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Xi Jinping's 'New Deal' for China

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Rising inequality and unbalanced regional growth in China occupy the minds of its rulers. Will 'Common Prosperity', the paramount leader's proposed solution, resolve matters?

The 20th National Congress of the Communist Party of China (CPC) begins on 16 October. This edition of the five-yearly exercise is happening a year after the party commemorated its centenary. While Xi Jinping is set to be elected as general secretary for a third term - unprecedented in the post-Mao era - and further the centralisation and personalisation of power, speculation is also rife on the next line of Chinese leadership.

Behind the hype surrounding the new leadership elite and Xi's extraordinary consolidation of power, the Chinese party-state has its plate full. Even as the rest of the world has moved on from the disastrous effects of the Covid-19 pandemic and learnt to live with the virus, China continues to enforce harsh lockdowns and containment. Its unrelenting Zero-Covid strategy has acquired the form of a full-fledged top-down political campaign. The ensuing economic slowdown burdening the people, especially the working masses, has been further compounded by various crises: banking collapses, a seemingly unfixable deterioration in the real estate sector (whose boom powered China's urbanisation narrative), harsh climate realities affecting the manufacturing sector (the engine of China's growth story), unbalanced centre-local relations, and rising youth unemployment.

The CPC's longevity in power, transitioning from a revolutionary party to a governing party, has been undergirded by its sheer ability to adapt and be adept in confronting a wide range of challenges. As the CPC navigates through the present crises, its lodestone will be Xi's Common Prosperity campaign, which aims to reduce inequality, balance regional development, and improve China's people's lives.

Nuts and Bolts

'Common Prosperity' (*gongtong fuyu*) has generated much interest in China over the last few months. Under its rubric, the party-state has cracked down on monopolies, clamped private tutoring, exhorted the rich to redistribute their wealth, and directed fintech companies to form unions for their workforce. These actions have upended people's lives in the country, especially in urban areas.

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While the term has repeatedly figured in political reports of all party congresses since 1992, it was brought centerstage by Xi during the party's centenary last year as a special campaign to achieve Common Prosperity for all by 2035. This pitch marks a rethink of the idea prevailing from Deng Xiaoping's post-1978 economic reforms onwards, of letting some people and some regions get rich at first (Deng 1986).

Four decades of economic growth and development through the strategy of 'Reform and Opening Up' (*gaige kaifang*) has made China an industrial power but also increased inequality and unbalanced or inadequate development. China's Gini coefficient have remained between 0.46 and 0.49 for the last two decades. (A coefficient of 0 indicates perfect equality and 1, maximum inequality.) In addition to income and wealth inequality, regional disparities have also remained salient, whether in terms of wages, living conditions, or demographics.

Reshaping workplace relations and drastically altering labour politics in factories and enterprises, the Chinese economic development model has caused high social and human costs for labour (Andreas 2009, 2019; Chan et al. 2020; Chan, 2001; Huang and Yang 1987; Korzec 1992; Lee 2007). Regimented work practices, despotic enterprise managements and chronic deficiencies in labour standards have increased workers' discontent. Workplace conflicts are endemic. With stringent curbs on worker-centric avenues for collective voice, workers have resorted to radical actions like wildcat strikes, work stoppages, walkouts, and road blockades. Official data showed 87,000 mass protests in 2005. While the party-state has not released figures since, unofficial - and very incomplete - figures estimate at least 15,000 workers' protest actions between 2006 and 2020.

Xi's top-down 'new deal' builds on his political report at the 19th Congress of CPC in 2017, where he identified the new principal contradiction in Chinese society: "between unbalanced and inadequate development and the people's ever-growing needs for a better life." Common Prosperity is, in his words, "an essential requirement of socialism and an important feature of Chinese-style modernisation," to achieve "prosperity of all people in their material and spiritual (and moral) lives."

In launching the campaign, Xi has chosen to push to hasten results by tighter control over monopolies, greater regulation of the private sector, an expansion of the middle class, and checking uncontrolled accumulation of wealth. Being abreast of crises in different parts of the world due to income inequality and collapse of the middle class, Xi is anxious to avoid "social disintegration, political polarisation, and rampant populism," in order to 'maintain social harmony and stability."

The more they change …

This is not the first time at Chinese leader has identified the negative effects of inequality and imbalanced development and tried to fulfil people's demands for better life. Xi's predecessor Hu Jintao espoused similar ambitions, but sought to achieve them through policy changes and legal reforms, rather than campaigns and crackdowns. Hu-era initiatives included cancelling agricultural tax, developing rural and urban residency pensions and medical insurance, improving rural children's access to free public education, and passing labour laws raising employment security and minimum wages.

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To be sure, these reforms were well within the boundaries sanctioned by the party-state, thus continuing the maintenance of status quo. But they produced improvements in people's livelihoods and can be counted as visible redistributive efforts on the ground by the party-state. For instance, encouraged by the party-state to adopt legal channels on labour disputes, there was a marked increase of workers seeking arbitration to get fair compensation.

Unlike these earlier reforms, Xi's campaign, despite creating perceptions of populism, may not lead to any serious redistribution. Common Prosperity neither envisages a radical reorganisation of social relations nor has at its heart the establishment of a perfect socialist state.

The commitment to state-led capitalism remains intact in Xi's vision of Common Prosperity, as articulated in his 2021 speech. There is little criticism of the conspicuous consumption that has become integral to China's economic growth. Xi continues to encourage more people getting rich albeit in a more controlled manner, dictated by the party-state. Constant and continuous economic growth - the bedrock for political legitimacy - remains central to China's leadership.

Meanwhile, the government will continue its non-intervention in substantive welfare redistribution. Xi is clear that the action plan should not be equated with egalitarianism, and that "excessive guarantees be not provided even if China reaches a higher level of development and acquires stronger financial resources in the future." In his call to "resolutely prevent [ourselves] from falling into the trap of nurturing lazy people through 'welfarism'," Xi's position aligns with the neoliberal logic that views redistribution as anathema to economic growth.

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Xi's speech also points to "a laissez-faire approach to labour." There is no mention of increase in minimum wages, strengthening collective bargaining, or upgrading the legal-regulatory architecture for labour standards and safeguards. Rather, there is an emphasis on the requirement of high-quality workers for high-quality development. Xi would prioritise the development and upgradation of human capital for productivity. The party-state seeks the continued development and expansion of the country's middle class. This would be undertaken through quality higher education and skills training, incentivising entrepreneurship, and appropriately raising their incomes.

These investment measures are closely linked to a strongly prevalent middle-class fetish in China's intellectual circles, that sees the emergence of a large and strong middle class as a good thing, emblematic of China's maturing economy and society.

The approach also is indicative of the party-state's calculated relationship with labour that is rooted purely in the extraction of value. In Xi's 2017 political report, he set these goals: "build an educated, skilled, and innovative workforce, foster respect for model workers, promote quality workmanship, and see that taking pride in labour becomes a social norm and seeking excellence is valued as a good work ethic." Putting the onus on the workers for self-improvement, these formulations are reminiscent of the vocabulary used in corporate human resources management ecosystem.

In the process, the party-state abdicates its responsibility for workers-centric reforms at a systemic-level. Xi's criticism of 'involution' and 'lying flat' - a recent phenomenon popularised by tech workers and urban youth, in rejecting the hypercompetitive culture of overwork - reveals the discouragement of and intolerance against the online resistance of white-collar workers against the gruelling '996' work schedules - that is, from 9 am to 9 pm, 6 days a week.

Marginalising labour

That labour issues are substantively missing from Xi's outline of Common Prosperity is not surprising. The political status of China's workers has steadily declined, with the intensification of economic reforms and industrial restructuring. From once being active stakeholders in management and production processes - albeit under the control and patronage of the CPC - workers have been increasingly been moved to the periphery of decision-making (Andreas 2019).

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The traditional social base of the party - peasantry and industrial proletariat - has shrunk. While in 1994, almost two-thirds of party members were in agriculture or industry, by 2011, they made up only 38.6 percent of the Party membership. New classes of entrepreneurs, urban professionals, and university graduates, have been prioritised in recruitment, marking the turn of the CPC "from a mass to elite party" (Brødsgaard 2018). Rural migrant workers have largely remain excluded in party membership, despite their labour propelling the country's economic rise.

On the other hand, the proliferation of workers' autonomous, insurgent protests - which at times extend beyond the boundaries of workplaces - raises law-and-order concerns and pose a challenge. The party-state's modus operandi for crisis mitigation has been two-pronged: individualising workplace conflicts through a raft of pro-labour legislations to encourage workers to use institutional channels for resolving their disputes, and at the same time, using security agencies to violently quell protests.

The simulataneous deployment of responsive and repressive capacities illustrates the party-state's underlying intent to maintain stability and industrial peace at all costs. This top-down paternalistic responsive mechanism, however, strongly represses any kind of bottom-up self-organising by workers. It nips out any possible avenues for autonomous, coordinated, and durable collective mobilisations. Under Xi, there has been an intensification in the crackdown on labour activists, their support groups and labour NGOs. Even personal initiatives or efforts by individual workers are brutally crushed.

Conclusion

The CPC's hundred-year journey underlines a longevity that is all the more remarkable in a world that has significantly changed. The staying power of the CPC is in no small measure due to its ability to be attentive to global developments, anticipate challenges to its rule, and, adapt and renew itself. The Common Prosperity campaign is another illustration of this renewing capability.

However, going by previous experiences of intransigent different interest groups and local officials, it remains doubtful how Xi's pronouncements will be implemented or what their outcomes will be. For instance, a long-pending reform to integrate rural migrant blue-collar workers into cities and giving them access to urban services may be unfulfilled given the strong pushback from city officials. Despite being the backbone of China's economic and industrial metamorphosis, rural migrant labour continues to negotiate a second class, lonely existence in unfamiliar cities and workplaces.

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China's economic grown has also slowed down, in part through its continued quest for 'Zero Covid'. Stringent restrictions and lockdowns have squeezed consumer spending and factory output. Big tech companies in the country, feeling the strain of tightening by the party-state, have laid off staff. To compound matters, there have been domestic apprehensions on the possible collateral damage to China from Western sanctions on Russia following the invasion of Ukraine, given China's positions being viewed as aligning with Moscow's interests. All these have forced a rethink on the tightening and control measures, and by extension, a pushback on the equitable distribution of wealth under the Common Prosperity campaign.

Xi's political report to the 20th Congress will be read with much interest to understand the political-economic direction of the CPC over the next five years. Common Prosperity will likely continue to figure in it, as it has in previous congresses. However, given the social and economic challenges, the campaign's weighty promises will probably be stalled. The constraining factors could further weigh upon the deliberations at the Congress and would in turn, carry implications to possibly alter the course of the campaign. The heavy handed measures that have marked most of Xi's personalised political campaigns would be incongruent with the prevailing economic conditions in China.

Yet, whether in its original form or in a new avatar, Common Prosperity as a new deal is likely to be intangible for China's working masses. The campaign, instead of making any radical break and leading to realignment of social relations, appears to be intended to maintain the status-quo, by strengthening and sustaining the existing system. Rather than pausing to relook at its economic model for any structural deficiencies or slow its breakneck pace, the party-state remains firmly wedded to its belief that development imbalances can only be resolved through more development.

In being unable to move away from its current development trajectory, what also gets exemplified is the 'success trap' embedded within China's success story (Mohanty 2018). From the perspective of redistribution and labour - as evidenced by the increasing precariousness of workers and their continued political disenfranchisement - this 'new deal' looks more window dressing than offering anything substantive.

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