound views on the “System”, which has always been considered by them as “others in the darkness” that does not belong to the market realm.

So far, this paper has clarified the relationship between the positions related to the “System” and VSC, and has explained the mechanisms in between. It should be noted that there is some consensus among these three groups of middle class, as the research has also found out that the three groups share an economic outlook of “*marketism*”. The marketism of IT practitioners can be traced back to the same origin as the foregoing evolutionary market determinism. They believe in the market law of “survival of the fittest”, and claim that only marketism can boost the economy. Investment bankers advocate economic marketism though they are involved in the capital market rigidly constrained by regulatory authorities. They hold that capital is the first priority, and that private capital in the mass society should be mobilized to a greater extent. Doctors also point out that, only through marketization of the medical industry, can the great contradiction between public welfare and profitability, which has persisted since the new medical reform, be resolved. The marketism that they advocate is relatively mild compared to the radical one supported by IT practitioners. From doctors’ points of view, economic development should be based on the market law, and be supplemented by appropriate regulation and control from the government. In that way, the balance between public welfare and profitability can be reached in various industries.

Table 2 briefly summarizes the comparative analysis of the three groups.

Table 2 A Summary of the Comparative Analysis of Three Middle-Class Professionals

| Items of Comparison | | Doctors | IT Practitioners | Investment Bankers |
|---|---|--|---|---|
| Positions Related to the “System” (<i>Structural Positions</i>) | | Middle class inside the “System” | Middle class outside the “System” | Middle class attached to the “System” |
| Intermediate Mechanism I (<i>Structural Positions</i>) | Degree of Marketization of the Industry | Low | High | Moderate |
| | Level of Human Capital Returns | Low | High | Moderate |
| | Level of Cooperation with the “System” | Relatively low | None | Relatively high |
| Intermediate Mechanism II (<i>Agency</i>) | Definition of the Identity with the “System” | Non-market-oriented professional elites of little mobility inside the “System” | Market-oriented technical civilians of high mobility outside the “System” | Semi-market-oriented professional elites attached to the “System” |
| | Forms of Interest Acquisition | The interest of submission | The interest of independence | The interest of parasitism |
| Views on Social Change (<i>Consciousness</i>) | Major Power of Social Reforms | The government; elites at the top | Market | Market as the main force, the government as the supplement |
| | Expectations of Future Society | Pessimistic; the cynics who “see through the world” | Optimistic; the strivers who look forward to the future | Between pessimistic and optimistic; the cautious observers |
| Action Strategies (<i>Consciousness</i>) | | Complaining; hiding when encountering the untouchables | Striving; believing that the “System” will reform and change | Cooperating; voting with feet |

6.2 Responses to the Three Controversies in Studies of Chinese Middle Class

This paper may to some extent respond to some long debated issues on the middle class in China. In regards to the first controversy - whether Chinese middle class composes a homogenous group, this research indicates that Chinese middle class has a low degree of homogeneity, and that it is divided by the “System” into three completely different groups: the middle class inside the “System”, the middle class attached to the “System”, and the market-oriented middle class outside the “System”. The three types of middle class vary a lot in both VSC and action strategies. It can thus be argued that the position related to the “System” is a key variable in studying political attitudes and behaviors of the middle class in China.

Secondly, this paper provides insight into the characteristics of the political attitudes and behaviors of the Chinese middle class. As a matter of fact, *political apathy*, or *political unconsciousness* to be precise, is the feature of the market-oriented middle class outside the “System” only, while *political conservatism* is the feature of the middle class inside the “System” and the middle class attached to the “System”. Political conservatism is different from political apathy in that members of the politically conservative middle class have their own attitudes towards and concerns with social and political issues, only that their standpoint is conservative. Politically apathetic middle class, in contrast, do not even care about these issues. Li (2005) claims that the white collar group (middle class or lower middle class) in China tends to have strong political orientation that occurs simultaneously with weak political participation. This research, however, suggests that although all three types of middle class are weak in political participation, their political orientations diverge greatly. The market-oriented middle class outside the “System” has a weak political orientation. The middle class inside the “System” has a strong political orientation. The middle class attached to the “System” has a political orientation of a degree which is in between.

The third question that can be answered by this paper is whether Chinese middle class can promote democratic transition in China, and whether the reform momentum of Chinese middle class is really that weak. Most studies so far hold that people outside the “System” are looking forward to the reform of the “System”, with the hope to enter into the “System” and to obtain power and prestige that they previously lacked. The reform momentum from people inside the “System” is very weak, since they are the beneficiaries of the “System”, and thus hope to maintain the constant operation of the “System” (see Qi, 2010). In contrast to this statement, we argue that the market-oriented middle class outside the “System” has almost never considered entering the “System”, and shows apathy to the reform of the “System”. They take the world inside the “System” as unjust and unfair while the market outside the “System” as the opposite, so they are willing to stay in the realm of market competition where efforts will always be rewarded. It is because of the long-term contact with the “System” that the middle class inside and attached to the “System” suffer damages of interests, which makes them know particularly about the flaws and deficiencies of the “System”. They therefore look forward to the reform of the “System”.

In this sense, we do not agree with the following statement: the reform momentum from the middle class inside the “System” and the middle class attached to the “System” is very weak because they are the beneficiaries of the “System”. The middle class outside the “System” demands more urgently the reform of the “System”, but due to the severe control from the Party and the state, they are in a split atomized state with no strength to engage in contentious collective actions. It

shall be noted that, in fact, if a person wants to become a real beneficiary of the “System”, he/she must be the elite at the top of the society. Both the middle class inside and attached to the “System” are the groups whose interests are more or less damaged by the “System”. It is these people that have strong inner reform momentum. They need more adequate channels for political expression and participation, even if they tend to hold a conservative political attitude with little tendency to contend.

This paper also provides positive implications for the future governance of Chinese government. The underlying reason of political apathy and weak political action of the middle class outside the “System” lies in the constantly developing economy. If, however, the economy declines and the unemployment rate rises greatly, the middle class outside the “System” is likely to be the first group of people to be “*politicalized*”. In the face of the deterioration of economy and of the market environment, they only have two options. People with more wealth would choose to vote with their feet (just like investment bankers), leaving the original environment by immigration. People who are lacking in wealth and have their interests severely damaged, or even fall into the lower class, would rise up and “rebel”, engaging in contentious politics for their own rights and interests (Gui *et al.*, 2013). As a result, the reason why there has been, so far, no great social turmoil in China is that economic growth has yet to stop. It may be the key to the social stability of China in the future to deepen the reform of economic and political institutions, to enable the market to play a greater role in resource allocation, and to consequently stabilize economic growth. Other developing countries with a strong government can also draw lessons from China.

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