Decoding China's "Common Prosperity" Drive

XIN SUN

STRATEGIC UPDATE
APRIL 2022

LSE IDEAS is the LSE's foreign policy think tank. Through sustained engagement with policymakers and opinion-formers, IDEAS provides a forum that informs policy debate and connects academic research with the practice of diplomacy and strategy.

Decoding China’s “Common Prosperity” Drive

XIN SUN

The Author

Dr Xin Sun is a member of the China Foresight forum at LSE IDEAS. He is Senior Lecturer in Chinese and East Asian Business at the Lau China Institute and King's Business School, King's College London. He holds a PhD in political science at Northwestern University and bachelor degrees in Chemistry and Economics at Peking University. His research interests focus on government-business relations and the politics of land and property rights in China. His recent articles have appeared in *Journal of Public Policy, Political Studies, Problems of Post-Communism*, *The China Journal* and *World Development*. His research and interviews have been frequently featured in media such as *BBC News, Economist, Financial Times, Insider, NBC News, Reuters, Quartz,* and *South China Morning Post.*

Introduction

President Xi Jinping's most recent call for "common prosperity" made a huge splash in the business world. The term has risen in prominence amid an intense regulatory crackdown on China's leading tech companies, wiping hundreds of billions off their market value and sending shockwaves across the global capital market. Immediately, private companies rushed to establish charity funds to show how seriously they had taken the words of Xi. For example, Alibaba and Tencent, the two leading tech giants, each pledged 100 billion yuan to be spent on various social and philanthropist initiatives.[1] Deeply concerned about the policy change and its potential impacts on economic growth and business, investors have consistently pulled back from the stocks of Chinese companies, especially those listed in the United States and Hong Kong. For example, the NASDAQ Golden Dragon China Index suffered a 50% decline in 2021, a sharp contrast with nearly all other major markets that have reached record levels during the same period. Given its extraordinary importance, investors, politicians, and businesses have all been striving to understand what constitutes common prosperity, why the Party and its leaders pursue it, and what implications it may have for the world's second-largest economy.

Xi's own words do not provide a straightforward answer to the above questions. In an article published in *Qiushi* ("Seeking the Truth"), the Party's top political theory and ideology journal, Xi laid out his broad vision for common prosperity, provided guiding principles, and proposed six grand objectives.[2] The manifesto of the new policy agenda nevertheless offers no clear road map or explicit policy instructions. It also constantly wrestles with the tensions between development and equality and between rewarding capitalists and restraining their wealth.[3] It is less clear where and how to achieve a balance. Moreover, the objectives specified in the manifesto cover an extremely wide range of policy areas: from regional development to education, from business to social welfare and even cultural policy. The sheer scope of the agenda adds further hurdles to decoding it.

> The current views on common prosperity, albeit insightful, do not depict the complete picture and leave many puzzles unresolved.

China pundits quickly offered their views on common prosperity and its sudden rise on the Party's agenda. Some interpreted common prosperity as the Party's new efforts to tackle the rising inequality between the rich and poor and shore up its popular support. "Common prosperity and its official focus of creating a fairer society," wrote Dexter Tiff Roberts, a senior research fellow at the Atlantic Council, "aim to win Xi and the Party support from the people as China's economy downshifts to much slower growth and the demographic challenges of a quickly ageing population put new economic pressures on families in the coming years."[4] Ryan Hass at the Brookings Institute similarly viewed common prosperity as a populist agenda which, through "championing greater equality, including by soaking the rich", presents "Xi a new opportunity to align with the people against the powerful."[5]

Another analysis focuses on state-business relations to suggest that common prosperity aims to rein in the "disorderly expansion of capital" (资本的无序扩张), which is often seen as the crux of many of the socio-economic problems China currently faces. For example, in an event organised by CSIS, JPMorgan's Joyce Chang argued that a key aspect of common prosperity focused on the "new economy sectors" and aimed to "control the amount of profitability and put more regulation in."[6] MERICS, a leading think tank on China, argued that the foundation of the common prosperity agenda "was laid in recent years as the Party became increasingly wary of unconstrained market mechanisms and speculation."[7] "Runaway real-estate prices, rising inequality and surging costs for education", MERICS wrote, "threatened to tarnish the CCP's economic achievements." Given the latest regulatory moves against the tech sector, it is not surprising that this view has gained vast popularity in the capital market.

The current views on common prosperity, albeit insightful, do not depict the complete picture and leave many puzzles unresolved. On the one hand, the new policy came when income inequality in China had been on the decline, mainly due to rising wages,[8] which raises doubts about both the timing and rationale of the policy. Comparing China's labour share in the economy with other countries, Bert Hofman, Director of East Asian Institute at the National University of Singapore, doubted that "uncontrolled capital" had been a major cause of income inequalities in China.[9] Wealth inequality, he pointed out, is not particularly high in China compared with many other countries and did not change much from a decade ago.

On the other hand, to equate common prosperity with the government's effort to regulate the private economy risks missing the bigger picture. Common prosperity as a policy concept emerged much earlier and is far more comprehensive than the recent regulatory crackdown. President Xi's report at the 19th Party Congress in 2017 elevated common prosperity to a critical component of the Party's second centenary goal (第二个一百年目标) to be achieved by 2050.[10] As mentioned earlier, the new agenda covers a wide range of policy areas and extends well beyond state-business relations.

This report proposes a novel perspective to understand common prosperity. I argue that common prosperity does not mark a radical policy shift. Instead, it follows the changes that have already occurred over the last decade to pursue further and more comprehensive economic centralisation. The fundamental purpose of common prosperity is to support a new political order—one that keeps significant political power in the hands of Xi and his closest allies—and to bolster the supreme leader's political survival in the coming decades.

A Centralisation Drive

What is "common prosperity"? The starting point of my analysis is that common prosperity has more to do with centralising and strengthening the Party's economic control than improving the welfare system. While China can significantly reduce income inequality through better welfare policies,[11] a route taken by most developed countries, the Party has firmly rejected the Western model of welfare states. For example, Xi explicitly warned against "slipping into the trap of welfarism that feeds the lazy".[12] An article published in the Party's leading media outlet in Zhejiang province, the first and only designated "Common Prosperity Pilot Zone" (共同富裕示范区), also stated that "common prosperity is the innovation of Chinese-style modernisation rather than the replication of Western-style welfare policies".[13]

Instead, common prosperity offers a strong interventionist vision that would further strengthen the Party's control over both localities and the market. While the detailed policies are yet to be formulated and will leave ample room for "bureaucratic improvisation",[14] existing evidence suggests that the common prosperity agenda has mainly followed the moves towards centralisation that have already taken place over the past decade, more specifically in the following areas:

First, common prosperity seeks to strengthen the Party's control over government finances and promote further centralisation in the fiscal system. A major objective of common prosperity is "promoting balanced development across regions" (增强区域发展的平衡性). This is to be achieved through "implementing major regional development strategies" (实施区域重大战略和区域协调发展战略), "perfecting the fiscal transfer system" (健全转移支付制度), "bridging the gap in fiscal expenditure per capita across regions" (缩小区域人均财政支出差异)，and "increasing support for underdeveloped regions" (加大对欠发达地区的支持力度).[15] All these measures require the central government to tighten the control over fiscal revenue and have a greater say over budgeting and spending. The document issued by the Ministry of Finance to support the pilot zone in Zhejiang also called for reforming the fiscal relations between provincial and sub-provincial governments and enhancing the fiscal dominance of the provincial government in both revenue and expenditure terms.[16]

The emphasis on fiscal centralisation aligns with the existing policy trend over the past decade.[17] For example, in a massive debt-swap program, the central government replaced debts held by Local Government Financing Vehicles (LGFVs) with publicly issued government and municipal bonds. It subsequently adopted a quota system to exert an upper limit on the bonds issued by each provincial government. Greater control over local governments' financing activities allowed the central government to expand its financial leverage against the provinces.

Second, common prosperity also supports the expansion of the Party and central government's authority vis-à-vis that of the local government in a wide range of policy areas such as environment, housing, education, industrial policy, and public welfare and services. A prominent feature of the Chinese state since economic reform has been a high degree of decentralisation, with strong power and policy discretion concentrated in the hands of local officials, whose behaviours may not always comply with the objectives of the central government.[18] Although in the 1990s Beijing adopted successful reforms to centralise the fiscal and financial systems, most other policy areas remained highly decentralised. One example is environmental policy. For decades, China's environmental agencies were weak political actors. Their position in economic decisions was marginal. Enforcement was often thwarted by local governments and companies with strong political connections. The strict environmental policy and draconian enforcement campaigns adopted under Xi's leadership changed the situation dramatically: environmental protection has since become an important imperative for local officials; the authority of the environmental agencies was strengthened significantly, and the Party itself, through the Central Leading Small Group on Ecological and Environmental Protection Supervision (中央生态环境保护督察工作领导小组), began to assume the leadership role in environmental enforcement. With a strong emphasis on environmental policy and carbon reduction,[19] the common prosperity agenda follows the existing changes to consolidate the Party's centralised control over environmental policy.

Another example that showcases the centralising nature of common prosperity is housing policy. Until recently, the private housing market had been under a highly decentralised policy environment since it emerged in the 1990s. With the supply of housing land monopolised by the local government, the latter had strong incentives to boost the local housing market to maximise their share of land taxes and revenues. The central government, in contrast, had limited influence on the housing market except through periodical adjustments of macroeconomic policies. Radical changes occurred around 2016 when Xi proposed that "houses are for living in, not for speculation" (房子是用来住的，不是用来炒的). Over the following years, the Party and central government adopted a wide range of policies and measures—termed collectively as the "long-term real-estate mechanism" (房地产长效机制)—to regulate the housing market and control the behaviours of the local government. The common prosperity agenda reaffirmed these earlier changes and reinforced the central control over housing policy.

> The thrust of [common prosperity] is more about tightening political control rather than, as alleged by some, addressing socio-economic problems such as worker welfare and the costs of healthcare and education.

> "The logic of political survival offers a powerful explanation for Xi's centralisation moves across the policy spectrum. While many of Xi's policies may well achieve certain regime-level benefits, they also share the purpose of reinforcing the Party's control over local governments and the economy."

Third, as widely discussed, common prosperity also includes a systematic effort to step up regulations on private businesses, especially giant tech companies. However, the thrust of the effort is more about tightening political control rather than, as alleged by some, addressing socio-economic problems such as worker welfare and the costs of healthcare and education. The new regulations are often vague and undetailed, granting much discretion in interpretation and enforcement to the regulatory agencies. In practice, "work groups" (工作组) are dispatched by the Party and various agencies to individual companies to conduct spot inspections and guide compliance. Such interventionist measures contrast sharply with the regulatory model adopted by the US and EU based on detailed legislation and the rule of law.

It should also be noted that the Party placed the newly created regulatory power under several agencies, including market regulation, cyberspace, financial regulation, tax, human resources and social security, transport, education, among many others. The result is a new regulatory regime that is centralised but fragmented.

The Political Logic

If inequality is not the prime concern, why do the Party and President Xi choose to put such a high priority on common prosperity? The answer is politics. Like other authoritarian leaders, Xi does not rule by himself. He needs a ruling coalition, a group of political elites whose support is essential for staying in power. He also needs to share power and spoils of office to maintain the loyalty of those political elites. Successful coalition-building does not follow any playbook but requires contingent political strategies based on the context. These political strategies, in turn, shape economic policies.

The ruling coalition Xi inherited from his predecessors was a highly decentralised one, forged initially by Deng Xiaoping in the 1980s. In Deng's era, the key members of his coalition were local political elites, especially those who governed the developed coastal provinces. Benefitting tremendously from Deng's economic reform, these local elites became the strongest allies of Deng, providing him with crucial political support in his power struggles against both Maoist old guards and Chen Yun's faction of central bureaucrats.[20]

Deng's ruling coalition inevitably constrained the policy choices of Jiang Zemin, who became leader of the Party in the aftermath of Tiananmen. Without a solid power base in Beijing, Jiang had limited choice except to follow Deng's political order. This constraint was clearly illustrated by Deng's stern warning, made during his famous Southern Tour, that "those who do not support reform need to step down" (谁不改革，谁就下台). While Jiang and Premier Zhu Rongji did manage to strengthen the centre's authority by tackling some of the most centrifugal forces (such as the Guangdong faction) and through fiscal and financial re-centralisation, local governments remained hugely influential throughout their leadership. Local spending still accounted for a dominant share of the national budget. Local governments enjoyed enormous policy discretion, especially in areas outside the fiscal and financial systems. With the booming private housing market, local governments also relied on revenue from land sales and land-based borrowing to fund their spending binge. Subject to limited central supervision, land capital reduced the financial dependence of the local government on the centre. The vast power enjoyed by the local government fuelled a multi-decade economic miracle and laid the foundation for what Yuen Yuen Ang has called China's "gilded age".[21]

The decentralised ruling coalition inherited from the Deng-Jiang era continued to cast a shadow over politics and policymaking in the Hu Jintao-Wen Jiabao decade. In an effort of coalition reshuffling, Hu-Wen set a new policy agenda to favour political interests that were previously overlooked, including the less developed localities, central bureaucracies in policy areas outside the fiscal and financial systems, and state-owned enterprises (SOEs). However, they faced strong political resistance, and the process was riven with conflict. A prominent example is the intense political struggle around the purge of Chen Liangyu, former Party Secretary of Shanghai and one of Jiang's protégés who openly challenged Hu-Wen's decision of economic retrenchment.[22] Overall, Hu-Wen's political manoeuvre only produced limited effects.

Decades of decentralisation and liberalisation not only weakened economic control by the Party but also created enormous space for the private sector. Private tech companies, backed by domestic and international venture capital and less dependent on the domestic banking system, took full advantage of the decentralised regulatory environment to achieve explosive expansion. The most successful, such as Tencent and Alibaba, have now built integrated business ecosystems that cover a wide range of sectors, including e-commerce, social networking, healthcare, education, culture and media, payment, and even public services (for example, the track and trace system developed by Tencent under COVID-19). Business tycoons have also developed connections with political elites, including “princelings”, the children of senior officials. To Xi Jinping, the potential alliances between the resource-rich business giants and other powerful political elites pose a tremendous threat to his political survival.

The logic of political survival offers a powerful explanation for Xi’s centralisation moves across the policy spectrum. While many of Xi’s policies may well achieve certain regime-level benefits, they also share the purpose of reinforcing the Party’s control over local governments and the economy. As a result, they could consolidate the position of Xi and his closest allies at the commanding height of the Party’s patronage system that allocates the spoils of office. They could also make it more difficult for private capital and rival political elites to form alliances, as the large companies are now under the intrusive supervision of multiple regulatory agencies. Ultimately, the comprehensive economic centralisation translates to Xi’s concentration of political power.

One might be curious why Xi has been able to pursue such radical centralisation while his predecessors hadn’t. Recall that Deng, facing complicated political environments in the 1980s and 1990s, relied on the decentralised ruling coalition to maintain political survival. While both Jiang and Hu sought to build a new ruling coalition to their favour, and each achieved some success, neither was powerful enough to accomplish what they had envisioned. Xi, by contrast, is less constrained by the political order he inherited, thanks to the unprecedented anti-corruption campaign he launched that removed many of those who belonged to his rival factions. The success of Xi’s political adventure created a political environment where there was no single political faction strong enough to challenge his rule. As a result, he faced less political resistance, allowing him to pursue more radical centralisation. Moreover, Xi was also able to keep the centralised economic power distributed across several of his close allies so that none of them was too powerful to challenge him. While the ultimate stability of this centralised ruling coalition remains to be tested in the coming decades, the economic policies underpinning the new political order, including the common prosperity agenda, have all been put in place.

The Road Ahead: Implications for Business and the Economy

Common prosperity and many related policies adopted under Xi's leadership will have important implications for China's economy and business. On the micro-level, the emerging regulatory regime dominated by central bureaucrats could bring about radical changes to China's business environment. In state-business relations, local governments, facing intense cross-regional competition for capital and economic growth, tend to be more supportive of business. By contrast, the central government authorities have little concern about competition but a stronger incentive to advance their bureaucratic interests by flexing their regulatory muscles. Therefore, Xi's centralisation drive weakens the political support for private businesses while increasing their regulatory burdens.

> "Common prosperity and economic centralisation also mark a radical change in China's economic growth model. Decentralised authoritarianism, the institutional foundation of China's economic miracle over decades, is gone."

Moreover, the additional burdens come from not a single but several central agencies that compete to expand their influence within the new regulatory regime. In other words, while in the past private companies often relied on the local government being the "dealmaker" in business, they now find themselves having to deal with multiple central agencies as potential "dealbreakers". To be sure, tighter regulatory scrutiny, especially on big tech companies, is a global trend and could generate certain socio-economic benefits. However, as discussed earlier, the undetailed regulations and intrusive enforcement simply leave too much discretion to the agencies, adding further uncertainties to business and risking the suffocation of innovation.

The changing political and regulatory environment has compelled Chinese private companies to adapt their business strategies. First, the leaders of several tech companies, including Jack Ma of Alibaba, Colin Huang of Pinduoduo, and Zhang Yiming of ByteDance, have resigned from their posts and kept a low profile to protect themselves from being targeted by the Party. Second, more and more private companies choose to bring in government shareholders and invite officials to sit on their boards. In so doing, they hope to signal their political loyalty to the Party more credibly. For the same reason, some Chinese companies listed on American stock markets, especially the tech giants that control affluent data or companies that do business in sensitive sectors, will have to delist from the US and return to Chinese stock markets. Private companies have also sought to demonstrate loyalty through charity donations and contributing to government projects, as Tencent and Alibaba have done in the rural revitalisation campaign and subsequently in their common prosperity initiatives. Third, a new trend emerging from China's tech sector is that the largest tech groups have been reducing their portfolios and contracting from expansion and integration. For example, Tencent planned to spin off its stake in the e-commerce platform JD.com. Alibaba has also been divesting itself of its assets in the media sector. Given that a crucial aspect of the business model adopted by these tech giants is building an integrated ecosystem involving multiple complementary industries, the current contraction moves are more likely to be driven by political than commercial considerations. More specifically, the tech giants are intending to signal that they are not building empires or amassing undue influence that could threaten either the single-party rule or Xi's leadership.

Common prosperity and economic centralisation also mark a radical change in China's economic growth model. Decentralised authoritarianism, the institutional foundation of China's economic miracle over decades,[23] is gone. Tight central control is now imposed on what used to be powerful local governments in nearly all policy areas, weakening their incentive and capacity to promote economic development. As discussed earlier, the central ministries and departments are more interested in using their newly acquired power to expand their bureaucratic turf and guard their bureaucratic interests than fostering development. China's economic growth could lose its momentum, resulting in a premature slowdown or even stagnation.

Not only is economic growth at risk, but economic centralisation may also amplify policy mistakes and delay their correction. Since so much power is concentrated in Xi's own hands, it is difficult for him to obtain reliable information on policy performance and even more so to admit and reverse policy mistakes. One example is the "Evergrande crisis", triggered by the Party's year-long crackdown on highly leveraged real estate developers by using blunt and draconian measures such as a government-imposed debt limit to developers. The crackdown has led to a frozen real estate market and driven several developers and local governments to the edge of bankruptcy, putting economic growth and social stability under pressure.[24] While concerned about a potential policy mistake, the Party and Xi have been reluctant to order an explicit correction out of the fear that doing so would undermine his reputation and political capital. Without a clear message from the leader himself, other government officials have neither the incentive nor the capability to change course. Such policy inertia amplifies the risk of policy failure and compels the Party and Xi to take more radical correction measures to avoid a crisis. As a result, economic cycles in China will be sharper and shorter over the next decade.

Endnotes

1 (2021). "继腾讯后阿里也投千亿助力共同富裕：在2025年前累计投入", 澎湃新闻, September 2. Available at: https://www.thepaper.cn/newsDetail_forward_14326074 (Accessed 21 Jan 2022)

2 Xi, Jinping. (2021). "扎实推动共同富裕", 求是, October 15. Available at: http://www.qstheory.cn/dukan/qs/2021-10/15/c_1127959365.htm (Accessed 21 Jan 2022)

3 Ang, Yuen Yuen. (2021). "Decoding Xi Jinping: How Will China's Bureaucrats Interpret His Call for 'Common Prosperity'", Foreign Affairs, December 8. Available at: https://www.foreignaffairs.com/articles/china/2021-12-08/decoding-xi-jinping?utm_campaign=tw_daily_soc&utm_medium=social&utm_source=twitter_posts (Accessed 21 Jan 2022)

4 Roberts, Dexter Tiff. (2021). "What is 'Common Prosperity' and how will it change China and its relationship with the world", Atlantic Council Issue Brief, December. Available at: https://www.atlanticcouncil.org/wp-content/uploads/2021/12/Common_Prosperity_IB_2021_1.pdf (Accessed 21 Jan 2022)

5 Hass, Ryan. (2021). "Assessing China's 'common prosperity' campaign", *Order from Chaos*, Brookings Institution, September 9. Available at: https://www.brookings.edu/blog/order-from-chaos/2021/09/09/assessing-chinas-common-prosperity-campaign/ (Accessed 21 Jan 2022)

6 (2021). "Common Prosperity: The Path to Common Poverty in China?" Public Event at the Centre for Strategic and International Studies, September 29. Available at: https://www.csis.org/events/common-prosperity-path-common-poverty-china (Accessed 21 Jan 2022)

7 (2021). "Xi's call for common prosperity signals a new period of populism, state regulation and interventionism", MERICS, September 9. Available at https://merics.org/en/short-analysis/xis-call-common-prosperity-signals-new-period-populism-state-regulation-and (Accessed 21 Jan 2022)

8 Hofman, Bert. (2021). "China's Common Prosperity Drive", EAI Commentary No.33, September 3. Available at: https://research.nus.edu.sg/eai/wp-content/uploads/sites/2/2021/09/EAIC-33-20210903.pdf (Accessed 22 Jan 2022). Also see Sicular, Terry, Shi Li, Ximing Yue, and Hiroshi Sato. "Changing trends in China's inequality: Key issues and main findings." In *Changing Trends in China's Inequality*, pp. 1-35. Oxford University Press, 2020.

9 Hofman, Bert. (2021). "China's Common Prosperity Drive", EAI Commentary No.33, September 3. Available at: https://research.nus.edu.sg/eai/wp-content/uploads/sites/2/2021/09/EAIC-33-20210903.pdf (Accessed 22 Jan 2022).

10 (2017). Xi Jinping's Report at 19th CPC National Congress. Available at: http://www.gov.cn/zhuanti/2017-10/27/content_5234876.htm (Accessed 22 Jan 2022). For a brief explanation of the Party's two centenary goals, see this Xinhua piece.

11 Hofman, for example, noted that while taxes and transfers significantly reduce income inequality in most

developed countries, their effects are rather limited in China. He further suggested that China should step up redistribution through taxes and transfers, such as increasing payments for the poor and rural pensions. "China's Common Prosperity Drive", EAI Commentary No.33, September 3. Available at: https://research.nus.edu.sg/eai/wp-content/uploads/sites/2/2021/09/EAIC-33-20210903.pdf (Accessed 22 Jan 2022)

12 Xi, Jinping. (2021). "扎实推动共同富裕", 求是, October 15. Available at: http://www.qstheory.cn/dukan/qs/2021-10/15/c_1127959365.htm (Accessed 21 Jan 2022)

13 (2021). "共同富裕是什么不是什么", 浙江日报, November 5. Available at: https://zjnews.zjol.com.cn/zjnews/202111/t20211105_23317947.shtml (Accessed 29 Jan 2022)

14 Ang, Yuen Yuen. (2021). "Decoding Xi Jinping: How Will China's Bureaucrats Interpret His Call for 'Common Prosperity'", Foreign Affairs, December 8. Available at: https://www.foreignaffairs.com/articles/china/2021-12-08/decoding-xi-jinping?utm_campaign=tw_daily_soc&utm_medium=social&utm_source=twitter_posts (Accessed 21 Jan 2022)

15 Xi, Jinping. (2021) "扎实推动共同富裕", 求是, October 15. Available at: http://www.qstheory.cn/dukan/qs/2021-10/15/c_1127959365.htm (Accessed 21 Jan 2022)

16 Ministry of Finance. (2021). "支持浙江省探索创新打造财政推动共同富裕省域范例的实施方案". Available at: http://www.gov.cn/zhengce/zhengceku/2021-12/01/content_5655198.htm (Accessed 30 Jan 2022)

17 For a review of recent fiscal reforms, see Roy Bahl. (2019). "Rebalancing the Economy and Reforming the Fiscal System of the People's Republic of China," ADB Government Briefs, issue 34. Available at https://www.adb.org/sites/default/files/publication/488946/governance-brief-034-prc-economy-fiscal-system.pdf (Accessed 31 Jan 2022)

18 Landry, Pierre. (2008). Decentralized Authoritarianism in China: The Communist Party's Control of Local Elites in the Post-Mao Era. Cambridge University Press.

19 For example, see (2021). "中共中央国务院关于支持浙江高质量发展建设共同富裕示范区的意见". Available at: http://www.gov.cn/zhengce/2021-06/10/content_5616833.htm (Accessed 30 Jan 2022)

20 Shirk, Susan L. (1993). *The Political Logic of Economic Reform.* University of California Press.

21 Ang, Yuen Yuen. (2020). *China's Gilded Age: The Paradox of Economic Boom and Vast Corruption*. Cambridge University Press, 2020.

22 Li, Cheng. (2007). "The Fall of Chen Liangyu and the Survival of Jiang Zemin's Faction," China Leadership Monitor, no. 20.

23 Xu, Chenggang. (2011). "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature*, vol. 49, no. 4, pp. 1076–151.

24 Financial Times. (2022). "China's Economy: The Fallout from the Evergrande Crisis," 6 January. Available at: https://www.ft.com/content/13476bf7-a519-427c-afd8-06e5579539d8 (Accessed 11 Feb 2022)

Decoding China's "Common Prosperity" Drive

XIN SUN

The term "common prosperity" has quickly risen to prominence in Chinese domestic politics amid an intense regulatory crackdown on China's leading tech companies. However, this new policy agenda offers no clear road map or explicit policy instructions, giving way to various interpretations which while insightful do not depict the complete picture. In this strategic update, Xin Sun argues that the fundamental purpose of common prosperity is to support a new political order that keeps significant power in the hands of Xi and his closest allies and bolsters the supreme leader's political survival in the coming decades.

LSE IDEAS
Floor 9, Pankhurst House
1 Clement's Inn, London
WC2A 2AZ

+44 (0)20 7107 5619
ideas@lse.ac.uk
lse.ac.uk/ideas