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Taxation without representation
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James Kynge
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Middle Kingdom, Middle Class

According to James Kynge, the challenge for the Western world is not to make China become more like us or measure its development according to how 'democratic' it is but to welcome the progress that China is making -- and be more humble about our own 'broken society' instead of criticising one of the world's greatest civilisations...

The figures may vary, but the rise of China's middle class is truly spectacular. Some observers estimate that there are already 300 million 'middle-class' people in the 'Middle Kingdom,' expected to double by 2025. More conservative estimates talk about 120 million middle-class people today, rising to 150 million over the same period.

The definition of 'middle-class' also varies. Some commentators use the 'Big Mac Index' (comparing incomes in terms of how many Big Macs to the dollar) while others use 'purchasing power parity,' but whether you multiply by 2.5 or 4.5, the disposable income of the average family in China is increasing fast, with 300 million people in households earning £1,800 a year (equivalent to roughly £4,000 – £10,000) and 120 million in households earning the equivalent of up to £40,000 a year.

Add to this the Chinese people's attitude to education, with children spending up to 14 hours a day in school and extra lessons, and the future is anyone's guess...

James Kynge, who has spent most of the last 25 years in China, working for the *Financial Times* and the Pearson Group, approached the big issues by painting a portrait of the typical middle-class family in China. 'Mr and Mrs Wang' earn £1,700 a month (equivalent to over £4,000), out of which they manage to save 10 per cent. They have one child (who loves watching the *Teletubbies*) and two cars (Mazda and Chevrolet). Their modern apartment is worth about £158,000 and they borrowed the deposit for the 20-year mortgage from relatives, paying it back at 6% interest a year. They have furnished their apartment from Ikea, and have China-made products for home use and foreign-brand products for show. Education used to be free but is getting more costly, largely because of the extra tuition in subjects like English, Chinese and Maths.

This growing middle-class is a 'force to be reckoned with' as it integrates with the global economy, but what are the political implications? Do China's middle classes want more democratic rights or do they think it's better not to rock the boat?

Echoing the mantra of the early USA, "No taxation without representation," Kynge borrowed the title of his lecture from a car number plate spotted on the worldwide web, to investigate whether Joseph Schlumpeter's idea that "modern democracy is a product of the capitalist process" rings true for modern China.

During the ill-fated Tiananmen Square demonstrations in 1989, a few of the new class of entrepreneurs helped the students, said Kynge, but the "transmission mechanism from capitalism to democracy" did not transpire, and even though there are thousands of protests every year, these are mainly organised by farmers, not the urban 'elite' who benefit from China's pragmatic and adaptable one-party system. Kynge also suggested that the higher-income groups don't even discuss democracy much and think it is best to stay silent – rather than confront the People's Liberation Army.

Later, in response to an audience question, Kynge said there was no 'powder keg' about to explode in rural areas. The gulf between the rich and poor is widening, but ownership of land provides security to farmers, while the middle-class now have their pensions. There may be some

unrest, but no-one wants to overthrow the government or make it change its policies. Dissenters tend to focus on the minor details, not the big issues.

People may be learning to exercise their property rights, for example, but private-sector businesses work hand in hand with government, and many entrepreneurs are also members of the Communist Party, and seek to change it from within. From the outside, said Kynge, China looks like “a monolith of authoritarian rule,” but it is also adaptable and moves with the times.

Kynge even suggested that some degree of corruption can also facilitate getting things done – for example, local authorities set up thousands of ‘illegal’ investment parks over the years which the government quietly left well alone, simply because they were working. To clean up corruption would also require an independent judiciary, and this would mean surrendering too much political power. Much of what happens may be counter-intuitive, but “if it’s not broken, don’t fix it” could well be the motto of the People’s Republic, along with one of Kynge’s expressions: “Money buys freedom.”

In another example of China’s adaptability, Kynge described how government came up with a novel solution to the problem of cheating in high-school exams, devolving the examination process to the provinces and introducing new technology – including cameras in every exam hall. In this way, he explained, the new technology helps China overcome the single-greatest weakness of the single-party state – local versus central control. He also talked about the idea of authoritarian government at the centre, surrounded by the ‘disobedient’ provinces.

Ultimately said Kynge, critics of China should be careful when it comes to looking at cause and effect. Rather than the government having a master-plan to neutralise pressures and stimulate the economy, it has improvised many of its policies over the years and allowed things to happen, thriving in the “chaos under heaven” so exulted by Mao.

In the Q&A session which followed, Kynge also focused on the ‘pros and cons’ of democratic government in relation to issues such as carbon emissions, suggesting that although China will probably increase its dependence on coal-based power to drive economic expansion, it is also in a position to change direction more quickly and more easily than Western democracies, because it does not have to answer directly to public opinion at general elections. The Chinese people know they have an environmental problem, he added, but this may be the price of their ‘right to develop.’

Do Chinese people want democracy or larger families? Kynge even suggested that families may ‘buy’ the right to have more children. And what about Tibet? Kynge said that Western criticisms may have backfired, encouraging the ‘angry youth’ to become more assertive and nationalistic than the older generation. The worst thing for a Chinese person, Kynge added, is to be seen as a traitor; supporting independence for Tibet or other regions is to side with interfering foreigners who also seek to hold back China’s economic growth.

Kynge concluded: “It’s about time the West just accepted China for the way it is and recognised the improvement in human rights – stopped criticising and acknowledged the progress that China has made.”

Attempts to “inculcate the building blocks of democracy” are now becoming counter-productive, he added. “The challenge for Western governments is that a whole generation of young Chinese people misguidedly believe we are against them, so perhaps we should go easy on our criticisms and interventions and be more humble about the shortcomings of our own democracies.”