

Viewed from a marketing perspective, the rise of China's middle class presents a business puzzle to be figured out and acted on.

Power to the people

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But for China's single-party state its rise raises vexing political questions.

This is the group which, after all, falls into ever higher tax brackets and which will be called on to pay the bills, whether they like what the government does with their money or not.

Educated, increasingly well-traveled and Internet-equipped, China's middle class already has a pretty good idea how unpopular policies are sorted out in other economies - through periodic elections, in which the government espousing them is thrown out of office and replaced by a new government perceived to be more attuned to what the majority of people want. But in China elections have barely moved to township level.

Robert Broadfoot, managing director of Hong Kong's Political and Economic Risk Consultancy, picks out an issue that should easily fire up taxpayers: misappropriations of public money, or misappropriations as he sees it anyway. "The biggest mistake China is making today is the destruction of its assets by investing bank deposits into inefficient state-owned enterprises [SOEs]," he says.

?This wastes the money of the middle class, and for the first time. In the past, if an SOE was in trouble, it was rescued from state coffers ? now Beijing is using bank deposits of the middle class to do it. The level of savings in China is high, but it is squandered on wasteful ventures.? And also for the first time, he says, the middle class is now paying for their housing, education and healthcare. ?Before, they lived in work-unit supplied flats. Healthcare and education were free. All this amounted to 5% of income. Now that they are paying for these things themselves, it accounts for a much greater proportion of income, and money means much more to them than it did.?

Sclerosis

Is there any prospect for decision-making to reach down to China?s taxpayers? Not in the near term, says Larry Diamond, a senior fellow at Stanford?s Hoover Institution and co-editor of the Journal of Democracy.

?The political reform process in China has largely stalled. It looked like the competitive process of elections was going to move up from the very micro level of the village to the level of the township, and up to higher levels,? he says. ?But that hasn?t happened politically and I think China has suffered from this sclerosis - and from corruption that results when there is no political competition of an institutional nature,? he says.

Diamond reckons that in the near term - perhaps two or three years - the Hu Jintao-Wen Jiabao leadership will still be ?sorting out its own internal power dynamics and hierarchy.? China?s leadership will proceed cautiously in terms of developing China?s macro political institutions. ?[Hu] remains too politically weak to launch any bold national-level political reforms, such as instituting competitive elections for political authority at the township level all over China, or separating the party from the judiciary - or really dramatically increasing the autonomy of the National People?s Congress, although that?s been happening incrementally in interesting ways.

?The middle class is going to eventually change China,? he says. ?Either the middle class gains more political voice, and China sees more competition, more space for civil society and more freedom, or it?s just going to collapse at some point.?

So what?s ahead for China in the near term?

?A fair amount of continuity with only very little change incrementally, [but] over the next 10 to 15 years ? and that may involve a presidency that succeeds Hu Jintao?s ? I think China is either going to make quite significant liberalizing political changes that at least begin the

process of democratization, and create an open and more competitive sphere in civil society in local-level politics, or I think the system will come under tremendous instability and stress," Diamond says.

Deliberative polling

One possible method of establishing democratic processes in townships nationwide just passed its test with flying colors in April - in Zeguo township's Wenling City in Zhejiang province near Shanghai. Stanford Political Science Professor James Fishkin, who doubles as director of the Center for Deliberative Democracy, tells of joining up with He Baogang, an associate professor in the University of Tasmania's School of Government, to organize China's first "deliberative" poll, which solicits people's opinion, then convenes a daylong session in which they discuss all the relevant aspects, both pro and con, of the topics under discussion - and then polls participants again to see what, once informed, they really think.

It was He who convinced Wenling officials to give the system a try - and reaction was so positive, "they want to do more deliberative polling if funding allows," He says.

Fishkin emphasizes the exercise differs from an American-style town hall meeting, which tends to be dominated by highly motivated people. The beauty of deliberative polling, he says, is that it is truly a random sampling of the community as a whole, and thus more representative of the whole.

"Do the people want particular roads, parks or sewage treatment plants? The participants weighed the merits of 30 proposed projects," Fishkin explained in a brief. "They were given carefully balanced briefing documents, participated in small group discussions with trained moderators, and brought questions developed in the small groups to two large group sessions with a panel of 12 different experts. At the end of the day, they completed the same questionnaire as the one they completed before deliberation."

The sample started with 275, 11% of them illiterate, and over 250 completed the process. Decisions leaned towards the practical - yes to sewage treatment, no to building an image park (or new square) but yes to a recreational park, yes for a new road linking the township's two main centers and no to other road projects.

Fishkin says the cadres following the progress of the poll came away impressed not only by the transparency of the exercise but by the depth of discussion and the fresh ideas that came out of it.

But the most amazing feature of this experiment in democracy (that neatly avoids competing

political parties) was that the resulting wish-list of 12 projects was taken away and passed en bloc by the local people's congress - making it the first time deliberative polling results had actually been passed into law.

Fishkin admits he was surprised that China set this precedent, given that a project started earlier in Canada's British Columbia province (involving a deliberative poll on electoral law changes) was already in train for a referendum last month. "Chinese do everything so fast!?"

What's the likelihood of deliberative polling being tried in the big cities where China's middle class lives? "I don't know," he answers, "but we may know more about that in June." A conference on deliberative polling had already been organized for the middle of this month - in Beijing.

This is a possibility," He says, adding that he had already approached one city-level official about using the deliberative technique. Right now, "[the local government] sends out questionnaires to 10,000 people to ask citizens to evaluate the performance of governmental departments, but most people have little knowledge [of them]."

Using random selection to survey 300 people using deliberative polling would not only save money but it would provide balanced information," he says.

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