

China's Middle-Class Anxieties



Murong Xuecun MAY 10, 2016

HONG KONG — “How do you get your money out of China?” a wealthy friend asked me recently. I told him that I visit Hong Kong often, and on each trip I take 20,000 yuan, or about \$3,100, the legal maximum, which I then exchange for Hong Kong dollars and leave in a local bank account. My friend, who has a much bigger financial portfolio than me, appeared disappointed. At \$3,100 a trip, my method isn’t a realistic way for him to get his riches out.

In the last year, as the stock markets have tumbled and the renminbi has slowly lost value, many Chinese people like my friend have been seeking ways to move money abroad. The government has responded by adopting new measures to staunch the outflow of money, but people are finding ways around the restrictions. Individuals and companies have moved about \$1 trillion out of the country in the last year and a half.

The capital flight is a sign of how the Chinese have become more insecure about their future. Economic insecurity adds to the standing list of worries about daily life that includes pollution and tainted food and water. The recent discovery that millions of compromised vaccines were given to children has further incensed the public.

Then there are the things the Chinese only whisper about: the stifling of public debate, the undermining of the rule of law, the flouting of due process.

Social media has been awash with threads about anxiety with titles like “The 10 anxieties of the middle class” and “Will the middle class become the new poor?” Young urban professionals have widely shared an article social media app called “Guide on safe passage through the economic crisis.”

Some of the concern is to be expected in a slowing economy — but the worrying goes deeper.

Discussions about how to get money out of the country, or converted into a foreign currency, are common. A recent survey by The Financial Times found that 45 percent of Chinese middle-earners wanted to trade at least 10 percent of their savings for foreign currency, while another 29 percent had already done so.

And, of course, as the Panama Papers recently showed, even family members of China’s top leaders are squirreling money into off-shore accounts.

More people are trying to leave the country. In fiscal 2014, 76,089 Chinese were awarded permanent residency status in the United States, up by 4,291 from the previous year. Of the 10,692 investment visas provided by the United States in the 2014 financial year, 9,128 went to Chinese nationals, up about 30 percent from the previous year. Meanwhile, 88 percent of Australian “significant investor visas” have been given to Chinese citizens. Investment visas show not only an interest in leaving China but also a desire to move money out of the country.

Students, too, are increasingly looking to put down roots abroad. In the 2014-15 academic year, at least 304,040 Chinese students were studying in the United States, up about 110,000 from 2011-12.

The authorities are acting in a typically draconian fashion to stem the exodus of capital and people. Changing renminbi for foreign currency has become much more difficult. It’s an even bigger hassle to transfer money overseas. There is a cap of 10,000 renminbi a day and a limit of 100,000 renminbi a year on overseas withdrawals through China’s largest A.T.M. network.

In the past year there has been a stream of reports on crackdowns against organizations offering underground money transfer services. At the same time, the government has created even more obstacles to the cross-border purchase of U.S.-dollar-denominated insurance plans.

And officials are increasingly requiring people to hand over their passports. In 2003, government employees were restricted from leaving the country for personal reasons. While this restriction was only applied to high-level officials, in the era of Xi Jinping, handing over your travel documents has become normal, even for low-level government employees. In late 2013 in Guangzhou, more than 2,000 village officials were required to surrender their papers. And in Beijing, Sichuan and many other places, even university employees and the lowest level cadres have been obliged to do the same.

As for the public's weakened confidence in the government, the attitude from Beijing seems to be, who cares? In February, a new lavishly state-funded website, The Paper, posted a glib opinion piece claiming that the anxieties of the middle class can be attributed to their fear of being "beaten back to their original condition" as peasants and urban poor.

This dismissive tone reveals another truth: Middle-class worries may accelerate the outward flow of capital and people, and further isolate the government, but they are unlikely to lead to meaningful change.

Ultimately, too many middle-class people benefit from the system. Nearly half of the urban middle class are employed by government organizations or state-owned enterprises. Their misgivings with the government come from something they can't divest: their identity. This cognitive dissonance is typical of nearly everyone I know. They get that the cause of their various discontents is the one-party system, but they also appreciate that the system underwrites their comfortable lives.

I have a friend who is successful by most measures. The city he lives in is big, his job respectable, his income stable, his apartment spacious. He doesn't like the Communist Party and has many complaints about the political system.

But he, like so many others, is in no rush to see political change. "Democracy is good," he said to me recently, "but I don't hope to live to see it."

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