Beijing’s phony campaign for social equality

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One indicator of the economic agenda that will be pursued by the leadership being elected at this week’s 18th Chinese Communist Party (CCP) congress is a prominent campaign in the state-controlled media, accusing “monopolistic” state-owned enterprises of corruption and paying too much to their managers and workers.

This dishonest campaign seeks to blame state-owned enterprises (SOEs) for the widening gulf between rich and poor, which has been generated by three decades of capitalist restoration. It serves a double political purpose: firstly to divert public attention from the recent scandals that have exposed the wealth of top CCP leaders, and secondly, to justify an onslaught on SOEs.

An article in the *Global Times* on November 1 blamed “state monopolies” for blocking a draft proposal, submitted to the State Council in 2010, to cap wages in SOEs. The newspaper cited Wang Yukai, a professor with the Chinese Academy of Government, who called for the managers of state enterprises with pay packages of one million yuan a year ($US160,328) to be targeted, as “their abnormally high salaries actually push up the average level of wages.”

In an article last week on *China.org.cn*, Zhang Monan from the State Information Centre blamed state enterprises for social inequality. He declared that “reform measures should be taken to break the existing practice of ‘unequal pay for equal work’ by SOE monopolies, so that small and medium [private] enterprises and state-owned enterprises compete from the same starting line.” Gao Huiqian from the same think tank called for “curbing the wealth acquired by monopolies and corruption” so as to “provide an equal competing environment in the process of adjusting income distribution.”

In a similar vein, an article in the *21st Century Business Herald* last month dismissed claims that pro-market “reforms” had created income inequality. “In fact, it is not the fault of a complete reform, but an unfinished reform,” it declared. It accused local governments and SOEs of being the “largest sources of resistance to income distribution reform” and called on the government to “replace the [state] monopolies in some fields with market competition.”

The same theme has been taken up in other commentary. All this is in line with a call last month by Premier Wen Jiabao for a plan for “income distribution” reform to be drawn up before the end of the year. He focussed on “wage control” in SOEs, alleging that they paid too much to their managers and workers. An official investigation claimed that top managers in some state-owned giants received “thousands of times” the income of a rural migrant labourer.

The claim that the residual state-owned enterprises are the source of the country’s deepening social inequality is absurd. The corruption and wealth of SOE managers pale into insignificance compared to those of top CCP leaders. The scandal surrounding former Chongqing party boss Bo Xilai, who was expelled from the CCP just before the Congress, exposed a vast business empire involving his family members and cronies. Bo is expected to be charged with covering up a murder and using his position to launder hundreds of millions of dollars overseas.

Bo’s removal from his post in March was not, however, because of his alleged corruption. Instead, his so-called Chongqing model of economic development cut across the plans of the government, especially Premier Wen, for a new round of pro-market restructuring. In February, a joint report produced by the World Bank and China's State Council advocated sweeping privatisations and the opening up to private investors of sectors of the economy dominated by state enterprises. The fact that it was not just Bo who had accumulated considerable wealth was highlighted by a *New York Times* article last month which revealed that Wen's family had a "hidden fortune" of $US2.7 billion.

The scandals surrounding Bo and Wen point to a sharp factional power struggle inside the CCP. Bo's political demise, followed by the appearance of unity promoted at the congress, indicates that the factions have buried their differences, temporarily at least, and agreed on a new leadership, which will be announced tomorrow.

The Congress proceedings have been largely cloaked in secrecy. But a number of indicators point to general agreement on a new round of privatisations and pro-market restructuring in a bid to boost the slowing Chinese economy. In his opening report last week, outgoing President Hu Jintao struck a mid-course between protecting the most strategic state enterprises owned by the central government and setting the stage to privatise the remaining 100,000 state enterprises, mainly owned by local governments.

Yesterday, the official Xinhua news agency emphasised this orientation by stressing that Hu's report had "sent out a strong signal for deepening economic structural reform." It highlighted his message that the government must "respect ever more the laws of the market." Xinhua reported the comments of various Congress delegates who elaborated on this theme.

Xu Mengjia, party secretary from Ya'an city, attacked the "planned economy"—that is, the Soviet-style bureaucratic planning carried out by the CCP regime in the 1950s and 1960s—declaring that it was "dependent on power to allocate resources, which easily led to corruption." He boasted that "nearly all resources in Ya'an such as land, minerals and utilities have been put up for auctioning and bidding, allowing the market to decide whatever it will."

As the CCP leadership is well aware, however, the policies of capitalist restoration and pro-market restructuring have already generated widespread opposition among working people. There is deep hostility to the emergence of a new layer of super-rich entrepreneurs and their close connection to the party leadership. Hu attempted to appease this anger by calling for "income distribution reform" and promising to double the average 2010 income by 2020.

But if the next leadership proceeds with a new round of privatisation it will lead to major job losses and resistance by workers. The media campaign blaming SOEs for the growing gulf between rich and poor is designed to spearhead this pro-market offensive. Particularly sinister is the claim that not only SOE managers, but also the workers, are to blame. This line is aimed at dividing the working class and paving the way for a further lowering of wages, not just of employees in state enterprises but across the private sector as well. Far from ending social inequality, the policies of the new government will deepen the social divide and fuel struggles by the Chinese working class.