An explosion of billionaires in China

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This year's list of the super rich in the People's Republic of China provides a staggering picture of the country's levels of social inequality. While the international media still routinely labels China as "communist", the unfettered operation of the market has produced more billionaires this year in China than any country in the world, with the exception of the United States—the very centre of global capitalism.

The US-based *Forbes* list of "China's 40 Richest" released last month found that their total worth had trebled from $US38 billion last year to a massive $120 billion this year. As the magazine commented: "By comparison, the 40 richest Americans are worth $628 billion. Once poor, China is hardly hopelessly behind the world's richest country."

Another annual compilation—the *Hurun Rich List*—issued a few days later found that China currently has 106 billionaires. Last year China had just 15 billionaires and none in 2002. Now China has the second largest group of billionaires after America, which has over 410 billionaires, and nearly twice as many as the previous second placeholder, Germany with about 55.

The *Hurun Rich List* is published by British chartered accountant Rupert Hoogewerf, who used to work for *Forbes*—Hoogewerf is known in China as Hu Run. He pointed to the growing wealth and influence of China's capitalist class: "We all know that China is developing very rapidly. But the speed is so fast that it shocked all of us. It's much faster than the US and Europe... China may have 200 billionaires, we just haven't identified them yet—there are lots of people out there who don't report their assets."

The *Hurun Rich List* included the 800 wealthiest individuals in China, who have an average fortune of $562 million—double last year's average. Their total wealth of $459.3 billion was equivalent to 16 percent of China's gross domestic product (GDP) in 2006. The list did not include those who have amassed their wealth solely through speculation on China's skyrocketing stock market, which now has a greater capitalisation than the Tokyo share market.

One third of China's 800 richest are members of the ruling Chinese Communist Party (CCP) and 38 were delegates to the National Peoples Congress. The British *Guardian* on October 15 described the CCP regime a "giant aristocracy" and noted the close connection between the families of Chinese political leaders and big business. "President Hu Jintao's daughter is married to the former head of the internet giant Sina. The son-in-law of the prime minister, Wen Jiabao, reportedly runs the country's most successful football team. The son of the former premier Li Peng controls China's biggest power generation company, while relatives of Deng Xiaoping are believed to dominate the huge Ploy group," it stated.

According to both *Forbes* and *Hurun*, the richest Chinese person is 26-year-old Yang Huiyan, head of the nation's largest property developer, the Country Garden Holdings based in southern Guangdong province. She is also Asia's richest woman. Worth $17.5 billion or 130 billion yuan, she simply inherited the controlling shares from her father. Four other company shareholders are also among China's top 60 billionaires after the company was floated on the Hong Kong share market earlier this year. The firm is currently valued at $27 billion.

The media hails Yang's father, Yang Guoqiang, as one of the rags-to-riches stories of Chinese capitalism. The London-based *Times* recently described how Yang senior grew up tending cows. At a young age, he worked as a cement mixer on construction sites after his father's gambling ruined the family. Yang became the head of a construction team in a local property company. "In the early 1990s, along with several partners, Mr. Yang began to acquire distressed properties and wasteland, just as the future of the real estate market was in doubt, along with the direction of China's market-oriented economic reforms."

Yang's gamble paid off, however. After the brutal crackdown on anti-government protests in 1989, Beijing accelerated "market reform". Deng Xiaoping toured southern China in 1992, notoriously declaring: "Let some people get rich first". Assured by the Tiananmen Square massacre that Beijing would suppress social unrest, foreign capital flooded into China, and the rest, as they say, is history. "Country Garden now has the backing of such international investment bankers as Morgan Stanley and UBS and is forecasting a profit this year of $500 million," the *Times* explained.

The sudden emergence of Chinese billionaires is largely the product of frenzied speculation in property and shares, rather than profits from productive enterprises. Of the top 10 billionaires, nine have their companies listed on stock exchanges and six are real estate developers. Even China's second richest person, Zhang Yin, the owner of the

manufacturing corporation Nine Dragon Paper, saw her value tripled to $10 billion due to surging share prices. Nine shareholders in the private Minsheng Banking Corp, seven in Ping An Insurance Co and seven in Western Mining Co all became billionaires.

Andrew Zhang, an investment banker in Beijing, told *China Daily*: "The [rich] list shows up bubbles in the economy. The rich have accumulated their wealth with little technology, branding or international networks."

Global financial heavyweights like Goldman Sachs, HSBC, Merrill Lynch, UBS and Credit Suisse have had a major role of the making of China's super rich. Morgan Stanley, for example, helped raise billions of dollars on the Hong Kong share market in the past three years for eight Chinese property developers. Aside from Country Garden, its clients have included real estate moguls like Xu Rongmao, who now China's No.3 billionaire with $6.7 billion, and the head of Agile Properties, Chen Zhuoling, who is worth $4.7 billion.

In comments to the *Sydney Morning Herald*, Michael Pettis, a finance professor at Peking University, explained the "best play" on Chinese markets these days. "In real estate you're getting overinflated profits from borrowing money to get cheap land and then selling at inflated prices. And then you've got a stock market that is valuing a dollar of earnings at about 40 or 50 times. So you've got a bubble on top of a bubble," he said.

Hoogewerf hailed 2007 as "China's coming of age". But this is only true for an infinitesimal fraction of the population. While the fortunes of China's super rich match their counterparts in Europe, Japan or the US, China's annual per capita GDP was just $2,000 in 2006 or 107th in the IMF's world rankings. The figure is less than 5 percent of the US per capita GDP of more than $44,000.

China is a profoundly polarised society, with hundreds of millions of impoverished workers and peasants at one pole, and a tiny capitalist elite at the other. According to a Boston Consulting Group study, China had 250,000 millionaire households in 2005, ranking the country sixth in the world. These households accounted for only 0.4 percent of the total, but controlled 70 percent of national wealth.

The huge gulf between rich and poor is fuelling widespread hostility toward the rich. A recent *China Youth Daily* survey found that among people under 45, more than 81 percent believed the tycoons lack "social responsibility", 68 percent thought their wealth was made "illegally" and 67 percent said the rich had no "loving heart" toward the poor.

The source of wealth is a contentious issue. In recent years, a number of those on the rich list have ended up as convicted criminals. Often operating in collusion with corrupt officials, they were charged with stealing public funds, the seizure of the homes of working people or the plunder of state-owned enterprises. These cases, however, are just the tip of the iceberg. The "legal" exploitation of workers in factories, coal mines and sweatshops is widespread and often brutal.

Voicing common public resentment to the wealthy, an unnamed Beijing-based sociologist told the Hong Kong-based *Asia Times Online*: "They should be held, at least partially responsible for the worsening pollution, for rampant fake goods and drugs, for using children and slave labour. In short, some of their behaviours, as reported, are just disgustingly immoral."

Concerned about rising popular hostility, officials and academics have urged the public not to view the upper class from an "ideological", especially Marxist point of view. For decades, the CCP falsely claimed to be "socialist". Now senior "communist" bureaucrats are telling ordinary people there is no such thing as the "sin of capital" because private entrepreneurs have made their money through "hard work".

At last month's 17th CCP congress, President Hu Jintao declared: "Practices since the publication of the *Communist Manifesto* nearly 160 years ago have proven that only when Marxism is integrated with the conditions of a specific country, advances in step with the times and is tied to the destiny of the people can it demonstrate its strong vitality, creativity and appeal."

The claim that the CCP still observing Marxism is simply absurd. The thoroughly capitalist "practices" in China demonstrate once again the basic truth, first elaborated by Marx and Engels, that the profit system generates enormous wealth for a tiny few, while condemning the majority to poverty and hardship. In doing so, it has also created, as the *Communist Manifesto* explained, its gravedigger—the international working class—which is now represented in China by hundreds of millions of urban workers. They will inevitably be driven into conflict with the emerging capitalist elite who are defended by the CCP's police state apparatus.