

Behind Chinese President Xi's populism, mounting social inequality

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The Chinese leadership of President Xi Jinping has over the course of this year taken a distinctly populist tinge—including an emphasis on “common prosperity”—that is, prosperity for all; the announcement that absolute poverty has been abolished in China; and moves, limited in character, to rein-in billionaire tycoons such as Alibaba’s Jack Ma and Tencent’s Pony Ma, as well as highly profitable private corporations that dominate the online education industry.

The Chinese Communist Party (CCP) is not about to seriously impede the operation of the market and privately-owned corporations in China that have flourished over the past four decades since Deng Xiaoping initiated the processes of capitalist restoration. The CCP bureaucracy and wealthy private entrepreneurs are closely intertwined—some of these successful capitalists are party members or sit on various government advisory bodies.

President Xi spelled out the regime’s chief fear in comments to provincial ministerial-level officials at the beginning of the year. “Achieving common prosperity,” he warned, “is not just an economic issue, but a significant political one that matters to the party’s basis to rule... We absolutely cannot allow [the] rich-poor gap to increase bigger and bigger, [resulting in] the poor poorer and the rich richer.”

In August, Xi told the Central Committee for Financial and Economic Affairs that greater emphasis had to be placed on “common prosperity” and expressed the need to “regulate excessively high incomes” and “encourage high-income people and enterprises to return more to society.” However, corporate philanthropy and token government measures to help the poor are not going reverse the growing gulf between rich and poor in China or anywhere else for that matter, which is rooted in the profit system.

The processes of capitalist restoration, fuelled by a huge influx of foreign investment and technology to take advantage China large reservoirs of cheap labour, have certainly led to a huge economic expansion and lifted per capita GDP. However, as with other capitalist economies,

social inequality has greatly widened and intensified social tensions. While absolute poverty, narrowly defined, may have been abolished, some 600 million Chinese are struggling to get by on a daily basis on a monthly income of less than Rmb1,000 or about \$US155, while the country is now home to more dollar billionaires than the United States.

Many indices point to rising social inequality.

* The Gini coefficient is a standard measure of social inequality that ranges from 0, which represents absolute equality or all people earning exactly the same income, to 1, which represents absolute inequality or one person having all the income and everyone else having none.

China’s official Gini coefficient, has risen sharply since Deng’s “opening up” in 1978 from about 0.31 to 0.4 in 1997 and a high of 0.49 in 2008 before falling slightly to 0.47 in 2020. Any figure over 0.4 is regarded by the United Nations as indicating large inequality, while China’s leaders have themselves declared that level is potentially destabilising.

* According to the World Bank, in 1978, the top 10 percent of earners in China and the bottom 50 percent each accounted for about a quarter of the country’s total income. By 2018, the top 10 percent took more than 40 percent of total income, while the bottom half of earners received less than 15 percent.

In terms of wealth rather than income, the wealthiest 1 percent of individuals owned nearly 31 percent of China’s wealth in 2020, up from around 21 percent in 2000. In the US for instance, the share of wealth of the top 1 percent reached 35 percent in 2020. According to the Hurun Global Rich list, the number of dollar billionaires in China hit 1,058 last year, as compared to 696 in the US.

China has drawn the line for absolute poverty at \$2.30 a day adjusted for inflation and claims to have lifted the income of 100 million rural residents above that level since Xi came to office in 2012. The World Bank, however, sets a higher poverty line of \$5.50 a day for upper-middle-income countries like China. On this basis a quarter of China’s population is in poverty.

* The focus on rural poverty highlights the gulf between urban and rural areas where some 40 percent of China's population reside. Figures published in the *Australian Financial Review* in September show that by 1997, urban household incomes were on average 83 percent higher than those of rural households. This rose to 167 percent in 2009, declining to 132 percent in 2019—still more than double the rural average.

An article in US magazine *Foreign Affairs* earlier this year explained that a person on the median urban income in China is in the 70th global percentile—in other words richer than 70 percent of the world's population, whereas a person with the median rural income is in the 52nd global percentile. “Differently put, the average urban person in China is as rich as the average person in Hungary, whereas the average rural person in China is as poor as the average person in Vietnam,” it stated.

* The rural-urban divide is also manifested in the cities and major manufacturing centre where nearly 300 million internal migrant workers from rural China constitute a large proportion of the working class. Not only are they generally on lower wages and conditions and suffer discrimination but the overwhelming majority do not have an urban *hukou*, an official residency document that provide full access to local public services such as schools and hospitals. It is a system designed to provide cheap, easily exploitable labour to industry and services in the huge manufacturing hubs in the eastern coastal areas of China.

* Social inequality is also perpetuated in education where entrance to China's elite universities and thus well-paid jobs in the government apparatus or private enterprise is determined by college entrance results. According to the *Foreign Affairs* article, “Average families in some top-tier cities have spent one-quarter of their take-home pay on tutoring... About 22 percent of students enrolled in China's prestigious Tsinghua University in 1990 were from rural China, but by 2016, that percentage was 10.2 percent.” Urbanisation may account for some, but certainly not all of this huge change.

* The author of the *Foreign Affairs* article, Branko Milanovic, a London School of Economic professor, led a study into the changing social composition of what he termed China's “elite”—the top 5 percent of the population—over the period 1988 to 2013. Whereas in 1988 three quarters of the elite were government-employed, 25 years later half were either capitalists or professionals. Moreover, that social divide was perpetuated within the CCP. When the study examined “rich members” of the CCP, “about half belonged to the private-sector-oriented classes.”

The last statistic is a significant indicator of the class-character of the CCP. Far from being a political vehicle for

reducing social inequality, it is a mouthpiece for the bourgeoisie that has emerged out of the processes of capitalist restoration and the looting of the state-owned sector. Private entrepreneurs have relied on relations with the CCP hierarchy to advance their business interests, fuelling the corruption which is endemic at all government levels in China,

While Xi initiated a campaign against corruption on coming to office, he has no intention of carrying it through to the end, as that would destabilise the entire rotten bureaucratic apparatus on which he and the CCP rely to rule. Likewise, his calls for “common prosperity,” philanthropy from the super-rich and the need to reduce social inequality are aimed at deflecting mounting discontent and opposition among workers and young people that have the potential to erupt in widespread social unrest.

A comment by Chinese academic and venture capitalist Eric Li in the US-based *Foreign Policy* points to the fears in Chinese ruling circles of a political radicalisation taking place among layers of young people concerned about the gross social inequities in China.

Li, a strong CCP supporter, declared, “Whereas my generation was primarily concerned with China being poor and, as a result, focused on market economics, *jiulinghous* and *linglinghous* [those born after 1990 and 2000 respectively] see the main challenges to them and Chinese society as being rooted in inequality.

“Even in the extraordinarily entrepreneurial tech sector, calls by young people for stopping excessive exploitations, both of lowly paid delivery workers and more highly compensated but overworked technical and professional workforces, are becoming louder.”

Li also noted a growing hostility to the market and capitalism, and growing support for socialism and communism.

President Xi no doubt hopes his populism will dupe the population. However, when rhetoric fails to match reality, as will inevitably be the case, layers of youth and workers will look for a genuine socialist alternative to the corrupt CCP apparatus, which they will find in the history and principles of the International Committee of the Fourth International—the world Trotskyist movement—intransigent opponents of Stalinism and Maoism.



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