

Chinese president presses corporate giants to be philanthropic

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In a speech to the Central Committee for Financial and Economic Affairs last month, Chinese President Xi Jinping called for greater emphasis on “common prosperity” and the need to “regulate excessively high incomes” and “encourage high-income people and enterprises to return more to society.”

The remarks came in the wake of moves by the Chinese Communist Party (CCP) regime to rein in huge privately-owned corporations, including the tech giants Tencent and Alibaba, food delivery company Meituan, internet ride-hailing company Didi and online education companies TAL Education, New Oriental and Gaotu Techedu.

Individuals such as Tencent’s Tony Ma and Alibaba’s Jack Ma have amassed huge personal fortunes—\$US53.1 billion and \$45.3 billion respectively—as their business empires have expanded. Their obscene levels of wealth stand in stark contrast to the 600 million Chinese earning just 1,000 yuan or \$154 a month, who according to Chinese Premier Li Keqiang could not afford the rent, let alone other necessities, in a mid-sized Chinese city.

In response to Xi’s speech, Tencent Holdings has pledged \$15 billion for various initiatives related to the environment, education and rural reform, saying the announcement was a response to “China’s wealth redistribution campaign.” It said half would be used for “sustainable social value innovation” and the rest for social charity programs to contribute to “common prosperity.”

Last week Alibaba promised to provide a similar amount by 2025 to “common prosperity” in China. Its statement said the money would be used to support micro, small- and medium-sized enterprises, help “the digitalisation of underdeveloped areas” and expand healthcare capability in less developed areas.

Bloomberg has reported that 73 of China’s listed firms, both private and state-run, have told their shareholders they will be making contributions to “common prosperity.”

The corporate announcements are clearly motivated by concerns of further state intervention in their businesses as well as being directed to areas that assist in their further expansion, rather than seriously addressing social inequality. The processes of capitalist restoration presided over by the CCP have opened up a huge and widening gulf between rich and poor in China.

According to the Credit Suisse Research Institute, China’s richest 1 percent own nearly 31 percent of the country’s wealth, up from 21 percent in 2000. An HSBC report put the size of China’s middle classes, earning between \$15,000 and \$75,000, at 340 million people. While \$15,000 is relatively modest income by Western standards, it is at least eight times the amount earned by the 600 million people referred to last year by Premier Li.

President Xi’s call for “common prosperity”—a term he has increasingly used over the past year—reflects the deep fear in the CCP apparatus of the enormous social tensions being generated by entrenched inequality. He told officials in January that “common prosperity” was not just an economic issue but “a major political matter bearing on the party’s foundation for rule,” adding: “We cannot let an unbridgeable gulf appear between the rich and the poor.”

As the figures show, however, the gulf is already unbridgeable. The hundreds of millions of people struggling to survive on less than 1,000 yuan a month live in a world far apart from the multi-billionaires. The very fact that Xi is compelled to call on the country’s super-wealthy oligarchs to sacrifice makes a mockery

of the CCP's threadbare but continuing claims to be socialist or communist.

Yao Yang, an economics professor at Peking University, indicated in an email to the *New York Times* that he supported Xi's new orientation, saying China had to be "fair and just." He admitted: "China is one of the worst countries in terms of redistribution, despite being a socialist country. Public spending is overly concentrated in cities, elite schools and so on."

The pressures bearing down on working people have been heightened with China's economic slowdown. The years of 10 percent GDP growth are no longer. Previously, the CCP regarded 8 percent annual growth as necessary to provide sufficient employment to ward off social tensions. Now, however, the growth rate has fallen to 6 percent and shows no sign of recovering.

Xi has no intention of reversing the processes of capitalist restoration initiated in 1978 with Deng Xiaoping's pro-market agenda. Deng, who notoriously declared "to get rich is glorious," argued that China had to let some get rich first to lift the economy.

According to the state-run Xinhua newsagency, last month's meeting of the Central Committee for Financial and Economic Affairs discussed "creating conditions that are more inclusive and fair for people to get better education and improve their development capabilities" and providing "chances for more people to become wealthy."

Han Wenxiu, deputy director of the Central Financial and Economic Affairs Commission Office, reassured the wealthy that the government would not "rob the rich to help the poor." He said the idea was not "egalitarianism" but "reducing the wealth distribution gap between the urban and rural areas and firmly preventing polarisation."

Han's comments were clearly aimed at heading off any panic among the corporate elite and foreign investors by signalling that the shift is largely cosmetic and no significant inroads will be made into their profits.

Pro-market political commentators have nevertheless hit back. The Hong Kong-based *South China Morning Post*, which is owned by Alibaba, last Friday featured Peking University economics professor Zhang Weiyong who argued: "If we lose faith in market forces and rely on frequent government intervention, it will lead to common poverty."

Xi has nominated the eastern coastal province of Zhejiang as a demonstration zone for his "common prosperity" program. Its recently released plan sets 2025 as the target for average disposable income per person to reach \$11,500—up 40 percent from current levels. Economics professor Li Shi, who advised provincial officials on the plan, suggested in a newspaper article that the province could promote collective bargaining to give employees a stronger voice in wage negotiations.

Li's suggestion highlights the contradiction that the CCP regime confronts. Entrenched social inequality is generating class tensions that threaten to explode. But allowing a stronger voice to workers to lift incomes also threatens to trigger working-class struggles under conditions of a slowing economy. As is the case around the world, workers in China are moving into confrontation with capitalist class and the CCP bureaucracy that defends its interests.



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