

Chinese think-tank warns of growing unrest over social inequality

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An unofficial report released on June 1 by a high-level Chinese think-tank warns that social discontent with the government is widespread and growing. According to the *New York Times* of June 3, the report “describes mounting public anger over inequality, corruption and official aloofness and it paints a picture of seething unrest almost as bleak as any drawn by dissidents abroad.”

The 308-page document, copies of which were obtained by the *Times* and other western media outlets, was released by the Chinese Communist Party's powerful Central Committee Organisation Department and published by the state Central Compilation and Translation Press.

Titled “Studies of Contradictions Within the People Under New Conditions”, the report's target audience is the upper echelons of the Communist Party bureaucracy. Its stated aim, by bringing together research conducted across 11 Chinese provinces, is to alert the regime to the reasons for the unrest and to outline measures to stem it.

According to the dissident organisation, the Hong Kong Centre for Human Rights and Democracy, there were over 120,000 separate protests and demonstrations in China last year. The most publicised have involved workers laid-off from state-owned industries protesting against the lack of compensation and rural peasants opposing excessive levels of tax.

The state think-tank gives no estimate of its own on the number of protests, but an extract published by the *New York Times* declares: “In recent years, some areas have, because of poor handling and multiple other reasons, experienced rising numbers of group incidents and their scale has been expanding, frequently involving over a thousand or even ten thousand people....

“Protestors frequently seal off bridges and block roads, storm party and government offices, coercing party committees and government and there are even criminal acts such as attacking, trashing, looting and arson”.

In China's rural regions, the report cites as examples a case in which two officials were killed, another in which eight police were injured and one where a tax collector's ear was

cut off by an embittered peasant.

According to the *Times*, the report notes that protests are now “expanding from farmers and retired workers to include workers still on the job, individual business owners, decommissioned soldiers and even officials, teachers and students”. It indicts corruption among government and Communist Party bureaucrats as “the main fuse exacerbating conflicts between officials and the masses”.

The report's conclusion, however, is that the primary cause of the unrest is not corruption, in and of itself, but the burgeoning gap between rich and poor. Twenty-two years after the Chinese Communist Party officially embraced the capitalist market and opened the country to foreign investment, the report declares inequality has reached the “alarm level”.

It warns that China's entry into the World Trade Organisation (WTO) and the further opening of the economy is likely to widen the social polarisation. The report declares: “Our country's entry into the WTO may bring growing dangers and pressures, and it can be predicted that in the ensuing period the number of group incidents may jump, severely harming social stability and even disturbing the smooth implementation of reform and opening up”.

The report reflects a growing alarm at the highest levels of the Communist Party leadership over the political consequences of the increasing social inequality and tensions engendered by the development of capitalist market relations. A series of other figures highlight the gulf between rich and poor pointed to by the report.

He Qinglian, a Chinese economist critical of Beijing's policies, estimates that China's rating by the gini coefficient measure of inequality—with 0 being absolute equality and 1 being absolute inequality—had soared from 0.15 in 1978, one of the lowest in the world, to 0.59 in 1999, making China among the most unequal nations on earth.

The vast majority of the population—over one billion people—eke out a marginal existence. In key rural provinces like Anhui, Jiangxi, Hunan, Hubei and Sichuan, the peasantry has been thrown in social upheaval since the

introduction of private contracting of land in the early 1980s. Numerous households, able to afford to contract only small plots, earn less than \$250 a year, out of which they have to pay a raft of official taxes.

Millions of peasants have been forced off the land and now work as destitute wage labourers for richer peasants or in rural industries. At least 100 million, mainly younger people have abandoned rural China for the urban centres, where incomes are 2.65 times higher.

In the special economic zones where many have found employment, workers receive wages ranging from just \$30 to \$80 a month and work excessive hours in poor conditions. There were 36,990 recorded industrial disputes in Guangdong province alone during 1999—33 percent of the national total and an increase of 28 percent on the previous year. While rural migrants flock to the east coast provinces, in the old industrial north-east provinces unemployment is between 15 to 20 percent due to the closure of thousands of state-owned enterprises.

In glaring contrast to the poverty of the masses, Chinese sources cited by the May 31 edition of the *Economist* estimate that there are now 1,000 Chinese “billionaires”, individuals with personal wealth of more than one billion yuan or \$US120 million. There are also three million “millionaires” with assets worth over \$120,000. China's richest man, banker and so-called “red capitalist” Rong Yiren, holds a fortune of \$1.9 billion.

Whereas the average annual per capita urban income is \$760, a study released in March by the State Statistical Bureau found that a thin urban elite comprising less than one percent—mainly businessmen, managers and speculators—earned more than \$120,000 a year. Some 3 percent of urban dwellers earned over \$60,000. Ten percent earned over \$3,600, 4.5 times the average.

Fueling the hostility to the Communist Party is the fact that its 64.5 million members are overwhelmingly drawn from the privileged 10 percent. More than 50 percent of party members in Shanghai for example are businessmen. A recent survey found that one third of university students had applied to join the Communist Party—the suspected motive was to get business connections.

The main recommendations of the Central Committee Organisation Department report are for the urgent implementation of a series of economic and political concessions to the poor, outlined at the National Peoples Congress (NPC) in March by Premier Zhu Rongji. These include measures to lower rural taxes, improve unemployment benefits for laid-off workers and purge official corruption.

Even these limited policies are unlikely to be realised. On June 8, a week after the report was released, Rongji

announced that a taxation scheme that replaced locally levied fees with a single national tax could not be extended across the country. A trial of the scheme last year in Anhui province had reportedly lowered peasant's tax payments by nearly two thirds. Rongji declared, however, that the loss of revenue would leave local governments unable to pay for education and other social services. In other words, no steps will be taken to reduce the rural tax burden.

The premier also announced that the government would have to dramatically scale back plans to extend an unemployment benefits scheme for urban workers. The benefit of just \$22 a month was introduced last year in a number of cities in the north-eastern province of Liaoning and hailed for reducing social tensions. Previously Beijing had proposed extending the scheme to the major cities in every province but it will now only operate in just one city in each province. The government's own prediction is that the vastly understated official urban unemployment will grow this year by at least 1.9 million to more than 8.5 million workers.

One of the report's other recommendations is the continuation of the party's campaign to entrench an adherence to Marxism. On the face of it, the proposal is ludicrous—the Communist Party broke from Marxism in the 1920s and is today the political vehicle of the country's wealthy elite. But the very fact that such a recommendation is being made highlights the isolation of the ruling elite—its only political hold over the masses is an ever more tenuous claim to represent the continuation of the 1949 revolution led by Mao Zedong and his peasant armies.

In many ways, a far more explosive situation exists than prior to the Tiananmen Square massacre in June 1989. Discontent is widespread not only in the urban working class, but also in the rural areas where the regime largely recruits the military—its main political prop. As the report makes clear, the Chinese leadership is haunted by the prospect that its policies are preparing another eruption of the masses.



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