

Decoding Xi Jinping

How Will China's Bureaucrats Interpret His Call for "Common Prosperity?"

By Yuen Yuen Ang

In the seven decades during which the Chinese Communist Party (CCP) has been in power, its leaders have often articulated their visions and signature platforms using lofty rhetoric and vague slogans. In the 1980s, Deng Xiaoping spoke of pursuing "socialism with Chinese characteristics." In the first decade of this century, Jiang Zemin sought to build a "socialist market economy." Early in his tenure, Xi Jinping referred to his bid to restore China's historical status as a global power as "the China Dream."

These exercises in the elliptical art of Chinese Marxist phraseology have often left foreign observers scratching their heads. That has also been the case with the most recent slogan to emerge under Xi: "common prosperity." The term gained prominence this past summer as Chinese authorities aimed a barrage of new regulations at private businesses, including a number of major tech companies, in the name of rectifying the excesses of capitalism and restoring the CCP's original mission of serving the masses. The new rules effectively wiped out an estimated \$1.5 trillion from those firms' stock valuations. Ever since, investors and others have been scrambling to decipher common prosperity and grasp its implications for China's future policies and economic prospects.

Perhaps the most important place to look for clues is in a manifesto that Xi delivered as a speech to officials at the CCP's Central Financial Committee in August—a long excerpt of which was later published in *Qiushi* in October with the title "Resolutely Advance Common Prosperity." *Qiushi* is no any ordinary regime mouthpiece; it is the theoretical journal of the CCP's Central Committee, a body of roughly 350 top elites who make key political decisions. What is published there carries a great deal of weight, and Xi's manifesto is no exception. Addressed chiefly to the bureaucracy, it is not propaganda for the public: rather, it should be understood as a set of instructions for government officials who are tasked with implementing Xi's vision. His words will percolate down through the hierarchy and be refined, level by level.

"Common prosperity," Xi declares, "means that all the people will prosper together, both materially and spiritually, not just a small minority." It is not, he stresses, a call for "egalitarianism [with] everyone being the same." Nor will the CCP fall into "a trap of welfarism" that rewards the lazy. Instead, he pledges, the party will continue to "encourage wealth creation through diligence and innovation."

Throughout his instructions, however, Xi wrestles with the tension between rewarding capitalists and restraining their wealth. On the one hand, he vows to limit "unreasonable income" and reject "the chaotic expansion of capital" through regulations, breaking up the private sector's corporate titans, and urging the rich to donate. But at the same time, China "must continue to activate and leverage entrepreneurial incentives." Squaring this circle is tricky: if entrepreneurs' rewards are capped or if they cannot confidently secure returns on their investments, they will invest and innovate less.

The manifesto inadvertently makes clear a fundamental reality about the CCP: despite its remarkable success in creating wealth and spurring growth, the party has no clear answers when it comes to resolving the conundrum of how to tame the excesses of capitalism without stifling its creative potential. Like governments all over the world, the CCP has not yet figured out how to have its cake and share it, too. Xi admits as much, writing: “On fixing poverty, we have plenty of experience; but on managing prosperity, we still have much to learn.”

Precisely because Xi has no road map to follow, he urges his comrades to adapt and experiment. The ultimate impact of common prosperity will depend on how officials at various levels of the hierarchy interpret and translate Xi’s aspiration into concrete policies.

READING THE TEA LEAVES

In Western democracies, leaders deliver speeches plainly and persuasively in order to charm voters and win public support. Chinese leaders appear to do the opposite: their speeches are impenetrable and stultifying, laden with party-speak and convoluted allusions. But this does not mean that they contain no substance. To decode them, one must remember that owing in part to the absence of open political competition in China, such speeches are not public communication but rather policy communication. (The party does actively shape public opinion, but through other means, such as controlling media content.)

I have characterized the Chinese political system as relying on “directed improvisation,” in which the top leader gives overarching directions and then bureaucrats respond with particular policies, usually tailored to local conditions. The instructions come in three basic varieties, which one can think of as “red, black, and gray.” “Red” directions draw clear restrictions. “Black” ones clearly endorse a particular course of action. “Gray” instructions are deliberately ambiguous about what officials can and cannot do, which serves to encourage local experimentation and policy variations. Being cryptic or vague also allows leaders not to commit to a given policy until they are sure they want to stake their authority and reputations on it.

Xi’s text in *Qiushi* contains all three types of instructions. One “red” directive involves a frank admission on Xi’s part regarding the public backlash that followed the poverty eradication campaign the CCP launched in 2012. As part of that drive, local officials received orders to meet specific targets for reducing the number of low-income residents in their jurisdictions within a tight timeline. The pressure was so intense, one Chinese media outlet reported, that “bureaucrats frequently lost their voices and became insomniacs.” Many responded with extreme measures: they simply reduced the number of poor people in certain areas by relocating them from remote villages to larger towns, with little regard for their livelihoods. Millions of rural residents were uprooted in this fashion. Many of them were farmers who ended up with neither land nor jobs in urban areas and who could live thanks only to welfare payments.

The lesson, Xi underscores, is that in implementing common prosperity, officials “should not adopt the uniform targets used in the poverty eradication campaign,” and they should avoid “mass reversals to poverty or new forms of poverty.” In other words, he warns against setting unrealistic goals and resorting to forceful measures that can create problems down the road.

Xi also issues some “black” directives. Officials, he explains, must “strengthen socialist values as the guiding doctrine, and strengthen education on patriotism, collectivism, and socialism.” In other words, they must tighten ideological control. Second, they must “proactively leverage the important role of the state-owned economy in advancing common prosperity.”

And third, Xi notes, party support for wealthy private entrepreneurs will now come with strings attached. He echoes Deng's axiom that the government "should let some get rich first" but adds that "at the same time, we must emphasize that those who got rich first should lift those who got rich later." Hence Xi's call for the well-off to voluntarily share their wealth. (The Chinese tech giants Alibaba and Tencent both responded immediately and enthusiastically, donating over \$46 million to victims of flooding in Shanxi Province.)

Finally, Xi outlines a number of "gray" directives. "Common prosperity is a long-term goal," he advises. "It requires a process and cannot be achieved in haste." He points to Zhejiang Province in eastern China, where he served as provincial party secretary from 2002 to 2007, as a model for experimenting with policies on equitable development. Zhejiang is a natural choice not only because it is the fourth wealthiest province in terms of total GDP, but also because many of Xi's loyal protégés—who make up his political base—hail from the province.

By encouraging officials throughout the country to learn from Zhejiang's experience and "tailor your methods to local conditions," Xi is practicing directed improvisation. His guidance recalls Deng's famous axiom to "cross the river by touching the stones." But whereas Deng chose Guangdong Province in the 1980s as the model for his vision of a freewheeling, market-based economy, Xi has chosen Zhejiang to represent common prosperity.

THE WAY FORWARD

Now that Xi has drawn the broad parameters, it will be up to lower-level officials to fill in the gaps. In July 2021, the provincial government of Zhejiang released a five-year plan for achieving common prosperity, including 52 measures. Many of the policies, such as upgrading industrial infrastructure, have long been in place, but the plan also added some new areas of emphasis in line with Xi's priorities: for example, creating a system of philanthropic giving, curbing real estate speculation, and expanding the stock of affordable housing.

At the local level, even more concrete common prosperity policies have emerged. Take, for example, Jiaxing, one of Zhejiang's richest municipalities—and one that also boasts of a high degree of economic equality among its residents. To narrow the divide between its rural and urban areas, authorities in Jiaxing have relaxed its household registration system so that all residents can enjoy the same level of access to public services. Jiaxing has also poured resources into high-tech tools for increasing agricultural output and is pushing ahead with innovative policies that allow village governments to sell unused portions of their "land quota"—government authorization to use rural land for urban development—to businesses in exchange for revenue or equity.

Zhejiang represents a promising path forward for common prosperity. Other parts of China, however, do not enjoy Zhejiang's economic advantages, and one should expect policy implementation to be highly uneven even though all Chinese bureaucrats have received the same set of directions from Beijing.

EXPANDING THE SOURCES OF CHINESE CONDUCT

Paying closer attention to the way Chinese leaders communicate with and direct the bureaucracy illuminates what the historian Odd Arne Westad called, in *Foreign Affairs*, "the sources of Chinese conduct"—a phrase that alludes to the American diplomat George Kennan's famous essay on the sources of Soviet conduct. Westad argued that these sources include China's spectacular economic growth, its ambition to dominate Asia, and Chinese nationalism.

Xi's manifesto in *Qiushi* highlights three additional factors. First, China's capitalist boom is the CCP's proudest accomplishment but also the source of a host of fractures that threaten its stability today. Second, Chinese leaders are at once ambitious and fallible. Xi's inability to resolve the tension between taming capitalism and keeping it vibrant is one manifestation of the limits of his aspirations. Third, the efficacy of all grand strategies in China, whether domestic or global, rests on their implementation by millions of bureaucrats and relevant actors. (Global confusion surrounding Xi's Belt and Road Initiative illustrates the startling lack of planning and coordination in the CCP's foreign policy.)

Decoding common prosperity requires taking all three of those additional sources into account. Inequality, corruption, risky asset bubbles, moral decadence, and other problems are interconnected crises that all stem from China's crony capitalism. As I have [written](#), these problems have created a Chinese version of the American Gilded Age. Common prosperity should be understood as a shorthand for Xi's attempts to rescue China from its Gilded Age and deliver it into something akin to what the United States experienced during the Progressive era.

Of course, Xi cannot openly admit that his country faces problems similar to those that have shaped the United States, its capitalist rival. And framing his campaign as a fight against inequality allows Xi to avoid acknowledging the reality of a systemic breakdown facing the CCP. But unlike U.S. leaders, who relied on democratic measures to treat the excesses of capitalism, Xi is deploying a combo of commands from above, sloganeering, and adaptive policymaking. His approach reflects the CCP's hope of experimenting and tweaking its way out of many simultaneous crises, in order to avoid a more fundamental transformation of the political system.

- YUEN YUEN ANG is Associate Professor of Political Science at the University of Michigan and the author of *China's Gilded Age: The Paradox of Economic Boom and Vast Corruption*.