

This article compares and contrasts Bo Xilai's 2011 campaign for common prosperity in the city of Chongqing with the revival of the slogan by PRC leader Xi Jinping in 2021. While the goals of common prosperity as reducing inequality and equalizing services for rural and urban citizens are similar across the two campaigns, the 2011 campaign was more ambitious in policymaking and implementation. In 2021, Xi Jinping used common prosperity as a populist banner to crackdown on private companies and economic elites. However, policies to address redistribution and inequality were surprisingly sparse. Xi pushed a conservative agenda of "bootstrapped" common prosperity, emphasizing hard work, self-reliance, and a limited role for the government. In adopting Bo Xilai's slogans but not his policies, Xi attempts to capitalize on a populist message without adopting redistributive policies that require increased taxation and a larger role for the central government in funding welfare gaps.¹

"We regard the improvement of people's livelihood as both the purpose of development and the driving force for development. Taking the road of "people's livelihood" and chanting the "common prosperity" mantra, we have taken the initial steps to promote "common prosperity." Today some people regard common prosperity only as the starting point and destination of development, which I think is not enough. "Common prosperity" is not only an ideal, but also a driving force; it is not only the "starting point" and the "destination," but also runs through the whole process of development."²

On July 25, 2011, Bo Xilai, the party secretary of Chongqing, China's large provincial-level city in the hills of the southwest, gave these remarks as part of a keynote speech to the Chongqing Municipal Party Committee. From 2007, Bo ruled over Chongqing with brash moves to crush organized crime and encourage propagation of "red culture" all over the city with nostalgic singing of revolutionary songs. However, Bo's last major policy splash was not the famous "crushing of the black" (打黑) or "singing red songs" (唱红); it was a spirited push for common prosperity through significant policy changes to advance redistribution and the equalization of benefits between Chongqing's rural and urban citizens. All of this came crashing down in early 2012, with the scintillating scandal of a British businessman dead in a Chongqing

¹ The author would like to thank her research assistants, Sarah Godek and Frank Xu, for their help with this essay.

² 我们既把改善民生作为发展的目的，也将其作为发展的动力，走“民生”路、念“共富”经，初步走出了一条促进“共同富裕”的路子。现在有些人，只把共同富裕作为发展的起点和归宿，我以为，这还不够。“共同富裕”不仅是理想，也是动力；不仅是“起点”和“归宿”，而且贯穿于发展的全过程。

hotel; Bo's wife, Gu Kailai, accused of drugging and killing him; and Bo's police chief, Wang Lijun, seeking refuge in the US Consulate in neighboring Chengdu to tell the whole story.³

Even just a month before the Wang Lijun Incident transpired, the front cover of the *People's Daily* trumpeted Bo Xilai's common prosperity successes in Chongqing with its focus on redistribution of income, equalization of social benefits between urban and rural citizens, and a renewed reliance on the state sector and the government to spur development in Chongqing's rural hinterlands.⁴ This was the "Chongqing Model," an attempt to find a "third way" between China's past experiments with Maoist socialism and its then current embrace of the global capitalist economy. In addition to his popularity among the masses, Bo Xilai also enjoyed a brief moment as the darling of Chinese and western academics who saw a true populist leader with progressive policies to finally deal with China's severe inequality and unending social unrest.⁵ While Bo's push for common prosperity was short lived, it was intense. From late 2010 to his arrest in March 2012, over 200 headlines in China's major newspapers included "common prosperity," with a whopping 85% from the Chongqing Daily. Though intense, it has now been erased from the PRC's memory and from many of the records.⁶ However, Bo Xilai's common prosperity campaign seems to be the unspoken inspiration for Xi Jinping's own common prosperity drive a full decade later.

There are three takeaways from the brief emergence and ultimately tragic fate of the Chongqing campaign for common prosperity that help to understand and contextualize Xi Jinping's revival of common prosperity in 2021. First, the 2011 campaign is an important reminder of how long China has struggled to articulate its future development goals and policies and how long the CCP has struggled to balance growth with the equity to which socialism aspires. Indeed, one of the most famous sayings of Deng Xiaoping advocating for greater tolerance of inequality is itself a sentence calling for common prosperity as the end goal: "Some areas and some people can get rich first, to drive and help other areas and other people to gradually achieve common prosperity."⁷ Each generation of China's leaders have struggled to address the entire agenda set out by Deng Xiaoping, which is first growth and riches for a few, then common prosperity for all. The current debates over how to achieve common prosperity are part of a long-running intra-party debate that remains unsettled.

Second, a close comparison of the two common prosperity campaigns, a decade apart, casts doubt on the novelty and even the importance of Xi's big push in 2021 for his own common prosperity campaign and his own model, situated in Zhejiang where he had ruled for many years. While Xi Jinping's 2021 attacks on private capital and tech entrepreneurs set off a tizzy of speculation domestically and abroad, policies of redistribution and equalization of access to social welfare have barely advanced under his rule. Even the modest policies of the Hu-Wen

³ Gracie, Carrie. "Murder in the Lucky Holiday Hotel." BBC News. BBC. Accessed February 13, 2023. https://www.bbc.co.uk/news/resources/idt-sh/Murder_lucky_hotel.

⁴ Wang, Jianxin, Jia Cui, and Zhiqiang Liu. "Chongqing Explores Common Prosperity," (重庆探索共同富裕) " *People's Daily*, January 9, 2012.

⁵ Huang, Philip C. "Chongqing—China's New Experiment." *Modern China* 37, no. 6 (2011): 567–68. <https://doi.org/10.1177/0097700411420855>; Huang, Philip C. "Chongqing: Equitable Development Driven by a 'Third Hand'?" *Modern China* 37, no. 6 (2011): 569–622. <https://doi.org/10.1177/0097700411419966>.

⁶ The CNKI database, for example, shows the cover of the *People's Daily* 1.9.12 article on Chongqing, but the article itself has been censored, removing Bo Xilai's name entirely.

⁷ "一部分地区、一部分人可以先富起来，带动和帮助其他地区、其他的人，逐步达到共同富裕。" According to this official source, Deng Xiaoping said this phrase on October 23, 1985 to an American delegation. <http://cpc.people.com.cn/GB/34136/2569304.html>

administration to address inequality have been weakened and marginalized under Xi Jinping. Xi Jinping may have borrowed the populist slogan of common prosperity from Bo's 2011 campaign, realizing that it might boost his popularity and support as it did Bo's, but his approach to common prosperity neglects redistribution while boosting state power.

Finally, the different goals of Xi and Bo are important in interpreting the 2021 campaign accurately. Much of the initial coverage of the 2021 campaign focused on the possibility of redistribution, even a return to Maoist-like egalitarianism.⁸ However, Xi Jinping's common prosperity is not about redistribution; it envisions a much more conservative and individualist "bootstrapped" common prosperity. Xi advocates to control "disorderly capital" while exhorting Chinese middle- and lower-income groups to work hard and struggle on their own way to common prosperity. Common prosperity was a convenient banner to advance his goal of further securing the CCP's dominance over the economy, but Xi clearly articulated opposition to redistribution in favor of hard work, entrepreneurship, and self-reliance. In the debate over whether policies should emphasize growth or redistribution, Xi has consistently come down on the side of growth. During Xi's campaign, moderate redistributive policies were cast as dastardly attempts to beggar the rich and condemn China to the middle-income trap, welfarism, and a culture of "lying flat" laziness while Xi embraced an ethos of self-sufficiency of both nation and individual to lead China's next development stage. Right-left dichotomies used in the media were more confusing than helpful in placing Xi's policies in a comparative context. Xi's economics are not neo-liberal because, like Bo Xilai, he favors the state sector as a vehicle for the projection of the Party's power domestically and China's power internationally. However, Xi's approach to national greatness requires that both capital and labor are tamed and that demands for redistribution are suppressed.⁹

The 2011 Campaign for Common Prosperity

Bo Xilai's articulation of the Chongqing Model and its goal of common prosperity was part of a roiling debate during the last years of the Hu-Wen Administration on the direction of China's economy.¹⁰ Guangdong Party Chief Wang Yang represented the alternative in the "Guangdong Model" which doubled down on "reform and opening" by advocating for greater liberalization of the private sector while also promoting technological upgrading and innovation through openness to the outside world. After Party Secretary Hu Jintao referenced common prosperity in his July 1st Speech marking the 90th anniversary of the CCP, the conflict between Bo and Wang emerged as two competing models for China's future, highlighting differences between the paths of Chongqing and Guangdong and framed around the question of cake: Should China focus on making the cake bigger? Or should China focus on dividing the cake more equitably? Which development model would replace China's old model based on cheap labor, low end manufacturing, and international tolerance for large trade deficits, which was running out of steam domestically while meeting increased resistance abroad.

Bo Xilai advocated for common prosperity through policies of redistribution and the amplification of state power, to drive a new stage of development built on enhanced income and

⁸ Huang, Philip C. "Chongqing: Equitable Development Driven by a 'Third Hand?'" *Modern China* 37, no. 6 (2011): 569–622. <https://doi.org/10.1177/0097700411419966>.

⁹ Xi Jinping had already suppressed China's nascent labor movement from 2014, which included arrests of labor activists, NGO leaders, and Marxist students who sympathized with the plight of migrant workers.

¹⁰ Cartier, Carolyn, and Luigi Tomba. "Symbolic Cities and the 'Cake Debate' - The China Story." chinastory.org. ANU, 2012. https://www.thechinastory.org/content/uploads/2012/07/ChinaStory2012_ch02.pdf.

security of the lower and middle classes. Policies included the expansion of low-income housing, land transfer policies for Chongqing rural citizens in exchange for urban hukou and employment, and the use of state assets to fund social programs.¹¹ “Some people worry that seeking common prosperity will delay development and maintain that we should first make a big cake and then divide it. Actually, you not only can make a big cake and divide the cake well at the same time , but the more you divide the cake well, the bigger and faster you can make it.”¹² Wang Yang and his supporters argued that redistribution would kill growth, better to focus on growth at all costs. Redistribution could wait. “Now social construction is placed in an important position, and people's livelihood issues are especially emphasized. However, to make a big cake, economic construction should still be the center. That is to say, dividing the cake is not the key task, making the cake is.”¹³

The debate between Bo and Wang was not only about economic models, but also was fueled by the intense competition between these ambitious provincial leaders to advance to top leadership positions as the 2012-13 succession grew close. The Hu-Wen administration (2003-2013) itself had already championed many redistributive reforms, such as canceling the agricultural tax, passing more protective labor legislation, expanding migrant workers' access to social insurance, and building a new system of pensions and medical insurance for rural residents.¹⁴ They addressed urban poverty through the minimum income guarantee (dibao) and established a new residential insurance system for informal urban workers, which included many former SOE workers laid off during the 1998-2002 state sector restructuring.¹⁵ However, not all were happy with the progressive direction taken by Hu-Wen; other reforms languished and many foreign investors, reformist officials, and private entrepreneurs desired greater liberalization. Wang Yang represented this more reformist and liberal approach to China's future while Bo represented a more state-centric and populist future. Bo Xilai's charismatic personality and populist speeches destabilized China's elite political struggle at a critical and sensitive time. Bo Xilai's successes in Chongqing threatened the incoming heir apparent, Xi Jinping. The murder of Neil Heywood and the sensational trials that followed transfixed the nation, but the scandal also removed Bo as a potential challenger. As Xi Jinping took over the CCP leadership in fall 2012, it appeared that the reformist agenda had won out. The 2011 Chongqing campaign for common prosperity ended with Bo's removal; his speeches and media mentions disappeared within China.

The 2021 Campaign for Common Prosperity

¹¹ Huang, Philip C. “Chongqing: Equitable Development Driven by a ‘Third Hand?’” *Modern China* 37, no. 6 (2011): 569–622. <https://doi.org/10.1177/0097700411419966>.

¹² “Bo Xilai Discusses ‘Eating from One Pot’: Solving Inequality Can't Wait,” 薄熙来谈吃‘大锅饭’：解决差距问题不能等。” *Chongqing Daily*, July 25, 2011. <https://www.chinanews.com.cn/gn/2011/07-25/3205591.shtml> “有些人担心，追求共同富裕会耽误发展，主张先做大“蛋糕”再分蛋糕。其实，做大“蛋糕”和分好“蛋糕”不仅可以兼得，而且越是把“蛋糕”分得好，就越能把“蛋糕”做得大、做得快。”

¹³ “现在把社会建设摆在重要位置，尤其强调要注重民生问题，但是要做大蛋糕仍要以经济建设为中心，就是说分蛋糕不是重点工作，做蛋糕是重点。” “Wang Yang: Misunderstanding the Cake Debate.” *Oriental Outlook Weekly*, July 25, 2011. <http://news.sohu.com/20110725/n314471558.shtml>.

¹⁴ Gallagher, Mary Elizabeth. *Authoritarian Legality in China: Law, Workers, and the State*. Cambridge, United Kingdom: Cambridge University Press, 2017.

¹⁵ Solinger, Dorothy J., and Yiyang Hu. “Welfare, Wealth and Poverty in Urban China: The *Dibao* and Its Differential Disbursement.” *The China Quarterly* 211 (2012): 741–64. <https://doi.org/10.1017/s0305741012000835>.

Xi's campaign for common prosperity first emerged in his speech to the Central Committee for Financial and Economic Affairs in August 2021, though the policy measures began earlier in late 2020 with the cancellation of Alibaba's Ant Financial's IPO followed by a slew of regulatory restrictions and fines on big tech, including Meituan, Didi, and Tencent.¹⁶ This was a moment during the Covid-19 Pandemic where Xi felt confident and secure in China's response to harshly control the domestic spread of the virus and to use lockdowns and mass surveillance and testing as aggressively as needed to keep case counts low. By all appearances, China had achieved what other countries had failed to do, giving its citizens a sense of normalcy and security about public health. Xi's interest in framing campaigns as part of a "system competition" with the West also emerged in his August 2021 initial speech on the goals of common prosperity:

At present, the problem of global income inequality is prominent. In some countries, the rich and the poor are polarized and the middle-class collapses, leading to social fracture, political polarization, and populism. The lessons are very profound. China must resolutely prevent polarization, promote common prosperity, and achieve social harmony.¹⁷

Coming just one year before the 20th Party Congress where he sought a third term, a populist turn was also politically advantageous as Xi could claim the moral high ground and mass popularity, just as Bo had done in 2011. As with the 2011 Chongqing campaign, the biggest target was inequality, including all the kinds of inequality that have dogged China during the reform period: rural-urban inequality, migrant-local resident inequality, and regional inequality. Controlling the "disorderly spread of capital" was another goal and closely linked to the idea of reducing the widening gap between the ultra-rich and China's lower income groups, which still number in the hundreds of millions. Xi's common prosperity also had moral and spiritual aims - banning vices, such as some online gaming, while condemning laziness and "welfarism." Concrete goals included reductions in the Gini coefficient, reduction in the urban-rural income gap, improved and more equitable access to public services, especially for rural residents and migrant workers. Many of these goals were similar to goals in Bo Xilai's campaign.¹⁸

In terms of action, however, the 2021 push for common prosperity was noticeably heavy on crackdowns on capital and restrictions in the cultural realm. Policy changes to promote redistribution were extremely limited or superficial. The reluctance to advance redistributive reforms were not only expressed by key academics and officials, Xi Jinping constantly articulated an approach that minimized redistributive reforms while pushing the expansion of state control over the economy and crackdowns on elites, including tech icons, like Jack Ma, and celebrities who overstepped their bounds. He pushed for individuals to struggle and work hard to achieve bootstrapped common prosperity. Unlike Bo's attention to policies that addressed lower

¹⁶ Zou, Manyun. "Year in Review: The Regulatory Storm That Targeted China Tech." Caixin Global, December 28, 2021. <https://www.caixinglobal.com/2021-12-28/year-in-review-the-regulatory-storm-that-targeted-china-tech-101823124.html>.

¹⁷ Xi Jinping, (2022). Solidly Promote Common Prosperity [扎实推动共同富裕]. *Interpret: China* (Original work published 2021)

¹⁸"Chongqing Explores the Way to Common Prosperity," (重庆探路共同富裕)." *Chongqing Daily*, July 25, 2011.

income groups, Xi Jinping's approach was to restrain and punish the elite, while pushing the masses to do more to help themselves. In his August 2021 speech, Xi's first principle to achieve common prosperity was "encourage making wealth from hard work and innovation. A happy life is achieved through hard work, and common prosperity is created through hard work and wisdom." The third principle is a resolute refusal to build a welfare state:

We should not bite off more than we can chew and make promises that we cannot keep. The government cannot cover everything, and the focus is on strengthening fundamental, inclusive, and basic living protection and efforts. Even if the level of development is higher and the financial resources are stronger in the future, we still cannot set too high goals and provide overprotection; we should resolutely prevent falling into a "welfare" trap and raising idlers.¹⁹

Following this focus on punishing the top while limiting help to the bottom, Xi's government unleashed a "regulatory storm" on tech firms to rein in monopolistic and anti-competitive behavior, data insecurity, and other risks in overseas listings.²⁰ While many governments have begun to regulate tech firms more heavily on these issues, China's crackdown was particularly abrupt and disruptive. Nearly \$781 in valuation was wiped out within the course of a few months.²¹ The government also pushed for greater "tertiary distribution" via corporate philanthropy as a main mechanism to help lower income groups. Several famous firms gave large donations to the government in what looked like coerced altruism. The long disappearance of Jack Ma and his departure from leadership positions at Alibaba also pointed to a more contentious and dangerous relationship between the party-state and private entrepreneurs. Many other tech CEOs also left their posts, including leaders at Bytedance, JD.com, Pinduoduo, and Ant Financial.

In other elite restrictions, Xi's campaign also included new restrictions on celebrities and fan culture, online gaming, and for-profit tutoring to both reduce the stress of parents and children and to clean up the moral and spiritual media environment. While some policies were welcomed by parents consumed with the rat race to advance their child's education, these crackdowns targeted the lives of China's elite while doing very little to improve educational access to kids at the bottom, especially in rural education. The new restrictions on celebrity culture were like the attacks on tech entrepreneurs in that they further limited China's social elite from wielding popular influence and discourse power that might interfere with the Party's leading role.²²

Zhejiang was designated as the Common Prosperity Demonstration Zone with Jiashan County, across the border from Shanghai, as the designated model county, a province that Xi had

¹⁹ Xi Jinping, (2022). Solidly Promote Common Prosperity [扎实推动共同富裕]. *Interpret: China* (Original work published 2021)

²⁰ Zou, Manyun. "Year in Review: The Regulatory Storm That Targeted China Tech." Caixin Global, December 28, 2021. <https://www.caixinglobal.com/2021-12-28/year-in-review-the-regulatory-storm-that-targeted-china-tech-101823124.html>.

²¹ Ibid. "Record \$781 Billion Wiped off Chinese Internet Companies' Market Value in Third Quarter." Caixin Global, November 11, 2021. <https://www.caixinglobal.com/2021-11-04/record-781-billion-wiped-off-chinese-internet-companies-market-value-in-third-quarter-101800661.html>.

²² Gallagher, Mary, and Blake Miller. "Who Not What: The Logic of China's Information Control Strategy." *The China Quarterly* 248, no. 1 (2021): 1011–36. <https://doi.org/10.1017/s0305741021000345>.

served in and maintained strong connections to. In June 2021, the State Council signed off on an extensive document that largely included exhortations and vague plans.²³ As the fourth richest provincial-level unit by GDP with a strong legacy of entrepreneurship and integration into global supply chains, it's unlikely that Zhejiang's lessons will be applicable to many inland provinces that lack those attributes. However, selecting Zhejiang as the model is also indicative of the bootstrapping approach envisioned by Xi, particularly in contrast to Bo's experiments in Chongqing.²⁴ As the Party Secretary of Zhejiang, Yuan Jiajun, said in an internal speech on the demonstration zone:

Common prosperity is the concentrated embodiment of the superiority of the socialist system with Chinese characteristics, and it transcends western modernization and welfare society; Common prosperity is differential prosperity based on universal prosperity. It is not equal prosperity and simultaneous prosperity, let alone does it equalize wealth, killing the rich to help the poor; Common prosperity is common prosperity based on high-quality development. It is founded on the basis of making the “cake” bigger in order to divide the “cake” well. It is the dialectical unity of efficiency and fairness, development and sharing; Common prosperity is the common prosperity of co-construction, co-governance and sharing. It can't rely on the government doing everything, but it must rely on the common efforts of all the people.”²⁵

During 2021, Xi's campaign did encourage vigorous discussions on the redistributive policies needed to reduce inequality, but none have been implemented. These include imposition of a property tax, a more progressive personal income tax, an estate tax, and a capital gains tax. A pilot property tax for Zhejiang was announced and then scaled back. Hukou reform has been on the central agenda since 2004, with important liberalizing changes in smaller cities and towns dwarfed by the continued difficulty of migrant workers' access to quality public services in the provincial cities and capitals that receive the largest number of rural migrants. Social insurance changes to reduce inequality between rural and urban residents and informal and formal workers has also progressed extremely slowly. Regional inequality in terms of pension payouts is

²³浙江省自然资源厅 (Zhejiang Provincial Department of Natural Resources) (2023). "Implementation Plan for the Zhejiang High-Quality Development and Establishment of a Demonstration Zone for Common Prosperity (2021-2025) [浙江高质量发展建设共同富裕示范区实施方案 (2021—2025年)]". *Interpret: China*, Original work published July 19, 2021.

²⁴ I located one article on an overseas Chinese website that specifically connected Xi and Bo's campaigns for common prosperity. <https://news.creaders.net/china/2021/07/21/2378286.html>

²⁵ “共同富裕是中国特色社会主义制度优越性的集中体现，是对西方现代化和福利社会的一种超越；共同富裕是普遍富裕基础上的差别富裕，不是同等富裕、同步富裕，更不是均贫富、杀富济贫；共同富裕是以高质量发展为基石的共同富裕，是在做大“蛋糕”的基础上分好“蛋糕”，是效率与公平、发展与共享的辩证统一；...共同富裕是共建共治共享的共同富裕，不能靠政府大包大揽，必须依靠全体人民共同奋斗。” “Yuan Jiajun: Common Prosperity Is Differential Prosperity, It Is Not Killing the Rich to Aid the Poor.” 袁家军：共同富裕是差别富裕 不是杀富济贫。” 袁家军：共同富裕是差别富裕 不是杀富济贫_旅游中国_中国网_中国旅游外宣第一品牌, July 20, 2021. http://travel.china.com.cn/txt/2021-07/20/content_77639993.html.

growing, not shrinking.²⁶ Finally, the 2021 crackdowns on “996” labor conditions in big tech and the platform economy did not evolve into more protective laws and regulations for the fastest expanding sector for urban employment, those informally employed in the digital economy.

In his December 2021 address to the Central Economic Work Conference, Xi’s second major address on common prosperity further clarified the limited ambitions of the campaign. He signaled some indecision on which policies would be adopted. “What should the path to common prosperity look like? We are currently exploring this.” He also re-engaged with the “cake debate” of Bo and Wang, very clearly coming down on Wang’s side of “growth first, redistribute later,”

To achieve the goal of common prosperity, we must first make the “cake” bigger and better through the joint efforts of the people of the whole country, and then correctly handle the relationship between growth and distribution through reasonable institutional arrangements, to divide the “cake” well.²⁷

By 2022, Xi’s campaign for common prosperity was overwhelmed by the rolling lockdowns of major cities, especially Shanghai, the November anti-Zero Covid protests, and the chaotic and rushed decision to re-open and abandon Zero Covid. The December 2022 Central Economic Work Conference made no mention of common prosperity. Its media mentions plummeted. Xi Jinping has continued to speak of “Chinese-style modernization” as an alternative to western capitalism with common prosperity mentioned in passing. Compared to past leaders’ reluctance to tout a “China model” of development, Xi Jinping is confident that Chinese-style modernization is an alternative to westernization that other countries can learn from and adopt. However, at this point, the key elements, institutions, and policies of Chinese-style modernization are only vaguely defined. The reforms put forth to reach common prosperity during the 2011 and 2021 campaigns, such as social security reform, equalization of public services, and tax reform, are the tried-and-true mechanisms of redistribution adopted by advanced industrialized nations. Xi’s anti-welfare state rhetoric seemingly rejects these policies. If China’s future modernization is diverging from this model, it remains unclear what will replace these tools for redistribution.

Whither Common Prosperity?

While the 2011 and 2022 shared similar narratives and both aspired to increase state power over the economy, the 2022 campaign did not match Bo’s campaign in terms of policy implementation. Xi Jinping’s failure to advance more substantial reforms to advance common prosperity is not a sign of weakness. It’s more likely that his campaign had different motivations and that the call for common prosperity was a convenient populist banner to advance his crackdown on the private sector. As economist Barry Naughton wryly noted on the 2021

²⁶Ren, Bo. “China Turning Gray over Pension Reform Stress.” Caixin Global, January 15, 2015.

<https://www.caixinglobal.com/2015-01-12/china-turning-gray-over-pension-reform-stress-101012763.html>;

Zhu, Huoyun, and Alan Walker. “Pension System Reform in China: Who Gets What Pensions?” *Social Policy & Administration* 52, no. 7 (2018): 1410–24. <https://doi.org/10.1111/spol.12368>.

²⁷ Xi Jinping, (2022). The Correct Understanding of Major Theoretical and Practical Problems of China’s Development [正确认识 and把握我国发展重大理论和实践问题]. *Interpret: China* (Original work published 2022)

campaign, “rather than being a left turn, “common prosperity” is a *substitute* for genuinely redistributive policies.”²⁸

The redistributive reforms most badly needed to address China’s inequalities are three important and interrelated reforms: tax reform, changes to central-local fiscal relations, and abolishment of the household registration system and equalization of public services between rural and urban residents. Each area of reform is itself extremely complex and multi-faceted; however, they are linked together in a straightforward way. Tax reform, both new taxes and a more progressive tax system, would increase the government’s revenue so that it can fund redistributive policies. Central-local fiscal reforms would grant local government’s more tax revenue to fund its social and educational mandates while also strengthening the central government’s role in funding welfare gaps between rich and poor localities. Household registration (*hukou*) reforms and equalization of public services would improve rural citizens and migrant workers’ access to education and health care, so that they can attain better education and skills, achieve higher earnings, and mitigate risks of illness or aging with more generous social policy.

The 2021 campaign for common prosperity did give academics and officials an opportunity to discuss and debate these policy changes to advance common prosperity. As with 2011, a left/right schism opened up with some advocating, as Bo did, that redistribution is a necessary step to realize growth, to avoid the middle-income trap, and to move China to a new model of development built on an educated workforce and innovation. However, much of the commentary echoed the conservative “bootstrapping” approach to common prosperity in Xi Jinping’s official narrative. Yao Yang, Dean of Peking University’s School of National Development, noted in an interview that a property tax was necessary to implement, as land sales have dried up as a source of local government revenue. However, he argued against a wealth (inheritance) tax as against China’s family-centric culture. Yao emphasized the drastic differences in educational opportunities between rural and urban families and advocated for more investment in rural education. But he also noted that “the most fundamental way to achieve common prosperity is to improve the productive capacity of all people; that is to say, should you give a man a fish or teach a man to fish; do you give him a fishing pole or do you give him the fish directly.”²⁹

Other market-oriented economists, including PKU’s Zhang Weiyang, gave ominous warnings about new government interventions in the name of common prosperity, noting that “if we strengthen our confidence in the market economy and continue to promote market-oriented reforms, China will move towards common prosperity. If we lose faith in the market and introduce more and more government intervention, China can only go to common poverty.”³⁰

²⁸ Barry Naughton, “Can Xi Jinping Achieve Common Prosperity,” CSIS Interpret China, December 27, 2021. <https://interpret.csis.org/common-prosperity/>

²⁹ 姚洋 (Yao Yang) (2023). "Property Tax Can Be Collected, but Estate Tax Is Not Necessary as It Does Not Fit with Our Culture [房产税可以征, 但遗产税没必要, 因为跟我们的文化不太契合]". *Interpret: China*, Original work published September 2, 2021, <https://interpret.csis.org/translations/property-tax-can-be-collected-but-estate-tax-is-not-necessary-as-it-does-not-fit-with-our-culture/>

³⁰ Weiyang Zhang, “The market economy and “common prosperity,” (市场经济与共同富裕) *The Economists’ Circle*, September 1, 2021. Published in a slightly different English version as Zhang, Weiyang. “Market Economy and China’s ‘Common Prosperity’ Campaign.” Taylor & Francis, 2021. <https://www.tandfonline.com/doi/full/10.1080/14765284.2021.2004350>.

Former Finance Minister and well-known reformist official, Lou Jiwei struck a more moderate tone in a recent speech, calling for the imposition of a property tax, but noting also that even a property tax is difficult to implement without changes to land ownership policies. However, Lou also warned that building a too extensive welfare state would lead to the middle-income trap and a future like Latin America.³¹ As the leading architect reforming China's fragmented and underfunded pension system, Lou has moved to centralize the pooling of pension funds at the provincial level and increase the central government's role in transfers between regions.³² These reforms, begun in 2018, have proceeded slowly, however. On the side of more redistribution, more quickly, Cai Fang, a well-respected labor economist, advocated for deep reform of the household registration system. Echoing Bo Xilai's position that redistribution is necessary for growth, Cai wrote that "when the speed at which the pie expands slows down, it becomes more important to divide the pie correctly."³³

Resistance to these reforms is not blocked by vested interests that Xi cannot defeat. Xi himself resists these reforms, fearing that they will over commit the central government while raising the expectations of citizens' ever higher. The conservative narratives of many mainstream economists to not overstretch, to prevent idleness and lying flat, to avoid direct taxation of most households and families echo Xi Jinping's own speeches and his resistance to building a modern welfare state. As Xi noted in December 2021, [to] promote common prosperity, we must not engage in "welfare." Some Latin American countries in the past have engaged in populism, and welfare in these countries has raised a group of "lazy people" with unearned incomes."³⁴

Even without this clear ideological direction of Xi away from the welfare state, there are other major changes from 2011 in China's domestic situation, leadership dynamics, and geopolitical environment that make the shift to redistribution more urgent, but also more difficult. Domestically, the Chinese economy has further slowed from its roaring pace in 2011, halving to about 7% at the beginning of Xi's rule and almost halved again during the Covid-19 Pandemic, with China's draconian lockdowns and Zero Covid Policy. Youth unemployment and local government debt levels are high with the prospects for construction and real estate returning as an engine of growth unlikely (and unwise since it will fuel more debt.) Xi Jinping's rule has been consolidated, with the 2022 Party Congress giving him a third term in office and a Politburo Standing Committee stacked with his loyalists. But there is much less open debate and experimentation across different regions, which bodes poorly for implementing difficult new reforms in an experimental and gradual way that risks mistakes as well as success. China's population structure continues to deteriorate with the overall population now in decline. The 2016 abolition of the one child policy and new policies to encourage births have not yet succeeded in increasing the birth rate. Rapid aging puts more pressure on the pension system. Finally, the external environment has utterly changed. US-China Relations are in the worst state

³¹ "China: Fiscal Policies for the New Era - Keynote Speech by Mr. Lou Jiwei." YouTube. East Asian Institute, National University of Singapore, January 13, 2023. <https://www.youtube.com/watch?v=-UG8Flf10mE>.

³² "Labor and Welfare Policy Reform - the China Dashboard Winter 2021 - Asia Society Policy Institute and Rhodium Group, 2021. <https://chinadashboard.gist.asiasociety.org/china-dashboard/page/labor>.

³³ 蔡昉 (Cai Fang) (2023). "The Household Registration System Is a Major Challenge in Crossing Over the Middle-income Trap [户籍制度是跨越中等收入陷阱的重大挑战]". *Interpret: China*, Original work published June 19, 2020. <https://interpret.csis.org/translations/the-household-registration-system-is-a-major-challenge-in-crossing-over-the-middle-income-trap/>

³⁴ Xi Jinping, (2022). The Correct Understanding of Major Theoretical and Practical Problems of China's Development [正确认识 and 把握我国发展重大理论和实践问题]. *Interpret: China* (Original work published 2022).

since normalization in 1979 and the US is on a path to further decouple key parts of its economy from dependence on China.

The moderate reforms debated in 2021, such as implementing tax reform, increasing investment in rural education, and reducing barriers to labor mobility, are not new or radical. Progress since Xi took office has been astonishingly slow. In their 2021 evaluation of China's reform performance since 2013, Rhodium Group notes:

[a]mong the ten reform areas tracked in the China Dashboard, labor reform has regressed the most. The 2013 Third Plenum covered a wide range of labor issues with a focus on letting workers share in China's economic growth, but the gap between wage and GDP growth is larger than ever. The government promised to end job discrimination and improve social welfare. And yet, migrant workers still experience slower wage growth, and government spending on social welfare as a percentage of GDP has declined from 2015 levels. Beijing has come up short of the ambitions set out at the start of the Xi years.

Failure to make progress on redistributive reforms now will further complicate China's recovery from three years of Zero Covid. Real estate and construction can no longer serve as engines of growth. Boosting consumption and spending by households requires that labor income grows as a proportion of GDP. Aging migrant workers, who now make up a large part of China's manufacturing workforce, will need greater protections and retraining opportunities as automation continues apace. Rural children and the children of migrant workers need better access to education and basic health care, or they risk being left even further behind.

The political risks of redistribution have also worsened since Bo Xilai's experiments in Chongqing. Each reform area - tax reform, central-local fiscal reform, and household registration reform - require changes potentially destabilizing to social stability. If a property tax goes forward, how will Chinese citizens react to direct and continuous taxation on their major source of wealth? If local governments are permitted to retain the new revenue from a property tax, how will local government officials be incentivized to use the new revenue for social development, such as investments in education, health care, and low-income housing? If urban public services are open to migrant workers and their families, how will urban families react to increased competition for scarce resources, such as education, health care, and public space? Each of these reforms pose new challenges to how the central government relates to its officials on the ground and how it manages tensions between social groups.

"Dividing the cake" will be all the harder with slow growth. In retrospect, Bo Xilai's common prosperity campaign was a lost opportunity for China to experiment with significant reforms to taxation, land use policies, housing, and hukou. Bo was no democrat or liberalizing reformer. He raised the ire of liberal academics and lawyers troubled at his abuse of the legal system and his disregard for rule of law. But had the Heywood murder not occurred, had a still popular Bo Xilai earned a promotion and a seat on the Politburo Standing Committee in 2012, it's possible that competition between the Chongqing model and the Guangdong model could have pushed forward greater experimentation with fundamental reforms that remain unfinished today.

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