

Analyzing the Causes, Prospects, and Challenges of China's Common Prosperity Program

The Asia Society Policy Institute (ASPI) recently issued a policy report titled “China’s Common Prosperity Program: Causes, Challenges, and Implications.” The report is informed by a private roundtable discussion, co-organized with Stanford’s Center on China’s Economy and Institutions (SCCEI), in which a group of faculty focused on China’s political economy convened. Below is a brief synopsis of the report.

Since 2021, China’s President Xi Jinping has made achieving “common prosperity” in China a major domestic priority. The campaign proffers a vision for the next stage in China’s development by targeting various inequalities among urban and rural populations, classes and regions, while navigating a slowdown in China’s macroeconomic growth.

The phrase has a long history in Chinese Communist Party (CCP) parlance, but the re-emergence and re-elevation of the slogan signals a fundamental shift in the party’s policy platform. Yet, many aspects of the program remain unclear, including the following: What aims and motivations underlie Xi Jinping’s and the CCP’s push for common prosperity? What concrete measures have been proposed to bring about common prosperity? What are the implications of common prosperity for the philanthropic and non-governmental sectors in China?

INSIGHTS

- China’s common prosperity program aspires to a wide spectrum of goals: political, economic, cultural, and international.
- In addition to alleviating inequality, the initiative provides a public framework for Xi Jinping to consolidate his authority.
- The common prosperity program further announces to the world the advantages of the “China Model” of development.

The political rationale for common prosperity. The ASPI report avers that the common prosperity initiative is a multilayered strategy containing political, economic, cultural, and international dimensions. First, it is a political strategy intended to legitimize the power and authority of President Xi Jinping and the CCP. Ahead of the CCP’s 20th National Congress when Xi will seek a historic third term in office, the common prosperity program provides an ideological framework to justify Xi’s more contentious and far-reaching policies. His anti-corruption drive and anti-monopoly crackdowns that resulted in purges of influential elites, for example, can be recalibrated as policies meant to further the welfare of China’s “masses.”

The official messaging around common prosperity has positioned Xi as a man of the people, further consolidating his appeal. In short, the common prosperity program offers Xi the means to leverage the masses against his political enemies and enshrine his long-term accomplishments at this consequential political moment. Common prosperity further enhances the CCP’s legitimacy by revitalizing the roots of communist ideology. As income gaps and wealth inequalities widen in China, the egalitarian ideal of communism reinforces China’s founding principles and strengthens the party.

The policy scope of the common prosperity agenda. Xi Jinping has outlined four markers of progress toward achieving common prosperity: 1) reducing income inequality; 2) equalizing public services among classes and regions; 3) actualizing common prosperity in spiritual life; and 4) promoting rural development. By 2050, one of Beijing’s goals is to fully realize the promises of the campaign — i.e., income redistribution resulting in an “olive-shaped” structure with a larger middle-income class and smaller poor and high-income classes.

Common prosperity signals a fundamental shift in the Chinese Communist Party’s policy direction

INSIGHTS

- The program, however, appears riddled with internal contradictions.
- It also lacks a practical blueprint for implementing the as-yet vague policies.

The report also suggests that the program contains an international component. The common prosperity program is meant to showcase to the world the advantages of the “China Model” — i.e., a development model that not only delivers rapid economic growth, but also curbs inequality, constrains harmful digital and social media, and forestalls social decay — objectives that Western liberal democracies presumably have been unable to accomplish.

Concrete policies still lacking. The ASPI report makes clear, however, that common prosperity remains mostly in outline form. China’s leadership has attempted to implement ad hoc tax provisions, pilot experiments in property tax, and grant greater policy latitude to local governments to boost the welfare of low-income populations, but these measures have largely been sporadic and limited in scope. There have also been some local policy actions to increase pensions, extend the retirement age, increase access to schooling, and promote rural development. Yet, such programs that now fall under the official headline of common prosperity are not especially new; instead, they are legacy policies resituated within the new program’s framework.

Contradictions inherent in the common prosperity agenda. The report further points out that Xi Jinping’s common prosperity program appears riddled with internal contradictions. At the macroeconomic level, Xi has repeatedly emphasized curbing the excesses of private business and supporting the state-owned sector to promote common prosperity, even as the private sector has been an essential driver of China’s growth for decades. At a time when China is already facing slowing growth, expanding the role of the state and pushing for income equality could stymie the private sector and sabotage China’s economic prospects. Slower economic growth, the report points out, will create further challenges to funding the social welfare and public services necessary for common prosperity.

In addition, political and economic institutions in China that initially supported the country’s rapid economic ascent — e.g., central-local fiscal structures and the country’s household registration system — now underlie some of the very challenges that the common prosperity policy is intended to address. Xi has raised the possibility of institutional reforms in these two issue areas, but no concrete measures have yet been proposed.

Effect on the philanthropic sector. In response to Xi Jinping’s call for “the development of philanthropic means,” a number of tech giants, such as Alibaba, Tencent, and JD.com, moved quickly to announce charitable donations to “[assist] common prosperity.” As the report points out, however, whether these business giants made their extensive donations voluntarily and without political pressure is unclear. How these donations are being managed and used now are also unclear. Because China still lacks experience in how to effectively promote, manage, and distribute charitable contributions, the report notes that Beijing’s leadership is encouraging the rapid development of the philanthropic sector. In the long term, however, the report concludes that China’s party-state will further tighten its grip over philanthropic organizations and, in particular, foreign organizations that may still be operating in China.

Deft navigation essential for realizing common prosperity. Xi Jinping’s common prosperity campaign contains a wide spectrum of goals, including political, economic, cultural, and even international dimensions. According to the report, the initiative not only aims to provide greater equity among different social groups in China, but also provides an important public framework for Xi to bolster his appeal and consolidate his authority at a moment of high political consequence. The initiative also buttresses the CCP’s legitimacy while brandishing to the world the purported superiority of the “China Model.”

The report nevertheless concludes that the program remains riddled with internal contradictions. It also lacks concrete measures to actualize Beijing’s ambitions. Without deft navigation by the actors involved and practical blueprints for implementing the as-yet vague policies, the report raises important questions regarding the prospects and implications of Xi Jinping’s signature program.

The common prosperity program remains riddled with internal contradictions and lacks concrete steps to actualize Beijing’s ambitions