

China's Nina Andreeva Moment

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On March 13, 1988, at the height of Gorbachev's glasnost' policy, an elderly teacher from Leningrad named Nina Andreeva published a letter in a conservative (i.e. anti-perestroika) Russian newspaper, defending traditional Soviet, indeed Stalinist, values against Gorbachev's perestroika program.^[1] The article's tenor was harsh, authoritarian, and chauvinist. Three weeks later, on April 5, Pravda published an authoritative rebuttal of Andreeva's letter strongly defending Gorbachev's perestroika policy. However, during the interval between Andreeva's letter and Pravda's response, many other publications, unsure of what the official line now was, reprinted her letter. Liberal intellectuals were alarmed by the affair; anti-reform intellectuals took comfort from discovering that they had high-level support. Gorbachev's reform policies triggered significant ideological conflict at the top levels of leadership, and glasnost' let it be exposed in public. Glasnost' — the loosening of ideological control over public communications — had made it difficult for party leaders to rein in significant disagreement with Gorbachev's reform policies. The loss of clear central guidance left editors at a loss to know how to handle dissenting opinion that strayed well outside formerly accepted boundaries of debate.^[2] In a polity where ideological and political power are intertwined, a phase of significant policy change creates confusion for the curators of public communication. They dare not move too far ahead of the leaders, but they also must demonstrate loyalty to the general direction of change.

A similar episode occurred in China in 2021. A writer named Li Guangman, formerly editor of a trade publication for an electric power company and columnist for a website that no longer exists, posted a long commentary called "Everyone Can Sense that a Profound Transformation is Underway!" to his WeChat account in late August. Several media outlets immediately republished his essay, among them People's Daily and Xinhua — two of the leading central-level news platforms in the country.

The tone and content of Li's post echoed the militant rhetoric of the Cultural Revolution. After a lengthy diatribe against a few pop culture celebrities who had been canceled over tax evasion and offenses against traditional cultural values, Li noted other recent regime moves including the suspension of the IPO by Alibaba's digital finance spin-off Ant Group, the new emphasis on the theme of "common prosperity," and the grand celebrations of the Party's centenary. All these actions, he claimed, signaled the coming of a "profound revolution" that would sweep away "capitalist cliques" and bring the "people" back to the forefront of society. In dramatic Maoist fashion, he celebrated "the return of red, the return to heroes, the return of blood" (*hongse huigui, yingxiong huigui, xiexing huigui*). Like Mao and the Gang of Four, Li demanded thoroughgoing cultural change. "We need to control all the cultural chaos and build a lively, healthy, masculine, strong, and people-oriented culture" (*women xuyao zhili yiqie wenhua luan xiang, jianshe xian huo, jiankang, yanggang, qianghan, yi renmin wei de wenhua*), Li said.^[3]

Four days later, the editor of the aggressively pro-regime, anti-Western publication, Global Times, Hu Xijin, published a rebuttal of Li's post.^[4] Calling Li's article misleading and inaccurate, Hu declared that China's leaders had been following an orderly course of measures aimed at preserving the "reform and opening up" mixed economy model — which did not at all amount to a revolution. Hu particularly objected to the rhetorical tone, which he said "would evoke some historic memories and trigger chaos in minds and panic among people."^[5] Rather than publishing it in Global Times, however, he posted it to his personal blog. Then the censors ordered that the post was not to be shared on Weibo or WeChat. Several hours later, the ban was lifted, and the post could be shared again. Reports from media sources indicate that the regulators issued oral instructions to media editors acknowledging that Li's post had a wider impact than they had anticipated. Rather than demanding that they rescind or refute it, however, they asked editors to balance it with less inflammatory content.^[6] After that, the controversy subsided. Li Guangman continued to post content, but less heated. The leadership made it clear that they would continue to intensify restrictions against Western influences and press the common prosperity theme, but not shutter all large private businesses or enact draconian redistributive policies.

Like the Nina Andreeva affair, the Li Guangman episode revealed two things about the current state of Chinese policymaking. Most obvious is the ambiguity in policy about how much the state intends to balance market activity and private capital ownership with state control. Second, at a deeper level, that ambiguity indicates divergence in the positions of key players in the policymaking process over basic economic policy choices. There is a basic tension between Xi Jinping's need for supreme leadership and the fact that the regime rests on a series of tacit understandings among powerful bureaucratic and business interests. A good indication of this is the incoherence intrinsic to the "common prosperity" slogan. There is a widespread expert consensus around concern over high inequality and the need to build a middle-class society, one where the middle-income strata are the dominant force in society. One recent commentary notes that China's society is about 30 percent middle class and argues that China can improve economic and social stability by raising that proportion to two-thirds.^[7] However, the leadership has consistently avoided acknowledging the extreme concentration of income at the upper end. Instead, it has consistently asserted the need to raise low-end incomes through measures such as a higher minimum wage and more effective social assistance programs. Despite the conspicuous assaults on a few visible tycoons and celebrities, even in the most recent phase, the leaders have been cautious about arguing for an effective progressive income tax system, an estate tax, or surtaxes on high incomes. The regime is moving extremely cautiously in introducing a property tax, for instance, authorizing only small-scale local experiments.

An example of current mainstream thinking on the issue of inequality is an essay co-authored by the prominent economist and expert on inequality, Li Shi, dean of the Institute on Sharing and Development (*gong xiang yu fazhan*), at Zhejiang University and an associate at the institute, Yang Yixin.^[8] The essay discusses Zhejiang Province's pilot program to build "common prosperity." While using the standard image of an "olive-shaped society" — the model of a social structure that is thickest in the middle and thinner at the two ends — the essay is anything but radical. It does propose taxes on wealth, such as estates and real estate, but only in the course of time. The authors do not argue for a progressive income tax. They call for "high-quality development" that expands incomes in the middle, but their only concrete prescriptions

promise more “digitalization” and the “sharing economy.” They want to build middle class wealth by making sophisticated new financial products more widely available, assuming that more financial sophistication would spur economic growth. They want to reduce the incomes at the top by encouraging more charitable donations (i.e. “tertiary distribution”) but do not propose using the tax code to create incentives for that purpose. They call for extending social rights to migrant workers, but only gradually, and without *hukou* reform. They call for the use of “collective consultation” (*xie shang*) rather than collective bargaining between organized labor and employers over wages.^[9] Most of the calls for improved workers’ wages, in fact, have to do with incentive pay rather than base pay. Are these as far as the writers can go? Or are these progressive-minded economists so fearful of the Maoists that they think they must guard against any serious shifts in social or fiscal policy? Substantively, the essay reveals policy experts’ reluctance to discuss the many forms of rent extraction that a state-dominated, cronyistic economy permits, the ways in which income rents support the Party’s political monopoly, and the forms of privilege that prevent real mobility of capital or labor across sectors and regions. They bind the regime’s political elites with businesspeople, state and private, who generate the rents the Party uses to maintain its power. Little wonder that serious reform-minded economists stop well short of analyzing the political economy of the regime.

At present, policymakers are working to deflect the “common prosperity” initiative into politically policy concepts.^[10] A visible example is the idea of “tertiary distribution.”^[11] In Chinese parlance, primary distribution is the result of the marketplace, where contributions to production determine the returns to labor and capital. Secondary distribution occurs through redistributive mechanisms, specifically taxes, social insurance contributions and benefits, and social transfers. Tertiary distribution — the channel that the current policy emphasizes as the way to achieve “common prosperity” — is voluntary donations of money and time to the nonprofit sector. Experts are calling for a reform of the tax code to provide material incentives through tax deductions for such contributions. However, given the current political climate, many wealthy individuals have found it expedient to make sizable and well-publicized donations to worthy causes. Lacking in the current debate is a reconsideration of more basic economic and political institutions that have fostered cronyistic and corrupt exchanges of benefits between wealthy entrepreneurs and political officials.

Therefore, when we interpret Xi’s gestures against Westernized entertainment industry stars, the private tutoring industry, and —selectively — against big digital platform companies as a broad “crackdown on everything,”^[12] we overlook the fact that this is a highly selective and politically motivated campaign. Because regionalism, cronyism, and corruption are so deeply interconnected, enabling tycoons to amass wealth and power by cultivating mutually beneficial ties with local officials, it makes political sense for Xi to single out Jack Ma’s Zhejiang-based business empire and the regional officials who were closely tied to him: the campaign strikes at all three problems at the same time.^[13]

The calls for “common prosperity” therefore reveal the limits on policy choices available to Xi. These are grounded in the multiple compromises his regime must make to retain power, between the monopoly of an ideologically driven communist party and its dependence on an economy dominated by politically favored state and private companies that feed the regime with taxes, kickbacks and privileged ownership shares. The leaders seek to respond to rising awareness of the extreme economic inequality in the country by taking measures to curb the excesses associated with particular firms and sectors, and by reaffirming Communist values. At the same time, they dare not move too far toward policies that would seriously harm the interests of the richest strata of entrepreneurs and managers who have locked in their advantageous positions by cultivating the favor of politicians at the local and national levels. Little wonder that new leftists are seizing on the opportunity to press for a radical turn away from the partial reform economy back toward Maoism, or that establishment party leaders and experts find it necessary to warn against any substantial steps toward a more far-reaching redistribution of wealth. In a polity where ideology and power are intertwined, the deepening of contradictions between the avowed doctrines of the regime and the actual institutions and practices its power rests on results in a gulf no amount of central control can bridge.

[1] Nina Andreeva, “Ne mogu postupit’sia principsami,” [I cannot violate my principles] [<https://diletant.media/articles/34848945/>]

[2] Thomas F. Remington, “A Socialist Pluralism of Opinions: Glasnost and Policy-Making under Gorbachev”, *The Russian Review* 48: 3 (1989), pp. 271-304.

[3] [http://www.xinhuanet.com/politics/2021-08/29/c_1127807097.htm] The reference to masculine cultural imagery alludes to the frequent complaint that the prominence of androgynous styles of self-presentation (sometimes called “sissy-boy” styles [jingzhunan or simply jingnan, ie refined pig boys or refined boys] on the part of some male entertainment industry figures. This fad became the target of heated cultural criticism in recent years for its violation of traditional gender role stereotypes. Under the current crackdown, commercial ads and television programs may not use such images.

[4] <https://www.scmp.com/news/china/politics/article/3147548/viral-blogger-hailed-chinas-profound-revolution-state-may>;
<https://www.wsj.com/articles/chinese-essayist-revives-worries-about-a-new-cultural-revolution-11630670154>;

[5] <https://www.scmp.com/news/china/politics/article/3147548/viral-blogger-hailed-chinas-profound-revolution-state-may>;
<https://www.wsj.com/articles/chinese-essayist-revives-worries-about-a-new-cultural-revolution-11630670154>.

[6] <https://www.scmp.com/news/china/politics/article/3147548/viral-blogger-hailed-chinas-profound-revolution-state-may>.

[7] Zhang Jun, “Gong fu hui xiaochu shouru chabie, dan ke baozhang diceng timian shenghuo.” [<https://fdi.fudan.edu.cn/15/20/c18965a398624/page.htm#:~:text=8%E6%9C%8817%E6%97%A5%E5%8F%AC%E5%BC%80,%E7%9A%84%E>]

[8] Li Shi and Yang Yixin, “Jianshe shouru fenpei zhidu gaige shiyan qu zhu tui gongtong fuyu” [“Establish reform of the income distribution system by a pilot zone for common prosperity”][http://www.ce.cn/xwzx/gnsz/gdxw/202108/19/t20210819_36821588.shtml] August 19, 2021

^[9] On this distinction, see Thomas F. Remington and Cui Xiaowen, “The Impact of the 2008 Labor Contract Law on Labor Disputes in China,” *Journal of East Asian Studies* 15:2 (2015), p. 280.

^[10] For example, see the spate of articles in Caixin Global explaining that “common prosperity” does not mean “robbing the rich to give to the poor” and that it is an encouragement to more “tertiary distribution.” For example, Cai Xuejiao, “‘Robbing the Rich’ Is Not Part of China’s Plan for ‘Common Prosperity,’ Official Says,” *Caixin Global*, August 26, 2021; Wang Tao, “What Does ‘Common Prosperity’ Mean for China’s Policies and Economy?” *Caixin Global*, August 27, 2021.

^[11] Eg. Kevin Guo, “CX Daily: What’s Standing in the Way of ‘Common Prosperity’?” *Caixin Global*, September 10, 2021 [<https://www.caixinglobal.com/2021-09-10/cx-daily-whats-standing-in-the-way-of-common-prosperity-101771292.html>]; Caixin Global, “Editorial: Releasing the Potential of Tertiary Distribution,” Caixin Global, August 23, 2021 [<https://advance-lexis-com.ezp-prod1.hul.harvard.edu/document/?pdmfid=1516831&crd=3b2d80b9-253e-4bf0-a656-90ef416dd531&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A63F7-M2R1-DY28-G00P-00000-00&pdcontentcomponentid=468180&pdteaserkey=sr9&pditab=allpods&ecomp=nzvnk&earg=sr9&prid=3c59210a-fdc4-4d3a-95cb-a8fd4011aafc>]

^[12] Lily Kuo, “Xi Jinping’s Crackdown on Everything Is Remaking Chinese Society,” *Washington Post*, September 10, 2021.

^[13] Lizzi C. Lee, “Xi Jinping’s Graft Busters Are Probing Jack Ma’s Home City, and a Rising Star of Xi’s Zhejiang Clan,” *SupChina*, August 31, 2021 [<https://supchina.com/2021/08/31/xi-jinpings-graft-busters-are-probing-jack-mas-home-city-and-a-rising-star-of-xis-zhejiang-clan/>]

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