

China: A Nation Shaped in Consumerism

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## ABSTRACT

### China: A Nation Shaped in Consumerism

A thesis presented to the Graduate Program in Global Studies

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This paper seeks to provide an understanding of Chinese economic development during the post-reform period (after 1980) following the death of Mao Zedong, when China changed directions under the leadership of Deng Xiaoping into creating a controlled market economy, which has effected new ideas of consumption of goods and services in Mainland China.

By drawing on historical analyses of the differences between Mao's and Deng's China, and by following along the initial phases of post-reform economic amends, it is clear to see that China has grown into one of the most formidable countries in the world. The evolution of China into adopting a market economy has created new consumer desires that many have never seen before. With the large growth of China's population moving into the middle class that has produced more disposable income, new forms of consumption habits have risen.

China's post-reform historical, economical and cultural context has also shaped how foreigners perceive this new wealth, by heavily targeting the Chinese consumer class and creating goods with Chinese consumers in mind. By looking at Western theories on

consumption as well as advertising, this paper provides a quantitative analysis and insight into how Chinese consumption fits into a globalized world of the 21<sup>st</sup> century.

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## Introduction

China's consumer society is growing at an enormous pace. Ever since the end of Mao Zedong's reign and into a more market oriented Deng Xiaoping system, China has seen exponential growth. The numbers are truly astounding. When Deng took over in 1978, China had just come out from the Cultural Revolution that left the future of the country in a cloud of uncertainty. With a GDP of only \$149.54 billion in 1978, Deng's economic reforms through agriculture and industrialization have turned China into a country with one of the largest GDPs in the world. According to the World Bank, China's GDP in 2015 stood at \$11 trillion, an increase of nearly 100,000%.<sup>1</sup> The increase in wealth in the country has not only affected the government, but also the individuals living in China. With a larger GDP comes larger consumer spending as well as more disposable income. These factors have led to rapid urbanization of the countryside and new consumption habits that are being displayed in newly urbanized cities across China and has affected how large multinational corporations view these consumption habits to promote their products to appeal to the new consumer group of the east.

With Mao's death and the end of the Cultural Revolution, Deng took full reign of the Chinese Communist Party (CCP) and slowly began to economically, politically and socially reform the country. Deng's idea of economic reforms such as the building of a private sector saw the rise of special economic zones, private and family-owned businesses. Mao's vision of

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<sup>1</sup> "GDP (Current US\$) | Data," accessed March 15, 2017, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>.

the communist China was still in effect and carried out by Deng albeit with a different take by using Western-styled market forces to dictate the market. Deng's tour of southern China in 1992 shows his commitment to the cause of developing his country that was stuck in a rut from many years before by adopting aspects of capitalism in a socialist society.

In short, if we want socialism to achieve superiority over capitalism, we should not hesitate to draw on the achievements of all cultures and to learn from other countries, including the developed capitalist countries, all advanced methods of operation and techniques of management that reflect the laws governing modern socialized production.<sup>2</sup>

Deng's commitment by adhering to his point of "one central task and two basic points," where economic development would be the main objective through centralized control and massive reform and foreign openness.<sup>3</sup>

As China lifted its borders to welcome foreigners and Western corporations, Chinese citizens were introduced to Western products through their purchasing power as private sector business owners and workers. Shopping soon became a pastime that hooked onto the minds of urbanized Chinese individuals and consequently created an enormous demand in consumer goods, culminating in luxury goods and services. Here, I make the argument that the new consumption habits of Chinese individuals appear to be conspicuous in nature, using consumption as a means for social recognition and using these products to illustrate a higher social status for personal gain. The Chinese are receiving and sending new information regarding consumption to and from their friends and family but also, Western ideals portrayed in movies and television shows.

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<sup>2</sup> "Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai," accessed March 16, 2017, <http://www.china.org.cn/english/features/dengxiaoping/103331.htm>.

<sup>3</sup> Ibid.

In Eileen Yuk-Ha Tsang's *The New Middle Class in China*, she compares and contrasts the generations of pre and post-reform China. While the older generation are more business-oriented in their consumption by having the tendency to save, post-reform Chinese citizens are more individualistic in their approach.<sup>4</sup> Her work not only involves comparing, but also analyzing the peculiarities of her consideration of the middle class. Although her study deals with the sociocultural linkages of consumption, like mine, she emphasizes the internal forces at work of conspicuous consumption rather than the outside forces which I have chosen to pursue. In addition, Tsang pays much attention to the *guanxi* networks, an interpersonal network of influences, that can help in everyday business ordeals, duties and reciprocities. Tsang argues that Chinese middle class individuals use their ties in their own *guanxi* networks from other business-owners or politicians to help their own causes. She additionally argues that *guanxi* networks furthers consumption to create more relations and use consumer goods as an admission into these networks. Her linkages of *guanxi* networks displays the vicious cycle of consumption that resonates through to different generations of the Chinese. This is true too with the use of social media, highlighted in Chapter Three, as it causes those circulating online resources to become more educated about the products they are interested in that result in conspicuous consumption.

David S. G. Goodman's *The New Rich in China* gives a full account of the new middle class in China through empirical data gathered through different studies and authors. The book is divided into three sections of lifestyle, business related individuals, and status and power. In

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<sup>4</sup> Eileen Yuk-Ha Tsang, *The New Middle Class in China: Consumption, Politics and the Market Economy*, Frontiers of Globalization Series (Houndmills, Basingstoke, Hampshire ; New York: Palgrave Macmillan, 2014).

the lifestyles section, the book delves into the new consumption of luxury goods and home ownership of Chinese individuals in different cities of China. Moreover, the book provides analysis of private entrepreneurs through a governmental ideological shift that promotes growth and public reputation of entrepreneurship. Goodman argues differently than Tsang does, and that perceptions of wealth as well as individual behavior are factors that play a role in shaping socioeconomic structures and social change.<sup>5</sup> Goodman's more economical approach at data collection and analysis provides another lens to highlight the new middle class.

In addition, both studies also refer to the fact that measuring income levels and disposable income is a difficult feat. Many individuals have the tendency to under-assume their earnings while they also might not account for tax deductions after their earnings. Furthermore, discretionary income, the money left for spending, is a lot more difficult to estimate as different individuals will have different ideas of discretionary income. Thus, I have decided not to include any metrics of income but will focus more on the social aspect of consumption. It is still possible to analyze how and why Chinese individuals do make the decisions they do on consumption.

Although both authors believe that globalization has played a large role in shaping the new middle class, neither one mentions advertising as an influencer to this segment of Chinese society. Advertising done by luxury fashion labels and Western corporations greatly influence consumption decisions done by Chinese individuals through transferring cultural meanings into advertising. Also, corporations attempt to market products intended primarily for the Chinese

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<sup>5</sup> David S. G. Goodman, ed., *The New Rich in China: Future Rulers, Present Lives* (London ; New York: Routledge, 2008).

consumer with these cultural meanings in mind in order to attract consumers from the largest consumer market in the world. Identifying external forces are just as important as internal cultural forces that are shaping social and consumer-related cultural ideas. This paper aims to provide an analysis of Westernized ideals and forces that have entered the Chinese market that is shaping the urbanized Chinese.

This paper is divided into four main sections. The first section provides a historical perspective of China through Deng's rise in the CCP starting from the 1920s all the way up to the opening of China when former president of the United States, Richard Nixon visited China in 1972 when the Cultural Revolution was ending. The second section discusses the changes in the economic system used by Deng and the reforms made by him that developed into an emerging private sector from the 1980s. The private sector ultimately led to gains in personal wealth that would induce consumer spending. The third section examines the factors that are leading towards conspicuous consumption of goods and services while the final section analyzes marketing and advertising tools used by corporations to attract Chinese consumers.

## **Chapter One - The Rise of Deng Xiaoping and Introduction of The Market Economy**

After Mao Zedong's death in 1976, China looked directionless with the succession of Hua Guofeng as the new leader of the country. But Deng Xiaoping back in contention after his exile, took control of the CCP and revolutionized China even further than what people could have imagined. China's large economic growth due to Deng's economic reform in the 1980s has led China to become the second largest economy in the world in terms of GDP just behind the United States.<sup>6</sup> Many factors attributed to this large growth of the economy and this shift from a closed to an open market economy. Deng's management of the economic and political climate in China raised the country to new heights that are still apparent today.

Deng had been participating under the Chinese Communist Party during the party's infancy stage after his short stint away from China for Western education. Deng came home to Wuhan and joined a small coalition of communists as a junior staff.<sup>7</sup> This involvement within the CCP led Deng to acquire higher positions within the party. His calling did not come until after 1927 when Deng was left hiding in Shanghai during Chiang Kai Shek's "white terror", a purge of known communists within the Nationalist Party's (KMT) regions of control. Deng was

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<sup>6</sup> "GDP Ranking | Data," accessed November 15, 2016, <http://data.worldbank.org/data-catalog/GDP-ranking-table>.

<sup>7</sup> Orville Schell and John Delury, *Wealth and Power: China's Long March to the Twenty-First Century*, 2013, 264.

dispatched and sent to Guangxi to lead the Red Army as a political commissar.<sup>8</sup> During his time in Guangxi, Deng would eventually discover his ties with Mao Zedong and found himself under Mao's wing. Mao entrusted Deng during the fight against the KMT when Mao divided his army into six individual units and commissioned Deng to run the military unit in Sichuan province.<sup>9</sup> This trust that was instilled into Deng by Mao led Deng into a position of power that he and his father would have wished for.<sup>10</sup> Deng's military forces in the southwest resulted in the capturing of parts of China and Tibet, which had been left ungoverned in the wake of the Qing dynasty's decline. Consequently, Mao and Deng's relationship within the CCP would prove to be indispensable for Mao and the progression of rank for Deng within the future of the party.

However, Deng did not see China the same way Mao did later in Mao's career. Although Mao and Deng served under the same party, their ideology and thought were quite different. Deng's rise as the minister of finance in 1953 commanded him more power within the party albeit still having to obey orders from higher ranked leaders such as Mao and Zhou Enlai.<sup>11</sup> As minister of finance, Deng oversaw economic decisions and issues of the now communist China. Deng's upbringing and thought were atypical of Maoism. Maoism stressed the importance on the peasants as the revolutionary class to lift China out of poverty through an agrarian economy

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<sup>8</sup> Patricia Stranahan, *Underground: The Shanghai Communist Party and the Politics of Survival, 1927-1937*, State and Society in East Asia (Lanham, Md.: Rowman & Littlefield Publishers, 1998).

<sup>9</sup> Schell and Delury, *Wealth and Power*, 266.

<sup>10</sup> Ezra F. Vogel, *Deng Xiaoping and the Transformation of China* (Cambridge, Mass.: Belknap Press of Harvard University Press, 2011).

<sup>11</sup> David L. Shambaugh, ed., *Deng Xiaoping: Portrait of a Chinese Statesman*, Studies on Contemporary China (Oxford [England] : New York: Clarendon Press ; Oxford University Press, 1995), 85.

instead of an industrial one.<sup>12</sup> Mao was also against the expression and pluralism of intellectual thought during this period which led to the Anti-Rightist Campaign in 1957 due to an earlier movement that called for constructed criticism. The Anti-Rightist campaign's goal was to punish and incarcerate intellectuals that spoke out against Mao during the Hundred Flowers Movement which encouraged individuals to praise and criticize the party even though the movement was encourage by Mao initially. The Hundred Flowers Movement withdrew restrictions on some freedom of thought on many intellectuals in China. Many of the party's elite members such as Zhou believed that the CCP needed this criticism from intellectuals. Zhou stated, "Without this criticism the government will not be able to function as the People's Democratic Dictatorship. Thus the basis of a healthy government lost... We must learn from old mistakes, take all forms of healthy criticism, and do what we can to answer these criticisms."<sup>13</sup> However, criticisms were short lived. The CCP received large numbers of criticism ranging from intellectuals to students that made Mao reconsider the campaign. It had only lasted two months. The cynical nature of the Hundred Flowers Movement led to further arrests of not just intellectuals, but party members too. Arrests included Ai Qing, father of famed Ai Weiwei, a poet within the CCP that was exiled for defending critical thinkers that highlighted flaws of the government. Whether it was Mao's idea to expose anti-communist individuals within the party is still disputed, but it seems that these events play a crucial role in shaping Mao's other campaigns and his legacy.

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<sup>12</sup> Zongli Tang, *Maoism and Chinese Culture* (New York: Nova Science Publishers, 1996).

<sup>13</sup> Gilbert King, "The Silence That Preceded China's Great Leap into Famine," *Smithsonian*, accessed March 30, 2017, <http://www.smithsonianmag.com/history/the-silence-that-preceded-chinas-great-leap-into-famine-51898077/>.



From the backlash that Mao himself had created led to the subsequent Anti-Rightist Campaign that persecuted large numbers of the population. Although Deng played a central role in the campaign by orchestrating it and prosecuting in large numbers, Deng later realized the reality of the Anti-Rightist campaign calling it too harsh. Deng stated, "Large numbers of people were punished inappropriately or too severely."<sup>14</sup> Nevertheless, it seems that Deng's earlier education has shaped his life after Mao even though he had done atrocities himself. Having been lucky enough to have studied the Confucian classics along with modern mathematics and science, Deng found his way abroad to France via scholarships. France was a utopia of high culture and stood out for many Chinese citizens as the leading exemplar of the world regarding this.<sup>15</sup> Deng also managed to make his way into Russia and studied at the Sun Yat-Sen University for the Toilers of China. Here in Moscow, Deng discovered his interests in Leninism and the principle of democratic centralism, this argued for discussion of state affairs within the party but also state control, which warranted structure.<sup>16</sup> Here, Deng's ideologies of Leninism conflicted with those of Maoist thought. Maoism would assert military control to fuel revolution that started with the people.<sup>17</sup> Mao did not have an education that Deng had experienced, but rather having grown up in the countryside to a relatively poor family where his father would regularly beat him.<sup>18</sup> This ideology difference between these two powerful

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<sup>14</sup> Deng, January 16, 1980, *Selected Works*, 228. Quoted in Schell and Delury, *Wealth and Power*, 267.

<sup>15</sup> Vogel, *Deng Xiaoping and the Transformation of China*.

<sup>16</sup> "Democratic Centralism | Politics | Britannica.com," accessed November 16, 2016, <https://www.britannica.com/topic/democratic-centralism>.

<sup>17</sup> "Maoism | Ideology | Britannica.com," accessed November 16, 2016, <https://www.britannica.com/topic/Maoism>.

<sup>18</sup> Schell and Delury, *Wealth and Power*, 200.

leaders of the CCP would be apparent later in Mao's reign when Deng was verbally attacked and ostracized by the party.

Deng would experience a rather difficult time during the lead up of the Cultural Revolution that defined Mao's political career. During 1966, Mao launched a series of campaigns to purge traditional Chinese elements and promote Maoist thought within the country. This campaign stemmed from Mao's "experience in conducting guerilla warfare which requires total commitment and preoccupation with power to achieve a common objective."<sup>19</sup> These goals Mao put forth did not sit well with those such as Deng and Liu Shaoqi. As a consequence, Deng was publicly humiliated and was named "Capitalist Roader Number Two" along with being exiled from his beloved party.<sup>20</sup> In addition, Deng was attacked by Red Guards, radical students who attempted to seek out those who did not conform to revolution. His exile would later turn into a period for Deng to reflect upon Mao's policies and his own bourgeois upbringing. "When timing makes it possible, the Party would assign me some small work to do, and give me the opportunity to make amends and start anew."<sup>21</sup> Deng never lost sight of how he could possibly in the future, make his country great again. This exile would become extremely valuable for his ambitions of reforming China out of a post-Cultural Revolution torn country.

The Cultural Revolution had set China back many years economically. According to a statement by the CCP, "The Cultural Revolution was responsible for the most severe setback

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<sup>19</sup> Tang Tsou, *The Cultural Revolution and Post-Mao Reforms: A Historical Perspective* (University of Chicago Press, 1999), 67.

<sup>20</sup> Schell and Delury, *Wealth and Power*, 268.

<sup>21</sup> *Ibid.*, 270.

and the heaviest losses suffered by the Party, the state and the people since the founding of the People's Republic. It was initiated and led by Comrade Mao Zedong."<sup>22</sup> China's economic growth was hampered during this period and many of those who lived in this period suffered greatly. However, late in the Cultural Revolution in 1972, President Nixon visited China to establish foreign relations for the first time with communist China. Some scholars believe that Nixon's visit to China signaled changes to Mao and helped the reinstatement of Deng.<sup>23</sup> The visit also opened trade relations and easing of travel restrictions that helped China's economy and led to the quadrupling of the U.S.-China trade.<sup>24</sup> The attitude change of Mao towards the outside world seems to have initialized the progress towards some Western attitudes and less restrictions on foreign policy.

After Mao's death and ousting of Hua Guofeng, Deng was able to recapture control of the Party starting from the mid 1970s and successfully became Chairman of the CCP in 1981. During his early time back in power, Deng set to replenish a once powerful China.<sup>25</sup> Deng was intent on making political and economic reforms to put China back on the world map. His intentions were particularly clear when he spoke at the Central Work Conference, a leadership meeting that discussed China's future economic projects,

"Let us advance courageously to change the backward condition of our country and turn it into a modern and powerful socialist state. Our fundamental task must be to develop

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<sup>22</sup> Chinese Communist Party, "Resolution on Party History," 1981.

<sup>23</sup> Mike Chinoy, "How Much Credit for China's Rise Goes to Richard Nixon?," *Asia Society*, accessed April 2, 2017, <http://asiasociety.org/blog/asia/how-much-credit-chinas-rise-goes-richard-nixon>.

<sup>24</sup> Dong Wang, "U.S.-China Trade, 1971–2012: Insights into the U.S.-China Relationship | The Asia-Pacific Journal: Japan Focus," accessed April 2, 2017, <http://apjif.org/2013/11/24/Dong-Wang/3958/article.html>.

<sup>25</sup> Shambaugh, *Deng Xiaoping*, 1.

the productive forces, shake off poverty, build a strong, prosperous country, and improve the living conditions of the people.”<sup>26</sup>

In his speech, Deng promised an encouraging future for the People’s Republic. Not through powerful revolutionary politics, but by focusing on the centrality of economic reforms and structure. Deng further prioritized economic reform and avoided Mao’s idea of class struggle. “From this day forward, we renounce class struggle as the central focus, and instead take up economic development as our central focus.”<sup>27</sup> Deng wished to restore national pride and faith back to his people but this would not be possible if it were not for an open market economy. Deng, as an intellectual, believed that learning from other countries would be a beneficial tool in bringing improvements for the country and promoted ideas from intellectuals to help kick start economic growth. His economic plan would consist of a new market authoritarian economy.

To look at Deng’s new vision of an open market, one must consider Adam Smith’s *Wealth of Nations* as a preliminary tool to dissect Deng’s market economy. Smith clearly explained how economics and politics both play a crucial role in influencing one another. The core of Smith’s argument includes what he calls the Invisible Hand. The Invisible Hand is broken down into two ideas. First, free market trades produce an unintentional benefit. Secondly, these benefits seen in free market trades cannot be seen in regulated economies. Thus, the invisible hand is fundamental of the market system that self-interest fuels individuals to pursue

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<sup>26</sup> Schell and Delury, *Wealth and Power*, 280.

<sup>27</sup> Ziyang Zhao, *Prisoner of the State: The Secret Journal of Zhao Ziyang*, 1st Simon & Schuster hardcover ed. (New York: Simon & Schuster, 2009), 206.

the best choice.<sup>28</sup> Smith's *Wealth of Nations* was published during the onset of the Industrial Revolution along with the independence of the United States, which saw early adoption of Smith's ideologies. This market system promoted speedy economic development and growth during this period. Smith's famous example of the pin factory that is used to describe economic growth and the divisions of labor. Smith wrote,

I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day... But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day.<sup>29</sup>

Smith favored factories over individual workers since it provided increased efficiency towards a higher total output in a society. A free market system thus incentivizes competition to produce consumer goods and gaining more laborers while also growing the economy.

However, a free market system can also produce systems of failures such as an economic crisis or a global depression. An example of this system failing is clearly seen in the United States during the Great Depression of 1930. Smith's policy of *Laissez-faire*, defined as a policy regarding minimal governmental inference. With a government that turns a blind eye on its economic system. With excessive expansion due to the Roaring Twenties, a period of

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<sup>28</sup> Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations By Adam Smith, ... In Two Volumes. ...*, Eighteenth Century Collection Online (London: printed for WStrahan; and TCadell, 1776), [http://resources.library.brandeis.edu/login?url=http://galenet.galegroup.com/servlet/ECCO?c=1&stp=Author&ste=11&af=BN&ae=T096668&tiPG=1&dd=0&dc=fic&docNum=CW105124089&vrsn=1.0&srchtp=a&d4=0.33&n=10&SU=0LRL+OR+0LRI&locID=m\\_lin\\_m\\_brandeis](http://resources.library.brandeis.edu/login?url=http://galenet.galegroup.com/servlet/ECCO?c=1&stp=Author&ste=11&af=BN&ae=T096668&tiPG=1&dd=0&dc=fic&docNum=CW105124089&vrsn=1.0&srchtp=a&d4=0.33&n=10&SU=0LRL+OR+0LRI&locID=m_lin_m_brandeis).

<sup>29</sup> Ibid.

economic prosperity during the 1920s, it instead produced a countering effect on the economy that led to the Great Depression. The Great Depression provided many theorists to think of new policies that could shape growing economies that could be controlled unlike a total free market system. Thus, this century old system met new challenges after the wake of the 1930s.

John Maynard Keynes changes these conceptions of a free market system to better suit governments so that the economy could be regulated better. Keynes created the Keynesian theory and encouraged government backed economies to protect countries from economic crises. To save countries out of the Great Depression Keynes advocated for higher government expenditures and lowering of taxes to stimulate consumer demand.<sup>30</sup> More importantly, Keynes believed in aggressive governmental control of the economy to stabilize macroeconomic fluctuations and to further improve on the free market model.<sup>31</sup> After World War II and the Bretton Woods conference, countries such as Great Britain were keen at adopting Keynesian economics to run the country. Clement Attlee's government introduced Keynesian theories with the establishment of the welfare state, where the nation state protects and promotes the economic and social well-being of peoples.<sup>32</sup> This welfare state covered all citizens within Great Britain and was beneficial in providing education, healthcare and establishing administration of prices for consumer goods. The model worked well for many decades until the next economic collapse that came in the form of an oil embargo.

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<sup>30</sup> "Keynesian Economics: The Concise Encyclopedia of Economics | Library of Economics and Liberty," accessed November 17, 2016, <http://www.econlib.org/library/Enc/KeynesianEconomics.html>.

<sup>31</sup> Ibid.

<sup>32</sup> "Welfare State | Britannica.com," accessed November 17, 2016, <https://www.britannica.com/topic/welfare-state>.

This economic model came under threat during the 1973 oil crisis. An oil embargo put in place by OPEC countries against the United States led to a 70% increase in crude oil prices.<sup>33</sup> In the United States, the government attempted to regulate the consumer price of oil to match the 'old' consumer price. This led to oil rations at gas stations as there was a supply shortage. Furthermore, the oil crisis resulted in inflation, unemployment and recession.<sup>34</sup> With another cycle of recession within many countries after 1973, a new set of regulated markets was introduced to combat a future set of recessions.

Many economists suggested a new ideology: The mixed economy. This economic system would use the ideas of *Laissez-faire* along with governmental regulation that will coexist with each other. Kuttner states,

The idea was that market forces could do many things well – but not everything. Government intervened to promote development... to counteract its unfortunate tendency to boom-and-bust, to remedy its myopic failure to invest too little in public good, and to invest too much in processes that harmed the human and natural environment.<sup>35</sup>

This balancing act between the free market and governmental regulation came to respective countries priority of which sector of the market it would choose to regulate and which ones it chose to keep free. Kuttner uses the example of the United States and its choice to regulate telecommunications companies while letting airlines roam free, but keeping an eye on both sectors.<sup>36</sup> This mixed economy allows the promotion of competition within different sectors of the economy while also encouraging economic growth. With the power of the government to

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<sup>33</sup> Keith Reid, "1973 Oil Crisis," *NPN, National Petroleum News* 96, no. 9 (August 2004): 18–19.

<sup>34</sup> *Ibid.*

<sup>35</sup> Robert Kuttner, *Everything for Sale: The Virtues and Limits of Markets*, 1st ed (New York: Alfred A. Knopf, 1997), 3.

<sup>36</sup> *Ibid.*, 236, 239.

regulate as they see fit, many third world and developing countries acted to adopt this mixed market economy. The stage of Deng Xiaoping's rise in the CCP is also coincidental of the rise of the mixed market ideologies in the mid to late 1970s.

At that same Central Work Conference in 1978, Deng made it evidently clear Mao's policy of a totalitarian regulated economy was never going to work. Instead, Deng insisted on a controlled market economy that some call a "market economy with Chinese characteristics."<sup>37</sup> To introduce a new system, Deng would have to start off with a clean slate since a mixed market economy would have not worked with Mao's ideas and infrastructure in place. He spoke, "Profound changes have taken places and new leaps have been made in almost all areas. A whole range of new sciences and technologies is continuously emerging... Backwardness must be recognized before it can be changed."<sup>38</sup> Deng announced his first major reform known as the Four Modernizations. Although initially introduced by Zhou Enlai at the Third National People's Congress in 1965, Deng made use of this phrase and incorporated his own ideas towards reform.<sup>39</sup> The four modernizations included improvements to agriculture, industry, science and technology, and national defense. Within these four modernizations was a subset of reforms and systems set out to improve each field.

The first field that saw major success was in agriculture. In 1978, China was still predominantly an agricultural-based economy in a system in which land was owned by the state. An introduction of the contract responsibility system (CRS) reduced state responsibilities

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<sup>37</sup> "Chinese Statistics Bureau Director Says Macro Control 'effective,'" *BBC Monitoring Asia Pacific*, October 30, 2004.

<sup>38</sup> Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993* (Cambridge University Press, 1996), 63.

<sup>39</sup> Gregory C. Chow, *The Chinese Economy* (World Scientific, 1987), 73.



and slowly introduced free market ideologies to the agricultural sector, starting in the rural areas of China. This system was seen as the cornerstone to Deng's tenure as the leader of the CCP. The CRS transferred state owned land back to the individual owners and divided the area to support many different farmers through contracting.<sup>40</sup> As farming accounted for most of China's GDP in the late 70s and 80s, it makes the most sense to experiment with the mixed economic theory on the agricultural sector because of the tendencies to drive competition and produce more goods. This system arranges individuals in a collective economy rather than a state-run enterprise and thus gave individuals more freedom and power to control their agricultural outputs. Furthermore, CRS promotes the functions of the free market into guiding production outputs. The results of CRS gave to an increase in total sown acreage of cash crops from 9.6 percent in 1978, during the initial phase and increased 13.4 percent, which caused an exponential rise of 41.6 percent overall.<sup>41</sup> This system made for increased competition within the agricultural sector and further suggests the efficiency of the system. This initial phase within the agricultural sector showed many critics of Deng's policies that the free market systems worked within the socialist system and provided Deng with a solid base to build upon.

China's economic development built from the CRS and improved further through town and village enterprises (TVE). TVEs are publicly owned companies located in small towns that are regulated by the local governments that enforce the area. This system provides a curious case to many economists. North states, "This system in turn led to the TVEs (Town-village

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<sup>40</sup> Yue-Jun Guo and Jia-Lu Sun, "The" Two Leaps" and Chinese Agricultural Modernization," *Asian Agricultural Research* 3 (2011).

<sup>41</sup> Justin Yifu Lin, "Rural Reforms and Agricultural Growth in China," *The American Economic Review* 82, no. 1 (1992): 39.

enterprises) and sequential development built on their cultural background. But China still does not have well-specified property rights, town-village enterprises hardly resembled the standard firm of economics, and it remains to this day a communist dictatorship.”<sup>42</sup> Many classical economists such as Adam Smith believed in private ownership of enterprises in order to maximize gains and profit. However, classical economists only manage to argue that public ownership can hamper businesses, but do not explain to understand the rural economy. In an ever-changing world, not all classical economic theory can apply for China’s development since as much as 80% of the population lived in rural areas of China.<sup>43</sup> The use of TVEs provides an arrangement in which the government can effectively operate agricultural output while still defying economic theories in rural areas. Having the government own rural land delivers structure to regions that are difficult to observe while also providing the knowledge and resources to work the land. Therefore, TVEs managed to utilize the large numbers of workers in the countryside during the transitional stage of the economy in order to gain efficiencies like a private one. But also, having local governments monitor enterprises dissuades corruption which also boosts higher efficiency.<sup>44</sup> Control was needed for the success of TVEs because there would be no set up framework for a private enterprise to operate in the early 1980s yet. Thus, this transitional setup of the TVE helped China fuel economic growth and led the ball rolling to other policies under this new controlled market system.

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<sup>42</sup> Douglass C. North, “The Chinese Menu (for Development),” *Wall Street Journal*, April 7, 2005, sec. Opinion, <http://www.wsj.com/articles/SB111283514152300351>.

<sup>43</sup> Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (Cambridge ; New York: Cambridge University Press, 2008), 52.

<sup>44</sup> Joseph Stiglitz, “The Transition from Communism to Market: A Reappraisal after 15 Years,” *European Bank for Reconstruction and Development Annual Meeting*, 2006; Quoted in Huang, *Capitalism with Chinese Characteristics*, 69.

Many dismissed the system because within an authoritarian society, policies and laws may change without much notice unlike a democratic society, which requires an election of a candidate that may change a law from the previous elected leader. This sudden change in policy can cause economies to become unstable by impacting supply and demand. For instance, policies that negatively impact agricultural production may cause inflation of produce prices. However, in China's case along with other emerging countries, authoritarian judgement on all things considered vital to the country, was beneficial for a growing economic country. Deng used systematic policies instead of jolting China with drastic ones. This gradual system helped ease China into a new set of plans while the country could slowly adjust. In addition, authoritarian governments have rather efficient decision making process because there is no parliament or a house of representatives to pass new deals. This efficient system creates a simplified model that can help grow economies without the need to linger on enacting new policies. This is exactly what Deng utilized effectively to set out on his plan to gradually reduce Mao's ideology within the CCP and make China a wealthy nation. Deng set out to create short term policies that would support his long-term goals. His policies of renewed Five Year Plans placed these policies into perspective of the future and the growth of wealth for the people and the country.<sup>45</sup>

With the introduction of the free market system, this meant that individuals would gain sources of income and ultimately gain private wealth. As the agricultural sector started to increase drastically, many owners contracted under the CRS started to earn large amounts of wealth. With previous Maoist ideologies, these ideas of wealth would have been shunned.

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<sup>45</sup> Vogel, *Deng Xiaoping and the Transformation of China*.

However, Deng embraced material wealth and incentives and was known for saying, “to get rich is glorious.” Through individual efforts of gaining wealth, Deng encouraged individuals to get rich in order to bring prosperity back to China.

Furthermore, Deng’s visit to the United States marked a new era of relations that clearly signified his intentions of globalization and development of China. His nine-day long trip to the United States in 1979 marked new relations of the CCP with the United States. At a rodeo in Simonton, Texas, Deng was seen donning a cowboy hat, a symbolic signal to citizens of both countries that a new-found relation has emerged.<sup>46</sup> His cowboy hat embodies Deng’s willingness to open up to the Western world that showed the “East meets West” mentality. Additionally, it was “sending a message to his own people that their country’s recent opening to the outside world and the bold domestic economic reforms that went with it were here to stay.”<sup>47</sup> Not only was this important for China, but the global world as well. The United States and other countries were keen to see China adopt new regimes such as Deng’s bold economic reform to a mixed market economy by building upon the relationship Mao and Nixon had shown previously.

The opening up of China to foreigners also massively effected China’s fortunes. Deng proclaimed to world that he would enact his open-door policy as a means of learning from other countries’ technological advancement while also benefiting from foreign direct investment (FDI). Deng and other high-ranked officials within the CCP had begun to travel abroad. Gu Mu, the Vice Premier under Deng, was vital in bringing economic development into

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<sup>46</sup> Schell and Delury, *Wealth and Power*, 298.

<sup>47</sup> *Ibid.*, 260.

China as he visited countless European countries in order to conduct significant research.

“China’s willingness to work with capitalist countries as a result of the Gu Mu trip required not only rethinking specific industrial plans, but also revising government rules and bureaucratic procedures to allow foreign firms to operate in China.”<sup>48</sup> It was their first opportunity to take a glimpse of foreign life and examine capitalism itself – something Mao may have objected to. Deng’s idea of a mixed authoritarian market made it possible to include foreign companies into the grand scale of the Chinese economy but also keeping an eye on different industries at the same time. The Third Plenum of the Eleventh Party Congress during December of 1978 marked the initialization of Deng’s foreign policy towards economic growth.<sup>49</sup>

Not only was CRS a major success, Deng established Special Economic Zones (SEZ) in 1980, in certain key cities along China to serve their purpose of increased economic activity among other specific functions as well. Gu played a key role in setting up the first SEZ. The SEZs were founded in cities such as Shenzhen and drastically improved the city’s economic fortunes. “Central and provincial authorities set up high tech development zones in the late 1980s to capitalize on global capital, technology and talent.”<sup>50</sup> The SEZs drew in, for the first time after Mao’s reign, foreign investment from other nations due to Deng’s economic reform, *gaige kaifang*. A former small city of only 30,000 individuals, Shenzhen grew to a population of 1.5 million by the late 1980s. In addition, Shenzhen’s GNP, the value of goods produced within a

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<sup>48</sup> Vogel, *Deng Xiaoping and the Transformation of China*.

<sup>49</sup> Ibid.

<sup>50</sup> World Bank, “China’s Special Economic Zones,” n.d., <http://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf>.

nation, grew at an average rate of 24.9% in the 1980s.<sup>51</sup> This increase in GNP also raised the standards of living for the people within Shenzhen. With a larger source of income, it led Chinese individuals to buy goods that they would have never previously dreamed of owning during Mao's reign. By 1988, individuals that lived in Shenzhen bought colored television sets and electric fans in a much higher proportion than other cities in China. For instance, per 100 households, Shenzhen residents owned 300 electric fans and 99 color televisions compared to Shanghai's 144 and 44 respectively.<sup>52</sup> This data shows that prosperous economic development changed many lifestyles of the people in Shenzhen and that developments were rather conspicuous.

With new consumer products flooding the market in the mid 1980s, the government also introduced market forces to effectively control prices of goods. This shift clearly defined new government policies of less control and the beginning of a more natural market economy. The controlled prices of products determined by the government would gradually allow market control instead.<sup>53</sup> The government introduced a two-tiered price system to regulate the market initially. The first tier of prices was to remain the same while the second tier of prices was determined by market forces. "The two-tier price system provides incentives for enterprises to economize on its inputs and it increase its outputs for profit. It can sell additional units at market price."<sup>54</sup> The two-tiered price system incentivized enterprises to produce larger quantities of their products if there was a larger demand on their good and thus gave

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<sup>51</sup> Chǒng-dong Pak, *an* (Greenwood Publishing Group, 1997), 62.

<sup>52</sup> *Ibid.*, 63.

<sup>53</sup> Gregory C. Chow, "Economic Reform and Growth in China," *Annals of Economics and Finance* 5 (2004): 133.

<sup>54</sup> *Ibid.*, 134.

enterprises larger profits at the end of the day. This price system was used only for a short period of time as many were getting acquainted of abusing the system by buying at first tier price and selling them for profit in addition to the increase in collective-owned and privately-owned enterprises started to appear.

The effects of this market shift introduced by Deng created decades of economic growth. Albeit that some of his programs and policies failed to materialize, Deng left a legacy of economic reform that still exists in China today. This large economic growth has propelled China as the second largest economy in the world.<sup>55</sup> The effects of the mixed market economy has been huge for China, starting with poverty reduction. According to the World Bank, the international poverty line of living on less than \$1.90 per day per capita, China has reduced this number by 167 million individuals in just one decade (1980-1990).<sup>56</sup> China's immense growth has helped those come out of poverty until this day. To understand the number of individuals that have come out of poverty, one must look at the poverty head count ratio (HCR), which is, the proportion of the population that lives below the international poverty line in percentage. In 1990, the HCR of China was 66.6%. But within 12 years, this number had significantly decreased to 32% of the entire population.<sup>57</sup> The mixed market economy not only encouraged

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<sup>55</sup> Malcolm Scott and Cedric Sam, "China and the United States: Tale of Two Giant Economies," *Bloomberg.com*, accessed December 1, 2016, <http://www.bloomberg.com/graphics/2016-us-vs-china-economy/>.

<sup>56</sup> Hu Angang, Linlin Hu, and Zhixiao Chang, "China's Economic Growth and Poverty Reduction (1978-2002)," *International Monetary Fund*, 2003, 2, <https://www.imf.org/external/np/apd/seminars/2003/newdelhi/angang.pdf>.

<sup>57</sup> "Poverty & Equity Data | China | The World Bank," accessed December 1, 2016, <http://povertydata.worldbank.org/poverty/country/CHN>.

hard work from individuals, but it created wealth that many during Mao's era had never even dreamed of or thought was possible.

This development and modernization of the country has additionally grown China's GDP by many folds. Large-scale capital investment along with rapid productivity growth are attributed to China's fascinatingly fast growth.<sup>58</sup> China's capital investment through domestic savings and FDI were generated through SEZs and state-owned enterprises made improvements to productivity due to the reliance of free market forces. Going back to Adam Smith's economics, by having a decentralized economy and a private sector gives higher returns and larger productivity. This is evidently seen in China's economy through decentralization of the government. Workers could now choose which jobs they wanted to pursue, private firms producing more efficiently than state-owned enterprises increases which led to average GDP increases of 10% a year since 1979. This growth, in perspective, allows China to double the size of its economy every eight years.<sup>59</sup> This impressive economic development through reform has been one that puzzles many economists due to its effectiveness within a limited time frame.

Throughout arduous times during the Cultural Revolution and profound change through Deng's authoritarian market economy, China has found its way of becoming one of the wealthiest countries in the world. With the use of state control within the rural agricultural sector that provided higher output and efficiency along with free market forces learned from Western countries and the failures of a total free market system seen in the early 1900s, Deng

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<sup>58</sup> Wayne M. Morrison, "China's Economic Rise: History, Trends, Challenges, and Implications for the United States," *Congressional Research Service*, October 21, 2015, 7, <https://www.fas.org/sgp/crs/row/RL33534.pdf>.

<sup>59</sup> *Ibid.*, 5.



absorbed experiences from his time abroad as a young man to fix his country of “backwardness”. By stating to the world, the open-door policy and enacting systems such as the CRS and the two-tiered price system, Deng incorporated strong advantages of a free market system to be used within a socialist one that effectively changed China’s fortunes for the better. Large GDP growth along with a reduction of people living under the international poverty line gave Chinese citizens a vision of wealth and this wealth gave China a more productive economy through uses of new technology and materials. This positive feedback loop turned China into a world power by means of wealth creation. The conspicuous growth of China would ultimately lead to newer consumption habits that is pushed forward by globalization and foreign companies looking to make an impression in China.

## Chapter Two - Development of The Market Economy and Private Wealth

Deng's systematic change of the economic system from top to bottom led to the introduction of personal wealth that slowly accumulated after 1978, when Mao's rural agrarian economy came to an end. The economic shift saw the ranks of individuals with large sums of money that had not been seen before by these individuals since 1950, at a time when the CCP had taken control of mainland China after the Chinese Civil War. This chapter will provide the details in which the shift to the market economy influenced many Chinese individuals to start their own private businesses that led to higher earnings of income.

There are stark differences between how these two systems portrayed and led economic development. During Mao's China, the forces that led China to supposed economic development was the leaders of the CCP along with the working force of urban factory workers and rural farmers. The revolution that would lead the peasants would be the driving force of the economy. These actors were considered the "masters of the country".<sup>60</sup> The economy would rely on "masters" to control economic output and the direction of the economy. However, there is a limited quantity of "masters" within this system which would be a dangerous if economic output is unsuccessful, as seen in the post-Mao China. In Deng's China, economic development is reliant upon market forces and "those who generate material wealth

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<sup>60</sup> Dorothy J. Solinger, "New Crowd of the Dispossessed : The Shift of the Urban Proletariat From Master to Mendicant," in *State and Society in 21st Century China: Crisis, Contention, and Legitimation*, by Peter Hays Gries and Stanley Rosen (New York: RoutledgeCurzon, 2004).

by producing, providing and consuming goods and services.”<sup>61</sup> This version of economic development provides a more robust foundation since there is an unlimited number of individuals that can spend or create goods and services within a society. If an individual fails at providing a good or service, or runs out of money, there are other people to fit the market to make the economy grow. Furthermore, it partially separates politics from free market forces, which in turn, puts China into a positive feedback loop. “Fast-rising consumption dissipates political discontent, and the ensuing political stability encourages the CCP to take a long-term, dynastic view.”<sup>62</sup> This positive feedback loop in economic development keeps the government from employing an “if it ain’t broke don’t fix it” model, in which these free market forces have remained largely untouched in some sectors, especially fashion, that have grown exponentially in China.

When describing the wealth of a nation, there are two forms that one must consider in order to understand it completely: public and private goods. Public goods refer to natural resources, the overall business environment and anything that involves the citizens of the country. The development of public goods depends on the citizens’ support through individual support and “companies through taxes, philanthropy and public wealth creation.”<sup>63</sup> Private goods, a product purchased to be consumed, is the other type of asset and wealth that is contributed by individuals of that nation. Since public goods rely on private goods, these two goods depend on each other for development. The wealth of a nation needs these two assets

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<sup>61</sup> Goodman, *The New Rich in China*.

<sup>62</sup> John Knight and Sai Ding, *China’s Remarkable Economic Growth* (OUP Oxford, 2012), 316.

<sup>63</sup> Georges Enderle, “Wealth Creation in China and Some Lessons for Development Ethics,” *Journal of Business Ethics* 96, no. 1 (2010): 2.

to define this concept. To apply this to China, China had to grow both public and private assets in order for the country to proceed in economic development. Enderle states that “creating wealth is more than possessing and acquiring wealth. It means making something new and better.”<sup>64</sup> Acquiring wealth does not come out of thin air, but needs improving local industries and infrastructure for wealth creation to occur. However, this essay will be looking more deeply at private wealth creation.

With the CCP’s new goal of economic development following the rise of Deng Xiaoping, China relied heavily on the working class or as Deng called it, *xiaokang*, a term used by Confucius that describes the functioning middle class to build the economy and create a new class of middle class citizens.<sup>65</sup> The term middle-class used here is used differently as it does not describe how much money is earned, but is defined as economically comfortable living (*xiaokang zhi jia*), a book compiled by Confucius in the Book of Songs. Deng explained in his own works, the meaning of *xiaokang* during a press conference in October 1984, he stated, “We have established a clear political goal: to reach a per capita GDP of 800 US dollars by the end of this century, so that the people’s livelihood reaches an economically comfortable standard.”<sup>66</sup> GDP per capita is a useful measure to capture the standard of living and the increasing economic performance of a country. The higher this number usually equates to a better standard of living. In the year 1984, China’s GDP per capita was estimated to be around \$250. This figure rose to nearly 400% over the course of 16 years, which over accomplished the

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<sup>64</sup> Ibid., 3.

<sup>65</sup> “Confucius and the Party Line,” *The Economist*, May 22, 2003, <http://www.economist.com/node/1806048>.

<sup>66</sup> Elizabeth J. Perry, “Chinese Conceptions of ‘Rights’: From Mencius to Mao—and Now,” *Perspectives on Politics* 6, no. 1 (March 2008): 14, doi:10.1017/S1537592708080055.

goals set out by Deng. By 2000, the GDP per capita of China stood at \$959.<sup>67</sup> This marvelous achievement is undoubtedly due to Deng's campaign of the Four Modernizations that began with empowering the rural poor with money but also keeping within the boundaries of a socialist state of leveling the playing field in terms of the amount of private money one could accumulate. Deng states, "Our national income should be distributed fairly so as to allow all the people to benefit -- without some people becoming too rich and others too poor."<sup>68</sup>

Jiang Zemin, Deng Xiaoping's successor, also embraced China's change and carried on his predecessor's goal of modernity and economic development to rival other nations starting from 1990. Deng having developed SEZs in coastal regions, Jiang looked more into interior China for economic development that would reflect Deng's work of coastal china and those of Western nations. This program was started in 1999, known as the Western Development Program. This project induced large injection of state funds and private capital for enhancing China's interior lands as many leaders had seen the large disparity of inequality between the interior and coastal regions of China.<sup>69</sup> The goals of the project were to improve on infrastructure, environmental protection (ecological disasters and dams), economic development, human capital and increase foreign investment.<sup>70</sup> Focusing in on foreign investment, the Chinese government used FDI to fund many infrastructure projects by providing favorable tax incentives for companies, which in turn, provided a foundation for

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<sup>67</sup> "GDP per Capita (Current US\$) | Data," accessed January 5, 2017, [http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN&name\\_desc=false](http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN&name_desc=false).

<sup>68</sup> Perry, "Chinese Conceptions of 'Rights,'" 15.

<sup>69</sup> Hongyi Harry Lai, "China's Western Development Program: Its Rationale, Implementation, and Prospects," *Modern China* 28, no. 4 (October 1, 2002): 432–66, doi:10.1177/009770040202800402.

<sup>70</sup> *Ibid.*, 451–57.

private wealth to bloom after the development of the public sector. This economic development of China's interior solidified China's GDP per capita to effectively display China as a more income equal nation. The increase in development has also grown China's wealth inequality. However, this rise in wealth inequality can be explained by the Kuznets curve. Simon Kuznets, a Nobel-prize winner in economics, states in his paper that as pre-industrial countries start developing, a large inequality gap forms as individuals shift their jobs to non-agricultural sectors. But as development continues, other individuals that were not lucky to find jobs initially, get absorbed into this new modern society and therefore reduces inequality in the long run.<sup>71</sup> What we are currently observing is China positioned at the height of the Kuznets curve. But China's wealth inequality is slowly declining. According to a study done by UNESCO in 2016, China's Gini coefficient, a measure to represent wealth distribution, has started to narrow.<sup>72</sup> China seems to be following the Kuznets curve with the rise of infrastructure expansion in new areas of development that are being led by private entrepreneurs. These entrepreneurs are also crucial in understanding private wealth of Chinese individuals.

Status claims and wealth play a pivotal role in constructing the way how wealth is created and visually observed. The CCPs vision of constructing *xiaokang* in a socialist state places emphasis on creating a "harmonious society" where class structures are discouraged.<sup>73</sup> Although the party's end goal is still communism, it changes the focus from the working class to

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<sup>71</sup> Simon Kuznets, "Economic Growth and Income Inequality," *The American Economic Review* 45, no. 1 (1955): 1–28.

<sup>72</sup> Li Shi, "Recent Changes in Income Inequality in China," in *World Social Science Report 2016, Challenging Inequalities: Pathways to a Just World*, (Paris: UNESCO Publishing, 2016), 84–88.

<sup>73</sup> Goodman, *The New Rich in China*, 51–52.

the middle class. Nevertheless, Chinese individuals with their newly acquired wealth do not have the same intentions that the Chinese government has. Their attempt to clearly define themselves away from a 'working class' but define themselves as entrepreneurs emphasizes the individual's goal of not to be seen as a blue-collar worker and portrays how occupational prestige plays a role. Business owners of China have acquired large private wealth and "it is reported that 25% of global growth between 1993-2001 went to China, fueling the emergence of the global middle-class" along with the private sector being "responsible for about three-quarters of economic output and employment in China."<sup>74</sup> Private entrepreneurs were initially allowed after 1978 due to high levels of youth unemployment after the Cultural Revolution, which led to tens of millions of youths flowing back into the city without any jobs.<sup>75</sup> However, not only were unemployed youths benefited from this new labor market, but also ex-convicts, rural peasants and urban peasants. Starting businesses helped alleviate strained urban resources such as restaurants and shops but also increased quality of life with new services started by these new entrepreneurs.<sup>76</sup> Thus, newly established private businesses assisted the state in stabilizing urban economic development through employment. However, this was not a dream career choice for many in 1979. Those working in the private sector were not given the same benefits as those that worked with the state due to the government not establishing new private sector legislation and guidelines. Nevertheless, the benefits outweighed any downfall

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<sup>74</sup> Ibid., 54.

<sup>75</sup> Anne McLaren, "The Educated Youth Return: The Poster Campaign in Shanghai from November 1978 to March 1979," *The Australian Journal of Chinese Affairs*, no. 2 (1979): 1, doi:10.2307/2158728.

<sup>76</sup> Deborah Davis, *Chinese Society on the Eve of Tiananmen: The Impact of Reform* (Harvard Univ Asia Center, 1990), 160–61.

that the private sector might have had to dissuade many from starting their own business. By 1984, party leaders affirmed their decisions for the opening of a private sector through protecting and encouraging citizens to open their own businesses, through notions of development and the ability to improve people’s material and culture.<sup>77</sup> This opened

Table 1: Urban Individual Employment in China from 1978-1987 (in millions)

Year	Total Labor Force	Urban Labor Force	Individual Labor Force	% of Individual Labor Within Labor Force	% Increase of Individual Labor Year over Year
1978	401.52	95.14	0.15	0.04	-
1979	410.24	99.99	0.32	0.08	113.33
1980	423.61	105.25	0.81	0.19	153.13
1981	437.25	110.53	1.13	0.26	39.51
1982	452.95	114.28	1.47	0.32	30.09
1983	464.36	117.46	2.31	0.50	57.14
1984	481.97	122.29	3.39	0.70	46.75
1985	498.73	128.08	4.5	0.90	32.74
1986	512.82	132.92	4.84	0.94	7.56
1987	527.83	137.83	5.69	1.08	17.56

confidence for many Chinese individuals to venture into establishing private businesses that gave way to family-owned businesses.

Large growth of private businesses was spotted in many developing cities across china from the years following 1984. Up through 1988, private entrepreneurs set out to provide goods and services at temporary market stands and permanent locations as small individual or family owned businesses known as *geti hu*. Family-owned businesses were the first private

<sup>77</sup> Ibid., 164.



businesses that was granted legal status by the government, permitting a strict number of employees within each business.<sup>78</sup> Table 1 provides the sum of employment within the individual businesses and the gradual growth of individuals within this sector.<sup>79</sup> The table must be carefully viewed, however. Family-owned businesses were assisted by other family members or friends that did not appear in the official employment list and thus not considered to be on Table 1. In addition, many temporary private businesses do not appear on this list since they do not need to apply for a license to start a business.<sup>80</sup> These two facts do not account for a large proportion on individuals that were working in the private business. By 1987, only 1% of the entire population was considered to be working in a family-owned business. Nevertheless, year over year growth was increasing positively every year with an average of 55.31%, and by 1987, this number had reached nearly 6 million individuals. Even though this accounts for only a small proportion of the population, the presence of a private sector was much noticed by the CCP and amended laws regarding private sector economics at the April 1988 National People's Congress. It reads, "The state permits the private sector of the economy to exist and develop within the limits prescribed by law. The private sector of the economy is a complement to the socialist public economy. The state protects the lawful rights and interests of the private sector of the economy, and exercises guidance, supervision and control over the private sector of the economy."<sup>81</sup> These laws increased the size of private businesses to more than seven employees

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<sup>78</sup> William S. Tay and Alvin Y. So, *Handbook of Contemporary China* (World Scientific, 2012), 69.

<sup>79</sup> *Statistical Yearbook of China*, English ed. (Hong Kong: Economic Information & Agency, Hong Kong, 1982).

<sup>80</sup> Davis, *Chinese Society on the Eve of Tiananmen*, 167.

<sup>81</sup> "The National People's Congress of the People's Republic of China," accessed January 13, 2017, [http://www.npc.gov.cn/englishnpc/Constitution/node\\_2829.htm](http://www.npc.gov.cn/englishnpc/Constitution/node_2829.htm).

and created a new category of “private business”, *siying qiye*, which comprised of limited

Table 2.1: Cash Income of Entrepreneurs in Shanxi Province, 1997

Category of Entrepreneur	Annual Cash Income (Yuan)
Manager, SOE	18,627
Manager, Collective Sector Entrepreneur	17,388
Owner, Private Enterprise	37,200
Manager, Foreign Funded Enterprise	18,000
Professional	3,700
Provincial Average Income per Capita	4,762

liability corporations and single investor companies. Because of this amendment, profit-orientated enterprises bloomed in China. Within this new category, 3.6 million workers were employed which produced 10% of the national production output.<sup>82</sup>

By the mid 1990s, the private sector had taken over China’s economy. Private entrepreneurs held much larger assets than any other persons in China. Table 2.1 and 2.2

Table 2.2: Average Enterprise Profit and Turnover

Location	Date of Interviews	Average Income per Capita		
Shanxi	1996-1998	4,762 (1997)	Average enterprise profits after tax	Yuan (in millions)
			State Enterprises	24.3
			Urban Collectives	29.8
			Rural Collectives	4.2
			Private Enterprises	0.3
Qiongsan	2004	12,697	Average Enterprise annual turnover	24.0
Miangyang	2005	8,383	Average Enterprise annual turnover	58.0

<sup>82</sup> Davis, *Chinese Society on the Eve of Tiananmen*, 170.

displays the cash income of numerous entrepreneurs in Shanxi Province. With the nature of the CCP's socialist state and individuals not wanting to discuss wealth, these estimated numbers are from interviews discussing income in 1997.<sup>83</sup> By looking at the data in Table 2.1, owners of private enterprises in Shanxi province earned significantly more than the provincial average income per capita by nearly 800%. With trickling industrial development and foreign investment into smaller developing cities such as Shanxi in the 1990s, private entrepreneurs used this opportunity to create their own companies and many owners seemed to have fared well to other professions. Table 2.2 attempts to show enterprise profits after tax by comparing them to other cities such as Qiongsan and Miangyang in the mid 2000s, juxtaposed with the average income per capita of that particular city. These numbers show the disparities between average income with the average enterprise profits after tax. Entrepreneurs compared with the rest of the workforce has stark differences in terms of how much money is earned through private companies. Thus, with growing economic development created a rise in a new middle class through family-owned businesses (*geti hu*) and private businesses (*siying qiye*). The sentiment regarding economic and wealth development through Deng's idea of *xiaokang* promoted individual self-motivation to find their own sources of wealth as well as driving economic growth within the country.

The formation of the private sector created a new middle class that is important in understanding China's dramatic growth. In 2013, the urban middle class only applied to 146 million people, or about 9% of the entire population of China (with an average income of

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<sup>83</sup> Goodman, *The New Rich in China*, 31–32.

US\$9,000 – US\$34,000).<sup>84</sup> However, this portion of the population is steadily rising as demographics of China are changing at a rapid pace. By 2022, McKinsey predicts that more than 75% of the Chinese urban population will be considered middle class.<sup>85</sup> Middle class Chinese citizens play an important role with increased income will come larger spending habits and new consumer behavior.

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<sup>84</sup> “Goldman Sachs | The Rise of China’s New Consumer Class,” *Goldman Sachs*, accessed January 18, 2017, <http://www.goldmansachs.com/our-thinking/macroeconomic-insights/growth-of-china/chinese-consumer/>.

<sup>85</sup> Dominic Barton, Yougang Chen, and Amy Jin, “Mapping China’s Middle Class | McKinsey & Company,” accessed January 18, 2017, <http://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class>.

### **Chapter Three - Disposable Income and Notions of Conspicuous Consumption**

With more disposable income within China, especially within urban centers, the newly rich within the urban middle class and accomplished business owners make up a large number of citizens that are looking to buy various commodities and discovering new consumption spaces. Rapid urban commercialization of large cities in addition to foreign brands looking to expand their customer base abroad to increase revenue have begun to shape cities across China. In order to explore new consumption habits of many Chinese individuals, it is vital to look at theoretical frameworks that can describe this new phenomenon in the 21<sup>st</sup> century.

To recognize how consumption is created and who controls Chinese consumer culture, Karl Marx's *Capital: Critique of Political Economy* explains the transformation of a society to a capitalist economy and the changes of consumption ideology. Marx's initial observation of a commodity begins with "A commodity appears at first sight an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties."<sup>86</sup> Marx believed in a commodities use-value, the value and physical property of the commodity and becomes a tool that one needs to use to fulfill a certain task.<sup>87</sup> However, in a capitalist society, the use-value is not observed as the commodity has its own intrinsic value rather than value in the labor used to create it. Marx named this commodity

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<sup>86</sup> Karl Marx and Ernest Mandel, *Capital: Volume 1: A Critique of Political Economy*, trans. Ben Fowkes, Reprint edition (London ; New York, N.Y: Penguin Classics, 1992), 163.

<sup>87</sup> *Ibid.*, 123.

fetishism, a “fetishism which attaches itself to the products of labor as soon as they are produced as commodities, and is therefore inseparable from the production of commodities.”<sup>88</sup>

Fashion brands in China hold power over its consumers by providing an exchange-value, the good or service being worth more than what they paid for, that exceeds the use-value. Not only is it about quality of the good or service that interest Chinese buyers, but the meanings and associations that are being carried by the commodity.

Another key theory used to explain the experience of social distinctions through commodities is Thorstein Veblen’s, *The Theory of the Leisure Class*. Veblen argues that in today’s modern society, wealth is the marker of social status and living an inactive lifestyle showed one’s wealth. He coined the term conspicuous consumption as the use of goods or services for the purpose of displaying wealth.<sup>89</sup> In addition, the term conspicuous leisure refers to the practice of spending time pursuing pleasure and indulging oneself to portray a higher social status. Pierre Bourdieu further defined Veblen’s social consumption practices in *Distinction*, where he elaborated on ‘taste’ and social capital.<sup>90</sup> Bourdieu explained that it is not always down to the prices of goods but it is how these goods are perceived to heighten their social status. Additionally, Schor and Holt expanded on Veblen’s theory of consumption by saying that our consumption habits are not seen as negative aspects to society like Marx, but

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<sup>88</sup> Ibid., 165.

<sup>89</sup> Thorstein Veblen, *The Theory of the Leisure Class*, Oxford World’s Classics (Oxford ; New York: Oxford University Press Inc, 2007), 49, <http://resources.library.brandeis.edu/login?url=http://site.ebrary.com/lib/brandeis/Doc?id=10211797>.

<sup>90</sup> Pierre Bourdieu, *Distinction: A Social Critique of the Judgement of Taste*, 1 edition (Routledge, 1986).

they offer us liberation.<sup>91</sup> These theories lead to a better understanding of higher social status and prestige within an individual's social circles.

Social distinctions play an important role in looking at what products the new rich in China are buying. Not only are the products important, but the space that these products are located in. Chinese individuals are as well, looking at the spaces of consumption, which refers to places such as shopping malls where they can shop and socialize but also virtual places such as online shops and forums. Therefore, looking at spaces of consumption is fundamental in understanding the consumption experience. According to a study by CBRE in 2014, China is home to 11.4 million square meters of shopping mall space which accounts for 60% of all mall space in the world.<sup>92</sup> The number of shopping malls in China is supposed to reach 4,000 by the end of 2015.<sup>93</sup> With booming expansion of retail space, many city sites and tourist destinations have been transformed into shopping paradises. For example, The Bund district in Shanghai has turned into high status location for beguiled locals and tourists where prestigious shopping can be witnessed.<sup>94</sup> Furthermore, globalization has brought in foreign retailers into China, from luxury to fast foods such as Louis Vuitton to McDonald's and WalMart. These retailers are filling in these spaces and taking advantage of the new consumer craze within China. Many Chinese consumers have a peace of mind buying from well-known retailers which makes these foreign

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<sup>91</sup> Juliet Schor and Douglas B Holt, *The Consumer Society Reader* (New York, NY: New Press, 2000), xvii.

<sup>92</sup> "Global Shopping Centre Development Increases to 39 Million Square Metres," *CBRE*, accessed January 22, 2017, <http://www.cbre.com/about/media-center/2015/04/21/global-shopping-centre-development>.

<sup>93</sup> Woke Li, "Shopping Malls Boom in China on Urbanization - Chinadaily.com.cn," accessed January 22, 2017, [http://www.chinadaily.com.cn/cndy/2013-01/10/content\\_16100719.htm](http://www.chinadaily.com.cn/cndy/2013-01/10/content_16100719.htm).

<sup>94</sup> Laurie Murphy et al., *Tourist Shopping Villages: Forms and Functions* (Routledge, 2011), 1.

retailers thrive in a new environment. “People emphasize over and over again the fact that even if goods are more expensive in these branded stores, they feel a peace of mind knowing that what they buy is “guaranteed.””<sup>95</sup> Not only does expensive branded products give the feeling of assurance to Chinese consumers because they know that the vast amount they had just paid rest assures that their products are genuine but since these retailers are from the west, it gives the perception that the quality of goods is higher than those of Chinese quality. These spaces of consumption have large connections with commercialization, which many of this this generation has never seen before.

It must also be noted that during Mao’s leadership of China, Mao’s controlled regime meant that many lives were controlled with no freedom and consumerism that is found today. Leisure time described by Veblen was not observed as leisure time was controlled by the socialist state. *Danwei*, also known as the work unit, organized all leisure and hobbies that were to be ‘enjoyed’ by citizens and defined their social and economic life.<sup>96</sup> Only pre-approved activities such as watching movies and plays that reflected the CCP’s ideologies were allowed. All activities had to somehow reflect the ideologies of the socialist state. In the 21<sup>st</sup> century, ideology changes have influenced nearly all Chinese citizens to spend their leisure time at their own will. This new lifestyle and spaces of consumption which have never been experienced before gives rise to many citizens using these spaces to express how they want to be seen in their social life, and the relationships that they form from consumption. Chinese citizens use

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<sup>95</sup> LiAnne Yu, *Consumption in China: How China’s New Consumer Ideology Is Shaping the Nation*, China Today Series (Cambridge: Polity Press, 2014), 35.

<sup>96</sup> Yu Xie, Qing Lai, and Xiaogang Wu, “DANWEI AND SOCIAL INEQUALITY IN CONTEMPORARY URBAN CHINA,” *Research in the Sociology of Work* 19 (January 1, 2009): 283–306, doi:10.1108/S0277-2833(2009)0000019013.



these spaces with their family and friends to further their relationships. “The centrality of shopping to family time highlights several transformations in family dynamics.”<sup>97</sup> Whether having lunch, window shopping or going to the movie theaters, families can use these spaces to bond with their loved ones and thus spaces of consumption facilitate one’s leisure time and provides a liberating sense for those surrounded in these spaces. These spaces provide not only a marker of social status but also heightens their ‘taste’. Being able to do these things like they never have before makes consumers feel special. It thus offers a liberating feeling of using these spaces as Holt and Schor discusses. The multi-purpose uses of consumption help us understand other facets of the social life surrounding it.

Furthermore, online landscapes of consumption are also important to discuss in the 21<sup>st</sup> century. In 2014, China had become the largest users of the internet with roughly 626 million users. That is as many users as the European Union and the United States put together.<sup>98</sup> Of this number, there are 380 million users that shop online, which makes it the largest e-commerce market in the world.<sup>99</sup> This large user base of internet users within China creates opportunities for retailers to tap at potential growth within this sector. Although various American technology companies are barred entry into China such as Facebook and Google, many entrepreneurs have found themselves creating similar versions of their American counterparts. Jack Ma, founder of Alibaba Group, is one of many people that been successful in

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<sup>97</sup> Yu, *Consumption in China*, 39.

<sup>98</sup> “The World Factbook — Central Intelligence Agency,” accessed January 22, 2017, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2153rank.html>.

<sup>99</sup> “China’s E-Commerce Market: Untapped Potential for Global Companies | Nielsen,” *News Center | Nielsen*, January 14, 2016, <http://sites.nielsen.com/newscenter/chinas-e-commerce-market-untapped-potential-for-global-companies/>.

launching an e-commerce website within China. Additionally, sites such as Taobao assist small to medium-sized enterprises (SMEs) to sell their goods online.

About one-third of internet users in China fall in the 20-29 age group.<sup>100</sup> This large group of citizens are amongst the top spenders of goods and services in China, and are also the most to fall under being labeled as conspicuous consumers. The sheer size of this age group is significant because they tend to spend most of their incomes on luxury goods such as handbags, jewelry, German automobiles and technology. The luxury market in China is saturated with designer labels and those that are looking to buy in the pursuit of social status. According to a research study by Bain & Company in 2015, a global consulting firm, “China has the largest luxury market in the world. They account for the largest portion of global purchases (31%), followed by Americans (24%) and Europeans (18%)”.<sup>101</sup> Figure 1 shows the massive rise of Chinese consumers starting in 2000, where Japan held 25% of all global purchases, but now falls short to only 10% while China dramatically increased.<sup>102</sup> This large growth can be associated to different ideas of social status compared to Western counterparts. While America fundamentally perceives social status through income levels, China perceives social status through buying and presenting themselves in luxury goods. Conspicuous consumption plays a massive role in constructing an individual’s image and how they want to be seen by friends and

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<sup>100</sup> Yu, *Consumption in China*, 50.

<sup>101</sup> Claudia D’Arpizio et al., “Luxury Goods Worldwide Market Study” (Bain & Company, 2015), 2, [http://www.bain.com/Images/BAIN\\_REPORT\\_Global\\_Luxury\\_2015.pdf](http://www.bain.com/Images/BAIN_REPORT_Global_Luxury_2015.pdf).

<sup>102</sup> *Ibid.*, 12.

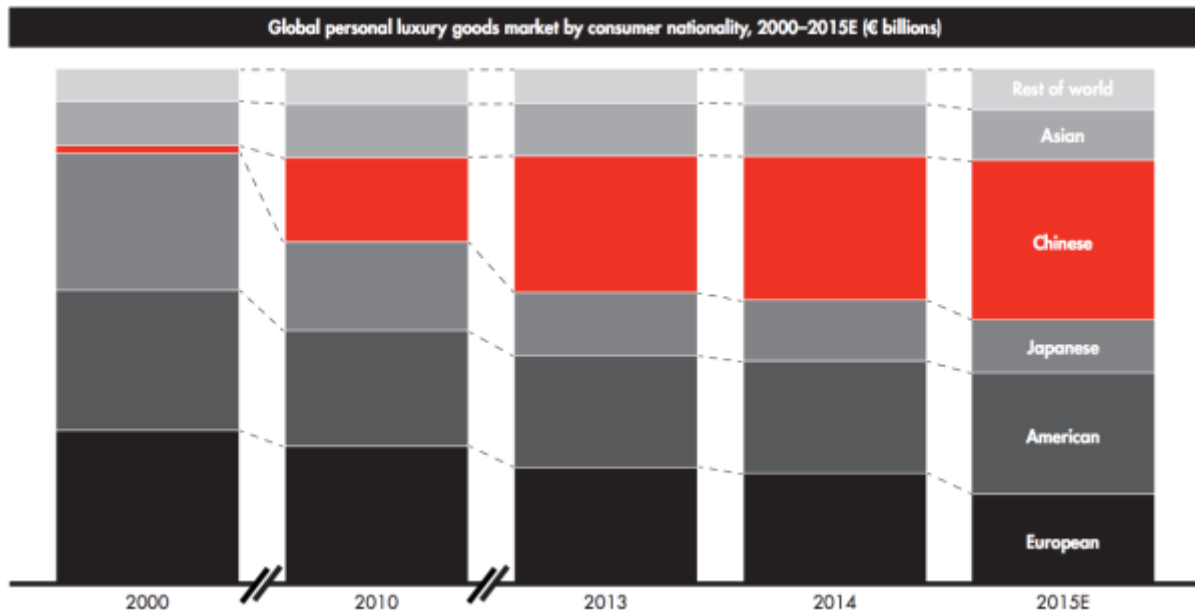


Figure 1

family. Veblen’s conspicuous consumption using China as a model shows that wealth is not important as showing prestige and fulfilling one’s needs through certain goods and services that are offered by famous brands.

However, conspicuous consumption through luxury goods and services in China has long been part of China even before its temporary disappearance during Mao’s reign in the mid 20<sup>th</sup> century. The period of Mao’s reign stood out for the aberration of conspicuous consumption in Chinese history. Despite its removal as not fitting the CCP’s goals, conspicuous consumption can be traced to as early as the Ming dynasty (1368-1644), where early stories such as *The Golden Lotus* portrayed the lavish lifestyle, “consumption, of food and drink, of commercialized

entertainment and sexual services, of fine clothes and expensive furnishings...”<sup>103</sup> In addition, Emperor Daoguang during the Qing dynasty in the 19<sup>th</sup> century displayed his conspicuous consumption of opium in addition to the eunuchs that served him in the Beijing court. Emperor Daoguang enjoyed smoking opium which was displayed in his proficiency of smoking and the writing of poems about opium.<sup>104</sup> His habit of smoking made eunuchs greatly skilled smokers as well, and consequently presented their class distinctions through the use of opium smoking. Since smoking opium was used by emperor Daoguang, eunuchs effectively used opium to heighten their social status.

Modern day Chinese people thus effectively use their luxury goods and consumption habits to demonstrate their position within society, just as much as their ancestors might have done in the past. Consumption, especially of the luxury type, is their principle means of constructing self-identity and seeking social recognition.<sup>105</sup> Luxury, is a dynamic label that has changed over time in China. As briefly discussed in Chapter 2, the people of Shenzhen in the late 1980s widely started purchasing color television sets and electric fans, as they thought of those goods as luxury items. During the 1990s, luxury shifted towards owning a refrigerator. The refrigerator signified affluence and “knowledge of what was worthy of owning.”<sup>106</sup> Refrigerators were prominently flaunted at the center of the household in a display of wealth since it was an iconic piece of technology to have and thus, made Chinese citizens invest large

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<sup>103</sup> Craig Clunas, *Superfluous Things: Material Culture and Social Status in Early Modern China* (Urbana, Ill.: University of Illinois Press, 1991), 156.

<sup>104</sup> Yangwen Zheng, *The Social Life of Opium in China* (Cambridge, UK ; New York: Cambridge University Press, 2005), 57.

<sup>105</sup> Cheng Li, ed., *China's Emerging Middle Class: Beyond Economic Transformation* (Washington, D.C: Brookings Institution Press, 2010), 94.

<sup>106</sup> Yu, *Consumption in China*, 65.

parts of their income in order to purchase one. In 1986, only 18 out of every 100 households in Shenzhen owned a refrigerator. By 1990, this number had increased to 70 out of every 100.<sup>107</sup>

Goods and services play such an impactful role within the minds of many Chinese, which is evident at the turn of the millennia.

Luxury fashion labels initially to appear in China in the early 1990s, but started to gain traction during the late 1990s and early 2000s. Large European fashion houses such as Louis Vuitton, Burberry, Gucci, Coach and Prada slowly began to emerge store by store starting from the Chinese capital, Beijing. These brands are widely sought after by Chinese citizens, as they are expensive and can be used or worn in a public setting to boast their newest purchases. Early anecdotes of conspicuous consumption were men leaving designer labels on their suit sleeves to be seen by others and reusing luxury branded plastic bags from their purchase to carry other goods instead to pretend as they have been shopping.<sup>108</sup> This goes to show that the Chinese placed importance not just on owning these goods, but making sure people knew about their consumption habits by showboating about newly acquired branded goods.

While usually only the richest of the rich in China could afford luxury handbags and clothes, it still affected other consumers. Other up-and-coming urban middle class citizens observing the nouveau riche in public spaces such as shopping malls and online spaces such as social media tend to have a trickle-down effect from the rich. The urban middle class spend large portions of their income on these goods. A study conducted by McKinsey showed that Chinese individuals earning an income of roughly \$36,500 has the same purchasing power as

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<sup>107</sup> Elisabeth Croll, *China's New Consumers: Social Development and Domestic Demand* (Routledge, 2006), 37–38.

<sup>108</sup> Yu, *Consumption in China*, 65–66.

Americans with income levels of \$100,000 or higher.<sup>109</sup> Thus, they are willing to spend a larger proportion of their income on luxury and in serious cases, will spend their life savings on a luxury. In addition to being top spenders, Chinese consumers within the 20-29 age range typically “save less, spend more on entertainment, and often shop online. They also pursue value and quality rather than low prices.”<sup>110</sup> This age group therefore are quite easily influenced by new trends and observation. Veblen states, “where leisure and consumption is performed vicariously by henchmen and retainers, imputation of the resulting repute to the patron is effected by their residing near his person so that it may be plain to all men from what source they draw.”<sup>111</sup> By drawing on their observations of individuals in a higher social class, the aspiring rich are learning to buy these luxury goods and using this tool as a symbolizer of status and wealth. Not only are their consumption habits changing, it is also resulting in changes of lifestyle. The lifestyles of many are adapting to changes in their shopping habits which further induces the need to spend. With a wide range of available products made in today’s China, many are finding their own hobbies and interests with a certain amount of autonomy, which would not have been possible only less than 30 years ago. Being able to forgo different interests has made many citizens feel liberated through new practices and leisure not seen before by this generation. This goes back to Schor and Holt’s idea of consumption as a

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<sup>109</sup> Yuval Atsmon and Vinay Dixit, “Understanding China’s Wealthy | McKinsey & Company,” accessed January 25, 2017, <http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/understanding-chinas-wealthy>.

<sup>110</sup> “Understanding Chinese Consumers – China Business Review,” accessed January 25, 2017, <https://www.chinabusinessreview.com/understanding-chinese-consumers/>.

<sup>111</sup> Veblen, *The Theory of the Leisure Class*, 55.

liberating act. This is certainly true for Chinese consumers; being able to consume and evaluate different products to fit their lifestyles and needs as a way to feel liberated in society.

But where do Chinese consumers get new ideas of consumption from? These consumers are finding their answers through ideas of modernity from Western television shows and movies in addition to post-industrial Asian countries such as South Korea, Japan and Taiwan. Inspired by watching television shows, the Chinese are creating social distinctions through the incorporation of themes from these shows. For example, *Downton Abbey*, a British drama series about the life of a noble family, is watched by an estimated 160 million Chinese people, making it one of the most viewed television programs in China.<sup>112</sup> Inspired by the television show, many of the wealthy are looking to act with British propriety, through the hiring of butlers. This, along with the 400 billionaires in China, who more likely than not watch this show, has started a huge demand in butler services according to The International Butler Academy China in Chengdu.<sup>113</sup> Not only is this a consumption of service, it is creating a social distinction through the depiction of their own 'good taste' and notions of class, which often than not do not usually represent stratifications of social class within Chinese society. Similar television shows such as *Gossip Girl* is heavily watched by teenage girls in China, in order to gain insight on the practices of the teenagers in the show as well as dressing and acting the same

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<sup>112</sup> Mark Sweney and Jonathan Kaiman, "Chinese Viewers in Their Millions Captivated by Western Television Hits," *The Guardian*, November 1, 2014, sec. World news, <https://www.theguardian.com/world/2014/nov/02/chinese-viewers-captivated-by-western-tv-hits>.

<sup>113</sup> Chris Buckley and Karoline Kan, "Rich Chinese, Inspired by 'Downton,' Fuel Demand for Butlers," *The New York Times*, January 14, 2017, <https://www.nytimes.com/2017/01/14/world/asia/rich-chinese-inspired-by-downton-fuel-demand-for-butlers.html>.

way they do too. Actresses in the show are shown wearing famous designer dresses and handbags such as Chanel, Prada and Stella McCartney.<sup>114</sup> Not only do trends of fashion arise from teenage viewers of the show, but also leads to acts of conspicuous consumption. Wanting to be portrayed like their idols, teenage girls are looking to purchase these expensive dresses so that they feel the experience of owning a dress and displaying their wealth, or what little wealth they have left to buy a designer dress.

Internet and social media also have been creating new ideas of consumption for many Chinese. Forums and microblogs of social circles influence each other on purchases and boast of their new purchases or where to find the latest trends. Microblogging websites allow users to share experiences with one another such as bragging about their new handbag or dress. Furthermore, it allows for users to talk about their interests and provide information in a quick and concise manner. Chinese teenagers “seek out companionship in their consumer journeys. They also seek to share events, whether big or small, in order for the event to feel satisfying.”<sup>115</sup> This practice of reaching out to friends allows individuals to justify their purchases and to feel a sense of community, as if their peers were standing next to them while purchasing the goods. Therefore, consumption not only is about one’s self buying, but also participating with peers so that they feel included.

Moreover, these microblogging services such as Weibo and WeChat, also known in China as Weixin, also include accounts from luxury fashion brands. Luxury fashion brands are

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<sup>114</sup> “Conspicuous Consumption of Luxuries on the Rise | Industries | Chinadaily.com.cn,” accessed January 28, 2017, [http://www.chinadaily.com.cn/bizchina/2011-12/26/content\\_14327078.htm](http://www.chinadaily.com.cn/bizchina/2011-12/26/content_14327078.htm).

<sup>115</sup> Yu, *Consumption in China*, 57.



looking to grow their online presence in China, where a growing number of sales are happening online. Current distribution trends depict large growth within online shopping channels. E-commerce in China in 2015 has doubled its growth since 2012.<sup>116</sup> This growth has created more presence of online fashion trends and fashion labels reaching out to their consumers.

Consumers can find information regarding their potential purposes through microblogging channels and allow brands to control their selling environment within the online ecosystem.

Lately, brands are pushing aggressively to find new consumers through the use of famous actors to gain a wider viewership of their microblog in hopes to attract new buyers. Burberry, the famed luxury fashion house from London, used Wu Yifan, a Chinese singer turned actor, in their 2016 fall menswear fashion show in order to showcase their new collection. Wu Yifan also shared his experiences with Burberry on his own Weibo prompting many fans to view his post.<sup>117</sup> Using famous actors and singers, luxury brands hope to expand their viewer base but also, subliminally message that Burberry is worn by trendsetters and thus influence other buyers to buy onto this created craze as well.

Other trends of conspicuous consumption are the purchasing of luxury automobiles, which include the likes of Mercedes-Benz, Audi and BMW. China currently holds the crown for the biggest automotive market in the world, and is currently second in the premium automotive market, soon to displace The United States in first by 2020.<sup>118</sup> The Chinese “older

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<sup>116</sup> D’Arpizio et al., “Luxury Goods Worldwide Market Study,” 2.

<sup>117</sup> Janelle Okwodu, “Zayn Who? Meet Kris Wu, the Former Boy Band Superstar Member Who Took Burberry’s Runway by Storm,” *Vogue*, January 11, 2016, <http://www.vogue.com/13386542/exo-kris-wu-burberry-runway/>.

<sup>118</sup> Sha Sha, Theodore Huang, and Erwin Gabardi, “Upward Mobility: The Future of China’s Premium Car Market” (McKinsey & Company, March 2013), 4, <http://www.mckinsey.com/~media/McKinsey/Industries/Automotive%20and%20Assembl>

generation of premium car owners purchased vehicles mainly to reflect their social status, but the increasingly sophisticated new generation of buyers is expressing other reasons for buying premium autos.”<sup>119</sup> Not only does the new generation of buyers care about their social status, but they also care about how their cars look in comparison to their peers and using cars as an extension of their leisure lifestyle. For instance, a 21-year-old, young aspiring Chinese woman had high hopes of buying a Jeep to express herself. She states, “I like traveling because it enables me to see beautiful scenes and weird and strange things on the road. I want to be surprised. For me, the Jeep Wrangler represents freedom and passion. That is what I am pursuing in my life. I will drive it to the mountains, to the grassland and to the desert. My Jeep will drive me to freedom.”<sup>120</sup> Not only is it about the acquiring of wealth and the quality of products the new generation of Chinese seek to purchase, but it is how these products such as cars, can give their own life meaning. This is largely a result of conspicuous consumption being at the center of their life decisions. In this case, the Jeep’s functionality of being able to go off-roading is far less important than its symbolic meaning of off-roading being able to travel where most people would never go with their cars, which demonstrates freedom.

Many of the new ideas of consumption in China have branched out from Western ideas, fused with the Chinese’s own perceptions of consumption to increase social mobility. Furthermore, widespread internet usage of the new generation has led to faster spread of trends of luxury goods and services, diffusing across larger populations than other methods

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y/Our%20Insights/Upward%20mobility%20The%20future%20of%20Chinas%20premium%20car%20market/Upward%20mobility%20The%20future%20of%20Chinas%20premium%20car%20market.ashxplTg&bvm=bv.145063293,d.amc.

<sup>119</sup> Ibid.

<sup>120</sup> Yu, *Consumption in China*, 93–94.

previously. Conspicuous consumption to portray a leisurely lifestyle in modern day China has become largely apparent in today's social climate and large purchases of luxury goods that many companies around that world are now looking towards China as the first destination of business. Pleasing Chinese palates is essential for foreign companies as they look to expand into new Chinese trends by marketing and advertising their products with the Chinese in mind. The changing demographics of goods and services requires many of these companies to transform advertising and marketing techniques as they look to capture portions of the market share in China.

## **Chapter Four - Influences of Advertising on Chinese Citizens**

What appeals to Chinese consumers not only are how the consumers perceive each product, but more importantly, how the products are marketed and advertised to Chinese consumers. Marketing and advertising are important business sectors for every company moving into China because they can significantly increase sales and how their products are perceived in the general public. Recently, many companies are turning their vision and products with Chinese consumers in mind, changing their ways from a Western-marketed world for several decades. Moreover, these advertisements are attempting to convince Chinese consumers into a Western lifestyle to suit the products they are presenting. This new marketing vision can be found on luxury products as well as advertisements on billboards and curated magazines. By looking at product placement, ideas of marketing, and theoretical frameworks of advertising, assessing these strategies will help judge the impact on how large China is becoming a consumer society.

It is crucial for corporations and marketers to rapidly expand into China as previously stated in Chapter Four, since China is the largest luxury market in the world currently. As rapid economic development and large disposable income become apparent in modern day China, advertising products is an important step to take in order to introducing the product into the market and focus on new consumers in mind. Cultural values along with styles of communication are important factors when considering to advertise as different countries have different cultural values. Specialized advertisements done for the same product are needed to

better focus on values of locals. In a study done by Mueller, she compared advertising content between the United States and Japan. Different advertising structures and techniques must be used for different countries. In addition, advertising tend to reflect values of culture and the consumption ethics of these respective places.<sup>121</sup>

In addition, marketers with these techniques, use these communication methods to

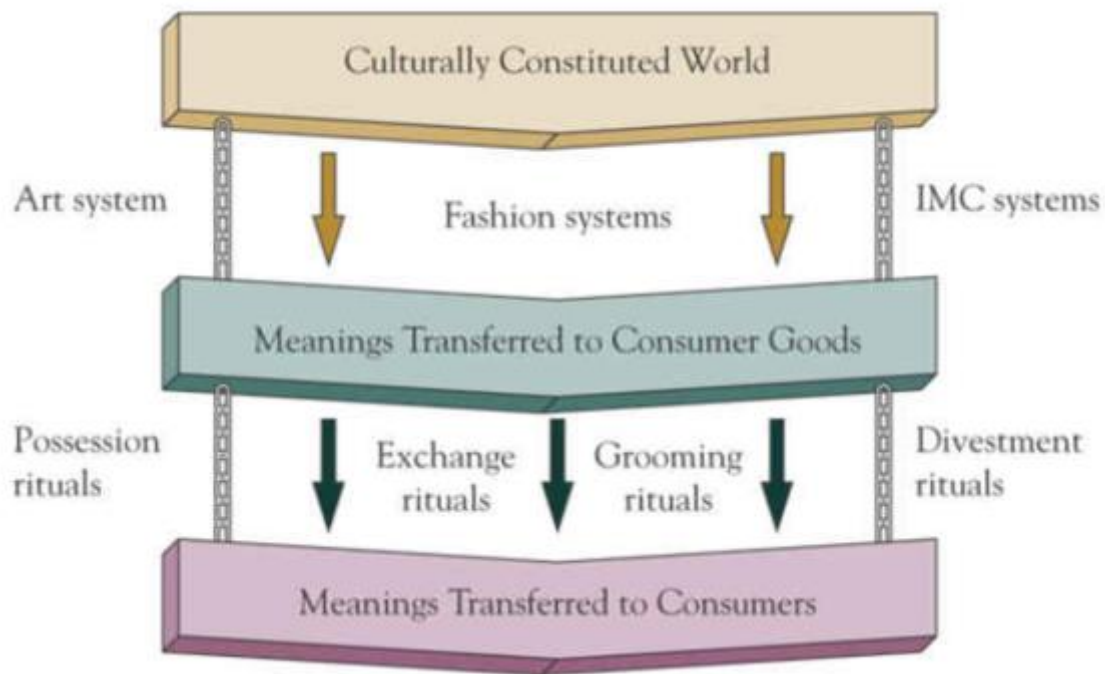


Figure 2

instill cultural meanings into consumption objects through marketing communications (shown in Figure 2).<sup>122</sup> The meaning transfer model as seen in Figure 2 shows how meanings can be transferred into consumer goods. The culturally constituted world are the categories and

<sup>121</sup> Barbara Mueller, "Reflections of Culture: An Analysis of Japanese and American Advertising Appeals.," August 1986, 5, <https://eric.ed.gov/?id=ED271776>.

<sup>122</sup> Eric J. Arnould, Linda L. Price, and George M. Zinkhan, *Consumers*, 2nd ed, McGraw-Hill/Irwin Series in Marketing (Boston: McGraw-Hill/Irwin, 2004), 134.

principles that define our cultures such as class, age, gender and values. Thus, the meaning transfer model have large impacts on cultural meaning on individuals through advertising, fashion and retail of consumer goods. When culture is effectively transferred onto the consumer goods and conveyed to the consumer, it can give meaning to the costumers looking to purchase these goods and give the consumer goods a more engaging prospect.

Advertising formats done through newspapers and magazines have also changed, showing more product and less text. In *Social Communication in Advertising* by William Leiss, the author states, “contemporary ads contain nothing more than a brand name, a slogan, and a few explanatory words – demonstrating a crucial change in the way advertising ideas are expressed... Textual information has been condensed, its actual content of emphasis changed, and the qualities and function of language transformed.”<sup>123</sup> These visuals target and focus a viewer’s gaze and importance on the product shown in the advertisement rather than dull descriptions. Dramatization of a product can lead to giving a product a larger-than-life quality to it, an additional practice marketers use to create lust within consumers. As mentioned in the previous paragraph in the meaning transfer model, advertisements also aim to transfer cultural values into images while keeping their advertisements competitive to other products. Quoting Leiss, “Characteristics are distributed and redistributed across previously distinct categories of needs, experiences, and objects.”<sup>124</sup> Transferring not only culture, but discrete product experiences and visuals further enhances advertisements and the product themselves to newer heights for the consumer.

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<sup>123</sup> William Leiss, Stephen Kline, and Sut Jhally, *Social Communication in Advertising: Persons, Products, & Images of Well-Being* (Toronto: Methuen, 1986), 180.

<sup>124</sup> *Ibid.*, 60.

In her book, *Born to Buy*, Juliet B. Schor pinpoints to new advertising techniques to disguise advertisements in a familiar setting. Schor states, “The origin of what are termed ‘under-the-radar’ practices is called product placement, in which companies pay to have their products included in media programming.”<sup>125</sup> Product placement is most frequently seen in popular movies and television shows with large audiences. This method of advertising is more subtle than regular advertising but can be just as powerful, seeing a famous actor holding a product during an important scene can have huge effect on audiences and their opinions on that product, which may or may not affect their decision on buying it later. Corporations are more willing to spend on product placement advertising than regular commercials or billboards because it provides much larger viewership numbers. Increased viewership can certainly create prestige for a product through building awareness to viewers.

One method that marketers do to appeal to the Chinese palate is to put cultural symbols on their product. Chinese New Year, also known as the Spring Festival, is celebrated throughout China during the new moon of late January or early February. As it is a special time of the year for many Chinese, it is a custom to buy new clothes during this time because it symbolizes a new start for the new year. This busy time of year in China leads to large spending by all classes of society. A study conducted by Bloomberg assessed that during the New Year holiday period, Chinese consumers spent a total of nearly \$100 billion dollars (610.7 billion yuan).<sup>126</sup> This large spending period makes for a bigger incentive for fashion retail company

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<sup>125</sup> Juliet B. Schor, *Born to Buy: The Commercialized Child and the New Consumer Culture*, Reprint edition (New York: Scribner, 2005), 78.

<sup>126</sup> Rina Chandran, “Thanksgiving Celebrations Have Nothing on Chinese New Year,” *Bloomberg.com*, February 17, 2015, <https://www.bloomberg.com/news/articles/2015-02-17/thanksgiving-has-nothing-on-the-chinese-new-year-three-charts>.

marketers to showcase new products during this time. Therefore, clothing companies will often stylize their clothes to fit with the Chinese zodiac of that year. For example, as 2016 was the



Figure 3. 1



Figure 3. 2

year of the monkey, Prada, the famous Italian fashion house, embroidered monkey insignia and patterns on accessories for their Chinese New Year capsule collection (Figure 3.1 & Figure



3.2).<sup>127</sup> This is a direct sales strategy to entice and focus on only Chinese buyers during this period of the year. Especially if one's zodiac sign is the monkey, it makes these accessories a pretty obvious purchase for those seeking for Chinese New Year goods and to display their wealth. For Prada to create such luxurious Chinese New Year accessories portrays that there is a demand for these certain types of products in China. Transferring cultural values into consumer goods as shown here with Prada accessories has become a go-to method for many brands, not just luxury fashion.

Most recently, Adidas, the German sportswear retailer, has grown rapidly in China as the country accounts for up to 15% of global revenue and beaten out sales growth by other sportswear companies such as Nike.<sup>128</sup> Their large sales growth can be attributed to designing more modern silhouettes, incorporating innovative technology within their products while also sponsoring and partnering with famous individuals like rapper Kanye West and soccer superstar Paul Pogba.<sup>129</sup> Moreover Adidas too, has begun putting cultural value into their products, namely sneakers for their Chinese New Year collection. For 2017, Adidas created numerous sneakers within the aesthetics of Chinese New Year such as the color red, which represents good fortune, and adding materials to imitate feathers, to mimic the rooster, which is the Chinese zodiac for 2017. These shoes are additionally embroidered with a signature rooster on

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<sup>127</sup> Rachel Waldman, "Ring In the Chinese New Year in Prada! The New Monkey-Mania Capsule Collection," *Vogue*, accessed February 9, 2017, <http://www.vogue.com/article/prada-collection-chinese-new-year-monkey>.

<sup>128</sup> Bruce Einhorn, "China's Wealthy Switch to Nike and Adidas for Inconspicuous Consumption," *Bloomberg.com*, June 14, 2016, <https://www.bloomberg.com/news/articles/2016-06-14/nike-adidas-replace-big-name-luxury-as-china-goes-casual>.

<sup>129</sup> John Kell, "Why Adidas Is Outperforming Nike, Under Armour," *Fortune*, accessed February 15, 2017, <http://fortune.com/2016/08/04/adidas-outperforming-nike-ua/>.

the heel to further show the exclusivity of these sneakers.<sup>130</sup> These companies such as Prada and Adidas are not only using the opportunity of Chinese New Year, but also the opportunity of the burgeoning consumer class as mentioned in Chapter Four, hoping that many Chinese individuals will be looking to assert their social status through the purchasing of high-end or special products. This opportunity creates a large push towards aggressive marketing by companies, whether these cultural values are depicted correctly or not.

However, using the technique of adding cultural value through Chinese zodiacs is not without its flaws. Influential micro-bloggers such as a user who goes by the alias of Mr. Bags (*Bao xiansheng*), often review expensive luxury goods for the average consumer. Noted and mentioned by Mr. Bags, many famous fashion brands have misrepresented Chinese culture in their designs for 2017.<sup>131</sup> In his blogpost, Mr. Bags mentions a scarf designed by Etro that depicts a phoenix, instead of a rooster to symbolize the Chinese zodiac. He commented that maybe the designers at Etro could not tell apart the differences between a phoenix and a rooster due to cultural differences and the lack of research. Although this “misrepresentation” of culture can give leeway to artistic license by skewing how a rooster looks in someone else’s eyes, the identity of Chinese New Year and the zodiacs are lost. Even though culture is a dynamic concept, there still is a core of accepted traditions that remain part of one’s identity. The blending of culture and identity creates for something iconic. For example, the Nike swoosh symbolizes an identity of athleticism but also culturally bound to consumption via media

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<sup>130</sup> Marcus Cho, “Adidas Originals Celebrates the Year of the Rooster With Exclusive Footwear Pack,” *Highsnobiety*, February 10, 2017, <http://www.highsnobiety.com/2017/02/09/adidas-originals-year-of-the-rooster-pack/>.

<sup>131</sup> “鸡年要到了！奢侈品牌们都发大招了！ - 包先生 - 微读吧,” accessed February 27, 2017, <http://www.weidu8.net/wx/1006148143273419>.

representations, which make the Nike brand so recognizable. Maybe this was also Etro's idea of culture transfer that ended up unsuccessful. This mistake has been harshly criticized by many fans on his WeChat page. Having graduated from Columbia University and having 2.7 million followers, Mr. Bags has a strong reputation for everything fashion related in China.<sup>132</sup> Individuals who have strong presence on Chinese micro-blogging websites have massive influence over their followers, as in this case, showcasing new designer goods to a wide range audience for advice and to educate them to these products. Etro's mistake seemed like a costly mistake to make that was picked up by this famous micro-blogger.



Figure 4

Not just fashion is targeted by marketers, but a whole range of consumer products that are not usually consumed within China such as wine. Very recently, wine has become a powerful status symbol regarded by the rich in China. The sheer purchasing power of the

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<sup>132</sup> Bags 包先生, "Bags 包先生的微博\_微博," accessed February 28, 2017, [http://weibo.com/bagszhuyejunlt?is\\_hot=1](http://weibo.com/bagszhuyejunlt?is_hot=1).

wealthy Chinese has put many Bordeaux wines, regarded as one the best wines in the world from vineyards such as Chateau Lafite-Rothschild and Chateau Margaux, as sought-after products. By 2009, Bordeaux wine had grown an average of 1000% by price on the market.<sup>133</sup> This status symbol for wealthy Chinese individuals meant that wineries began to lure Chinese buyers as their main consumers, rather than Westerners for the first time in 2011. Chateau Lafite-Rothschild, for its 2008 vintage wine, decided to ornament their wine bottle with the Chinese character that signifies the number eight, shown in Figure 4.<sup>134</sup> Chateau Lafite's clever use of the number eight along with the red font clearly signifies Chinese cultural values. The number eight in Chinese (八), phonetically read as *ba*, has a similar pronunciation to that of *fa* (发), which means prosperity. This auspicious number has a special place for many Chinese individuals as evident during the 2008 Olympics that were held in Beijing. The opening ceremony of the games was held on August 8, 2008 at 8:00 P.M. In a culture where numerology has managed to create such an importance to everyday life, Chateau Lafite managed to create significant publicity in the wine drinking world in China just by using the number eight on a wine bottle to make themselves the premier wine brand in the world. Being so sought after in the Chinese market, cases (1 case = 12 bottles) of 2008 Lafite had been sold for nearly \$19,000.<sup>135</sup>

In addition to products with cultural values that have been transferred onto them, marketers are doing the same with advertisements as well. As seen in Western print media, many brands attempt to get on the front page of coveted and curated magazines such as Elle,

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<sup>133</sup> David Roach and Warwick Ross, *Red Obsession*, Documentary, History, News, (2014).

<sup>134</sup> Jason Chow, "Lafite's Red '8'," *WSJ*, November 1, 2010, <http://blogs.wsj.com/scene/2010/11/01/lafites-red-8/>.

<sup>135</sup> Roach and Ross, *Red Obsession*.

Vogue and GQ along with famous actors or models to create brand identity: how fashion brands want to be perceived by the public. Marketers use similar advertisement structures in China as they do in Western countries to depict their products through coveted magazines. Big name magazines such as Vogue have made their way into China that focus on fashion and lifestyle content. These magazines use specific advertisement layouts to capture an audience’s attention as well as the use of subtle product experience messages to heighten products to extraordinary levels as explained by Leiss. The main advertising format used by many marketers



Figure 5

is the personalized format. This advertisement style, aims at establishing rapport with the viewer through personalization. “In personalized ads people are explicitly and directly interpreted in their relationship to the world of the product.”<sup>136</sup> Take for example, Figure 5

<sup>136</sup> Leiss, Kline, and Jhally, *Social Communication in Advertising*, 194.

presents an advertisement from Rolex within Vogue China magazine.<sup>137</sup> Rolex, known for their luxury watches that advertise accomplishment through owning their watches, is known for their slogan: “A Crown for Every Achievement.” Rolex has partnered with Garbiñe Muguruza to create a personalized format advertisement in order to create a personal attachment to a Rolex watch for their customers. A previous grand slam winner in Muguruza, Rolex uses her image in the advertisement to portray success. In the advertisement, Muguruza states, “you must be strong and continue to fight. Ultimately, your efforts will be rewarded.”<sup>138</sup> This message not only describes her success, but can be the message can be transferred to the consumers: to keep striving, because one day, you will own a Rolex just like I do. This association that the advertisement is trying to create gives consumers a personal relationship with the advertisement, which in turn makes consumers engage more into the product.



Figure 6

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<sup>137</sup> “Rolex Advertisement,” *Vogue Magazine*, February 2017.

<sup>138</sup> *Ibid.*

Furthermore, dramatization of products to make them look larger-than-life is another technique used by marketers to make their product stand out in the crowd. This perfume advertisement by Tom Ford uses these exact same techniques to dramatize their perfume (Figure 6).<sup>139</sup> With no product description other than the brand and the product name, consumers only have the dramatization of black smoke, model and perfume to focus on. The gold and black bottled perfume puts strong emphasis on the bottle of perfume. The advertisement additionally places associations with its perfume that its scent is strong, resulting in a thick black smoke to whomever that uses it. This dramatization enhances the viewing experiences for consumers, giving consumers the imagination that could further their everyday life just by buying this product. The sense that a product could improve one's life definitely contributes to the feeling of heightened social status through conspicuous consumption of consumer goods. Western advertisements additionally differentiate consumers as Western products presents an aura of a higher quality, and those who buy these products have better 'taste'. As mentioned previously in Chapter Three, good 'taste' provide notions of a higher social status. Thus, everyone looking to join the large market share in China have consequently begun pushing Westernized advertising to magazines and billboards to get as much attention as possible.

More recently, local and foreign companies have been pushing towards using product placement within movies and television shows to expand viewership as well as placing their products in a realistic setting, that are being used by famous actors. Due to the opening of the country, product placement increased exposure for Chinese individuals to foreign brands as

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<sup>139</sup> "Tom Ford Black Orchid," *Vogue Magazine*, February 2017.

well as the changing media landscape.<sup>140</sup> Although different techniques are used to represent different cultures and their reactions to product placement, Hollywood films can have a much more difficult time doing this, and thus Hollywood films tend to stick to a specific region or country that they hope they will profit from the most. Many of new action films produced in America are now aiming their eyes for the Chinese viewer, as it is the biggest box office market outside of North America with \$6.8 billion in sales for 2015 (Table 3).<sup>141</sup> China’s large box office, which is equal to United Kingdom, Japan, India and South Korean markets combined, makes it influential for film producing companies to produce films with the Chinese in mind. One movie

Table 3: 2015 Top 5 International Box Office Markets – All Films (in Billions)

	Country	Total Box Office (in \$)
1	China	6.8
2	United Kingdom	1.9
3	Japan	1.8
4	India	1.6
5	South Korea	1.5

<sup>140</sup> Jian Wang, “Four Hundred Million to More than One Billion Consumers: A Brief History of the Foreign Advertising Industry in China,” *International Journal of Advertising*, 1997, 16.

<sup>141</sup> MPAA, “Theatrical Market Statistics - 2015,” December 31, 2015, [http://www.mpa.org/wp-content/uploads/2016/04/MPAA-Theatrical-Market-Statistics-2015\\_Final.pdf](http://www.mpa.org/wp-content/uploads/2016/04/MPAA-Theatrical-Market-Statistics-2015_Final.pdf).



that does this is *Transformers: Age of Extinction*. After its release, it became the highest grossest film in China at the time with \$222.74 million in sales in less than two weeks.<sup>142</sup> This film highlights the height of product placement that fit in with Chinese culture. Not only was the film shot in China, it was produced jointly with a Chinese production company and additionally stars famous Chinese actors such as Li Bing Bing and Han Geng, both famous singers within China. Furthermore, Chinese products are placed throughout the film with their favorite Chinese singers either holding or using Chinese products, as one user on Weibo commented, “I went to watch Han Geng.”<sup>143</sup> Throughout the film, there is extreme usage of product placement from Chinese brands. These brands include *Jian Nan Chun* (a Chinese spirit), China Construction Bank and *Yili* milk company. These brands not only received immense exposure to both Chinese and foreign viewers, it gave these products a sense of prestige, since it had made its way to the international stage.

These styles of marketing and advertising have been absorbed by the Chinese market and into a country where consumerism plays an important role within society, something that has not happened since the days of Shanghai’s golden age in the early to mid 20<sup>th</sup> century. Along with larger disposable income and the help of microblogging websites, Chinese consumers are becoming more inter-connected, knowledgeable about products but also can be easily swayed in a group if the advertisement is depicted well. Thus, being the largest e-

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<sup>142</sup> “How Transformers 4 Became the No. 1 Film in Chinese History,” *Time*, accessed March 6, 2017, <http://time.com/2965333/how-transformers-4-became-the-number-one-film-in-chinese-history/>.

<sup>143</sup> Julie Makinen, “‘Transformers’ Breaks Box-Office Records in China,” *Los Angeles Times*, June 30, 2014, <http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-transformers-in-china-20140630-story.html>.

commerce space as well as luxury space in the world, it is no wonder that advertising plays a massive role in attracting old and new customers to yearn for consumer goods.

## Conclusion

Rapid growth, privatization and commercialization of China have had a stunning impact on how Chinese citizens view and comprehend consumer trends through influence from friends, family and advertising. In the world of technology that we live in and how fast old technology is becoming obsolete, these trends are fast-changing just like technology. As microblogging websites, movies, television shows and advertisements become more prominent in everyday life, Chinese citizens are becoming more immersed into Western ideology with a hint of Chinese uniqueness to it. Western media has adapted to the Chinese consumer to appear 'Western' rather than 'local' even though the opposite is truer due to cultural differences that can depict Western ideology to be confusing. Although trends and ideas may not play out the same way they do in China than in Western countries, these ideas are rebroadcasted into something totally new that many Western companies cannot predict. Thus, products and advertising have been created with Chinese people in mind in order to grasp such a large proportion of the market. As more Chinese household incomes increase and many break out of the lower classes, these people will be increasingly globally minded as the world becomes more connected. China's burgeoning middle class will have a massive sway on the world's economy just from their purchasing power. McKinsey reports that 75% of China's urban consumers will earn between \$9,000 to \$34,000 a year by 2020, an increase from only 4% in

2000.<sup>144</sup> As we have seen from the previous chapters, Chinese individuals are willing to spend significant amounts of money on well-known fashion goods to differentiate and assimilate themselves into a perceived higher social status. Armed with social media and internet sources, many Chinese are gradually adopting a more global-minded perspective, which is effecting the global market in retail and e-commerce.

As this paper has shown, companies are starting to take Chinese ideology into serious consideration when marketing their products. We, too, should also pay attention to this trend of Chinese influence on the global world. Have your parents ever told you to study Chinese because they thought that China would one day become relevant? They were right. As the world's second largest economy and biggest e-commerce country, we need to pay attention to this growth China is experiencing. China's recent capitalist notions in the post-reform period have grown consumerism dramatically in a couple of decades, catching up to the biggest consumer country, in the United States.

As China's consumer society becomes larger and larger, many companies will start to shift their focus to this booming economy and market their products elsewhere. We are already starting to see this in the fashion industry as large retailers are creating products just for the Chinese market. Automobile manufacturers are creating long wheelbase models of American production vehicles in order to provide more legroom for Chinese consumers since more legroom symbolizes more wealth.<sup>145</sup> Even in the film industry we are seeing growth into China. Alibaba has expanded their business as Alibaba Pictures to invest in movies that are made for

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<sup>144</sup> Barton, Chen, and Jin, "Mapping China's Middle Class | McKinsey & Company."

<sup>145</sup> Xiang Zhang, "Longer Cars Demanded by Chinese," January 11, 2001, [http://news.xinhuanet.com/english/2010-01/11/content\\_12789057.htm](http://news.xinhuanet.com/english/2010-01/11/content_12789057.htm).

Chinese viewers in mind with movies like *Mission: Impossible* and *Teenage Mutant Ninja Turtles* in addition to the state-owned China Film Group Corporation (*zhongguo dianying jituan gongsi*) that will be releasing a joint Hollywood film called *The Great Wall* in early 2017 that is being directed by a Chinese director.<sup>146</sup> These are just some examples of the shift that many of us are seeing. China today is experiencing influences that have turned it into a melting pot of ideas. With consumerism, conspicuous consumption and traditional Chinese values, these ideas are being mixed to create totally new forms of expressions and changing cultural values that we see in urban Chinese consumers. This paradigm shift from Western countries to Asia and China play a significant role in the years to come during the 21<sup>st</sup> century.

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<sup>146</sup> Amy Qin, “‘Great Wall’ Producer on What Hollywood and China Can Teach Each Other,” *The New York Times*, December 21, 2016, <https://www.nytimes.com/2016/12/21/world/asia/china-great-wall-movie.html>.

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