In seeking 'common prosperity', China's President Xi signals fresh drive to tackle inequality

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BEIJING - In the last few months, Beijing has been putting pressure on its tech firms and private tuition sector, leading many observers to wonder why Beijing was coming down hard on the country's tech champions and entrepreneurs.

Last week, at least part of the reason became clear.

At a meeting of the party's top economic and financial affairs body attended by senior Chinese leaders, including President Xi Jinping, officials vowed to "adjust excessive incomes" and promote "common prosperity".

It was a clear signal that addressing the yawning income gap and tackling inequality had become a key policy goal of Mr Xi and the party, said analysts.

Technology firms like Alibaba, Didi and Meituan are facing increasing scrutiny for flouting anti-trust regulations, anti-competitive behaviour and exploitation of workers.

While the new rules barring for-profit tutoring - a US$120 billion sector (S$163 billion) - will reduce the financial burden on families and address social inequalities.

The government moves show how inequality is driving policy considerations in Beijing, said Mr Adam Ni, an analyst at the China Policy Centre in Canberra, in a recent analysis of the Central Financial and Economic Affairs Commission meeting.

"The Chinese leadership's perceptions about economic and social inequality will increasingly shape its policy choices across numerous areas, including financial system stability, regulation of tech companies, education policy and rural development," said Mr Ni.

Analysts say Mr Xi is worried that glaring inequality in China could lead to social instability even as he tries to boost his own personal legitimacy ahead of the party's 20th congress next year, during which he is expected to seek a third term in power.

But fixing inequality is a tall order for China, where the richest 20 per cent earn more than 10 times the poorest 20 per cent, and some 600 million people live on a monthly income of 1,000 yuan (S$209).

Beijing's goal is to build an "olive-shaped" income distribution structure, with a small top, a large middle and a small bottom, which it describes pithily with the term "common prosperity".

The official statement of the meeting last week described this as "prosperity of all people in both their material and spiritual lives", and not just the prosperity of a few.

The term was first coined by Mao Zedong, who wanted to build a more egalitarian society.

But under Deng Xiaoping, the architect of China's economic reforms who extolled the benefits of getting rich, the guiding principle changed to letting "some people get rich first".

Now, Mr Xi is signalling a shift from Deng's approach.

"Essentially, we're changing from an approach where 'the cake' is not big enough to caring more about whether the distribution of 'the cake' is even," Mr Ni told The Straits Times.

"Over the last few decades, income and wealth distribution has gotten worse and for Xi that erodes party legitimacy and stops future development."

Popular Chinese blogger Ren Yi, known by his online moniker Chairman Rabbit, wrote in a recent post that the party was returning to its "original mission", and turning to look after the interests of its primary constituents - those of the lower and middle classes and weaker segments of society.

"This is a communist party... its core aspiration is to achieve social justice by ensuring the economic interests and well-being of the majority of people," wrote Mr Ren, a party princeling whose grandfather Ren Zhongyi was the party secretary of Guangdong province.

But there are risks in the venture aimed at legitimising the party as a "force to keep society together and fight against inequality", said political science professor Jean-Pierre Cabestan of Hong Kong Baptist University.

By going after top-earners, Mr Xi will no doubt make enemies, and create concerns about alienating the private sector, a key engine of growth in the country.

The crackdown on private tuition firms has already led to protests by workers in cities such as Shanghai, Beijing and Nanjing, according to data from the China Labour Bulletin.

"The question the party faces as it does this is - is it going to antagonise the middle class? How are you going to keep everyone happy? That's not going to be easy," said Prof Cabestan.