

# CHINA'S COMMON PROSPERITY PROGRAM: CAUSES, CHALLENGES, AND IMPLICATIONS

BY GUOGUANG WU



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# EXECUTIVE SUMMARY

**This paper analyzes the “common prosperity” campaign**, which has been promoted by Chinese President Xi Jinping as a major domestic policy priority since the start of 2021. It does so from three analytic angles. First, it asks the following question: Why has Xi so urgently and emphatically advocated for common prosperity during the past two years? That is, what are the true motivations and the goals of Xi and the Chinese Communist Party in highlighting this program? Second, what specific policies and measures have so far been proposed to implement the common prosperity program, and how feasible are these policies (including those already in practice, those in the proposal stage, and those that are prospective ideas) for achieving those goals? And third, how will the common prosperity program and corresponding principles and policies specifically affect the development and operation of the philanthropic and nongovernment sectors in China?

## Key Findings

Regarding the first angle, this paper argues the following:

1. The common prosperity campaign tries to provide a vision and strategy for China’s development over the next decades by targeting various inequalities as priorities to overcome, primarily income inequalities among social groups, urban-rural inequalities, and regional disparities—all of which are major challenges to China’s goal of entering the ranks of middle-income nations while navigating a slowdown in macroeconomic growth (escaping the “middle-income trap”).
2. The common prosperity campaign is most significantly a political—in fact, a populist—strategy to revitalize the roots of communist ideology in China. It is intended to bolster the Chinese Communist Party’s legitimacy and internally justify a series of policies and since Xi came to power, prominently including anti-corruption campaigns, limiting the power of big private business players, and further promoting the state sector—all aimed at strengthening Xi’s personal authority within the party-state and over Chinese society..
3. It also aims to promote the rhetorical, moral, material, and institutional advantages of the Chinese socialist authoritarian system over that of Western liberal-democratic capitalism, with the ambition to disseminate the “China Model” worldwide as a tool to further China’s superiority in global politics.

In response to the second angle, this paper argues the following:

4. Some concrete measures and general policies have been proposed for promoting common prosperity, primarily those in the category of income redistribution, including favoring low-income groups such as retirees; expanding public services, especially for rural residents; and cultural measures concerning so-called “common prosperity in spiritual life.” All of these remain preliminary and as of now far from adequate to measurably actualize bottom-line common prosperity, let alone achieve Beijing’s goals in development, politics, and international relations.
5. Various intrinsic contradictions perplex the common prosperity program, ranging widely

from fiscal constraints and the economic dilemma between maintaining incentives for growth and demanding effective redistribution to administrative incapability due to bureaucratic passiveness and political pitfalls such as increasing opportunities for governmental corruption.

As to the third angle, implications for the philanthropic sector, the paper additionally argues the following:

6. The Chinese regime explicitly devotes attention to the development of philanthropy as part of promoting common prosperity, which would seem to indicate growing opportunities in China for both domestic and international philanthropic organizations. However, it is not at all clear that those large-scale donations of funds made so far in the name of common prosperity by big private businesses, such as Alibaba and Tencent, have been voluntary and sustainable, rather than due effectively to political pressure in the short term.
7. In the medium term, the Chinese state is likely to have a significant interest in encouraging greater philanthropic activity in pursuit of the goals of the common prosperity program—in part to meet large funding shortfalls—as well as the expertise necessary to maximize impact.
8. In the mid- to long-term, however, it can be predicted that the Chinese party-state will further tighten its management, regulation, and control over philanthropic organizations, especially international organizations operating in China.

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# TACKLING INEQUALITIES: “Common Prosperity” as a Strategy for the Next Stage of China’s Development

“Common prosperity” has become a major theme of China’s official rhetoric since the start of 2021. This followed the delivery of a number of speeches on the topic by Chinese President Xi Jinping and then the issuing of a range of official documents. Although the term “common prosperity” has a long history in the discourse of the Chinese Communist Party (CCP), including use by Deng Xiaoping and during the post-Mao years, the reemergence and re-elevation of the slogan to a lynchpin position certainly indicates a fundamental adjustment of the party’s policy platform. While raw economic growth has been the foremost priority governing China’s political economy for decades, this has now changed with the shift in emphasis to common prosperity.

At face value, common prosperity seems to be a new strategy for development following the Chinese government’s claimed success in eliminating poverty. In February 2021, Xi announced that China had accomplished the task of eliminating “absolute poverty” by lifting nearly 800 million people out of poverty since the 1970s, celebrating this as “a human miracle.” It was after this that Xi and China’s leadership started to promote common prosperity as a new blueprint for the next step in China’s development.

**Despite success at addressing absolute poverty, the rapid growth of wealth in China has, as in many countries today, produced troubling increases in a range of inequalities.**

Despite success at addressing absolute poverty, the rapid growth of wealth in China has, as in many countries today, produced troubling increases in a range of inequalities. China’s Gini coefficient (the most common measure of economic inequality) has been notoriously high in recent decades, reaching 0.491 in 2008, while some estimates found it to

potentially be even higher, at 0.6 or more. The situation improved slightly during the 2010s, reaching 0.385 in 2016, according to the World Bank (although some researchers believe it was actually already higher than 0.5 based on their survey statistics).

In any case, the common prosperity program explicitly identifies income inequalities, urban-rural divides, and regional disparities as the major problems it aims to overcome. Its efforts are to be, according to Xi’s own words, “in favor of the countryside, grassroots, underdeveloped regions, and low-income groups.”

By proclaiming that China has now reached a “historic phase to sturdily promote common prosperity,” Xi apparently believes that the country has entered a new era in terms of development, during which “making the pie bigger” must be complemented and balanced with much more attention given to dividing that pie in ways that let everybody have a more equitable share. With such rhetoric, Xi is trying to add some material substance to his slogan of the “China Dream” (achieving the “rejuvenation” of the Chinese nation), connecting it to citizens’ ordinary quality of life.

The ideal goal in terms of income distribution has been described by Xi as an “olive-shaped” income structure, in which the middle-income class is large and the poor and rich classes are small. To try to attain this, local leaderships have already initiated various plans and projects intended to increase the size of the middle-income groups (as will be discussed in detail in a later section). This goal is intended to upgrade China’s overall level of income per capita and, therefore, the purchasing power of consumers; this is expected to be of great help in overcoming the middle-income trap that China might otherwise fall into if it cannot effect a transition from a low-value-added manufacturing economy to a more service-oriented economy.

From an alternative perspective, however, common prosperity can be seen, in the face of the reality of inevitably slowing Chinese economic growth, as a slogan expected to console those social groups that have been left behind during China’s rapid development since the 1990s. When the economy experienced rapid growth, people in these groups might have dreamed about tomorrow’s opportunities and their own chances of making a family fortune, overlooking temporary inequality. But they now risk becoming more and more disillusioned as the country’s overall economic performance becomes less and less spectacular. If the leader provides an alternative by saying he has a new program to make the country’s accumulated wealth more accessible to people like them, however, this may serve to increase social stability as well as the political legitimacy of the leader and his regime.

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# LEGITIMIZING LEADERSHIP: Political and Ideological Considerations behind Common Prosperity

In today's China, common prosperity comes affixed with Xi Jinping's personal mark, although previous leaders of the CCP during the post-Mao era, from Deng Xiaoping to Hu Jintao, also sometimes talked about the idea. As a political leader, Xi certainly has significant political considerations in making the slogan a core part of China's policy agenda—considerations well beyond China's development and governance. It is also a matter of power and legitimacy. Two such considerations seem to be predominant in shaping Xi's common prosperity program.

First, the program can serve to rhetorically justify a series of Xi's policies that have previously caused political controversy among Chinese political and business elites. Accordingly, it can help Xi overcome elite resistance to his policies and reinforce his personal authority during the politically critical period ahead of the CCP's 20th National Congress in the fall of 2022, when he will seek to secure a third term in office.

Since coming to power in 2012, Xi's leadership has featured intense anti-corruption campaigns, often accompanied by purges of influential CCP cadres. These have served to concentrate power in Xi's own hands, to a degree unseen in China since the era of Mao. This has occurred alongside a deep overall skepticism toward private business, including the imprisonment of some business tycoons and forceful attempts to reduce China's global economic entanglements, especially with the West. Meanwhile, Xi's policies in Xinjiang and Hong Kong have led to sanctions by the West on China and its companies and elite figures.

**In today's China, common prosperity comes affixed with Xi Jinping's personal mark.**

All of these developments have harmed the interests of many Chinese elites, who had benefitted significantly from China's fast economic growth, embrace of globalization, the collaboration of state power and capital, as well as in some cases from the general corruption prevalent during the decades before Xi took office. Elite discontent has been growing, and many who once endorsed Xi's position and authority potentially seem to have started to change their minds. There are some signs such discontent has been increasing to the degree that it could even threaten to block Xi from entering a third term in office.

While Xi started to push the common prosperity program prior to elite discontent gaining much momentum, it would be naïve to think that an ambitious and savvy leader like Xi does not carefully calculate possible resistance when he plans a significant move of such a grand scale as securing his own lifetime tenure in power. At least, he well knows that he needs some plausible programs and policies to justify such a move, and ones capable of both mobilizing his potential supporters and enshrining his long-term accomplishments. The common prosperity program seems designed to meet both needs.

The common prosperity campaign also reflects a distinctly Chinese version of what could be called "populist politics," with the intention being to turn to the "masses" as leverage in fighting against elites, much as Mao did during the Cultural Revolution. As an admirer of Mao, Xi has turned to those social groups

who have been left behind by China's rapid growth. With this new populist message of common prosperity, Xi's propaganda machine is explicitly telling these audiences that Xi is not working for himself or the party elites, but for the common Chinese people. In this way, Xi is able to strike at his political enemies in an elite power struggle even as he positions himself as a man of the people.

Second, the common prosperity program attempts to revitalize Marxist-Leninist ideas in a way that can bolster the legitimacy of the regime and Xi as leader. From a historical perspective, the fact that communism was able to win power in China was to a great extent due to its promise to the poor that they could become prosperous. In today's China, such an idealistic message is again becoming more and more attractive as income gaps and other inequalities widen and social mobility becomes more difficult.

Xi's emphasis on "common prosperity in spiritual life" as a key aspect of his program is important in that it signals Xi is attempting to establish an alternative, or reformulated, ideological core for the party and nation. Although the meaning of the phrase is not clearly elaborated, "spiritual life" in the Chinese context is closely connected with official ideology, though with less historical taint and more connections to traditional Chinese cultural influences.

**The common prosperity campaign also reflects a distinctly Chinese version of what could be called "populist politics."**

Finally, revitalizing communist ideology also helps establish internal coherence for Chinese elites. While these elites have benefitted from their involvement in market practices and from embracing capitalist globalization, their ability to accumulate personal and family wealth is also intimately connected to the position, power, and privileges provided by the Chinese Communist Party system. Reemphasizing the ideological roots of the party helps cement the regime and its common interests—including wealth accumulation derived from capitalist economic activity.

# ESTABLISHING THE SUPERIORITY OF THE “CHINA MODEL”: The Global Ambitions of Common Prosperity

At the center of Xi’s China Dream is promoting China’s global status and moving China closer to what he has described as the “center stage of the world.” To the CCP, the “center” means something well beyond its geographic sense. Rather, the phrase means to be supreme and authoritative and to exercise predominantly hierarchical leadership. As part of the China Dream, common prosperity has been proposed as playing a role in exploring a feasible path for China to accomplish the CCP’s global ambitions.

Judging that the current global trend is, as Xi has put it, “the rise of the East and the decline of the West,” the CCP has focused on identifying and advertising many flaws, or alleged flaws, in Western liberal-democratic nations. One of the most prominent is the large and growing gap between rich and poor—a long-standing problem that has sparked political turmoil and that democratic governments often seem incapable of effectively dealing with. Xi’s common prosperity program, however, emphatically addresses this gap, explicitly citing this as its policy intention in part to further distinguish the so-called “China Model” of development as an alternative to the Western capitalist development model. When requiring Zhejiang Province to take the lead in demonstrating common prosperity, for example, Xi was quick to emphasize that it should provide “an important window to comprehensively showcase the superiority of the socialist system with Chinese characteristics.” Xi’s anti-monopoly crackdown on Chinese technology giants has also been praised as serving to protect consumers and contrasted with U.S. policymakers having done “almost

nothing to rein in Facebook,” despite serial revelations of the company’s “questionable practices” and the “deep societal problems its business model has caused.”

**Xi implies that the West is incapable of tackling contemporary challenges, including inequalities, and that this is not only political but also in fact systematic.**

taking aim at both the American and dominant European models of capitalism, Xi implies that the West is incapable of tackling contemporary challenges, including inequalities, and that this is not only political but also in fact systematic. By contrast, this implies that the CCP’s system and institutions possess the necessary remedies to the troubles that liberal-democratic-capitalist institutions have created but have been incapable of overcoming. In doing so, this approach both echoes classic communist ideological critiques of the “decadent” capitalist West and offers an ideological alternative.

Xi himself has denied that either liberal capitalism or welfare capitalism (i.e., a strong social democratic welfare state) is alone sufficient to achieve common prosperity. By thus

Common prosperity is more than that, however. Unlike during China’s communist past, Xi’s China is not hesitant in competing with the West to offer a system capable of creating vast wealth as well as addressing inequality—or at least that is the idea. As one People’s Liberation Army general has written, the common prosperity program would aim to redraw the map of the world’s wealth distribution, that is, from West to East and North to South. And in time, it is imagined, the Chinese regime’s relative success over Western democracies would be profound enough to demonstrate all the institutional, material, moral, and even spiritual advantages of its political system.

# GRANDIOSE PICTURES, INADEQUATE MEASURES: Can China Actually Achieve Common Prosperity?

**Xi Jinping has something of a propensity toward grandiose displays intended to impress, and the common prosperity program is no different. However, Beijing has yet to formulate policy measures to actually fulfill most of the promises of common prosperity.**

Since the summer of 2021, national authorities and many local governments have issued some official documents trying to elaborate on common prosperity, but the program remains mostly an outline, if not a mere slogan, without much detail on what is to be done. Even in Zhejiang Province, which was selected in early 2021 as a “common prosperity demonstration zone”—and where Xi reportedly began to implement some elements of the ideal of common prosperity during his capacity as provincial party secretary there in 2002–2007—it is still difficult to find specific measures proposed and implemented as part of realizing common prosperity. In general, it seems to be too early after the program was proposed for officials to have worked out many concrete measures.

**Beijing has yet to formulate policy measures to actually fulfill most of the promises of common prosperity.**

There is, however, at least something of a roadmap for what is supposed to be measurably achieved. According to Xi’s own elaboration, four aspects must constitute making “substantive progress” toward common prosperity:

1. Reducing income inequalities;
2. Equalizing public services (between classes and geographic regions);
3. Actualizing common prosperity in spiritual life; and
4. Promoting rural development.

He has also put forward a timetable: by 2025, the end of the current 14th five-year plan for 2021–2025, income gaps are to be reduced (though by how much is not clear); then by 2035, “substantive progress” should be achieved, especially in equalizing “basic public services”; and by 2050, China is to realize common prosperity in full, with income disparities being reduced to “reasonable degrees.”

In terms of reducing income disparities, Xi envisions a further four general paths of policy action:

1. Enlarge the percentage of middle-income groups as a share of the population;
2. Increase the basic incomes of low-income groups;
3. Reasonably adjust high incomes; and
4. Ban and police illegitimate incomes.

To date, the measures taken by central authorities to “adjust” high incomes seem to be the most dramatic, efficient, and effective, in part because many high-income individuals are seen, at least in the popular mind, as under suspicion of being the beneficiaries of “illegitimate incomes.” This line of reasoning is consistent and mutually reinforcing with Xi’s landmark anti-corruption campaigns that date to the very beginning of his time in office, as well as the alternative common prosperity priority of enforcing anti-monopoly rules in the private sector. In both cases, state coercion can get the job done in a relatively straightforward way.

Meanwhile, however, pertinent socioeconomic policies and legal measures addressing more foundational problems remain virtually absent in concept, let alone ready for effective implementation. This may in part be due—in addition to the basic difficulty of resolving such problems—to the fact that such policies are naturally more controversial because of their echoes of the Mao era.

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It would be unfair, however, to say that Xi has not tried to shape relevant fiscal policies for implementing these redistributive goals. He did attempt to mobilize taxation as a major tool for adjusting income disparities, though so far not to conclusive success. In October 2021, after many years of discussions about implementing a real estate property tax,

the National People’s Congress (NPC) announced that pertinent pilot programs for five-year experiments on such a tax would start in some selected regions. So far, however, the State Council, which is authorized by the NPC to carry out the pilot programs, has not taken action to identify the regions selected or when the five-year pilot period will start. Such pilot programs have actually already been carried out for 10 years now in Shanghai and Chongqing, but it seems that the national government still has a lot of questions regarding the details of the relevant legislation, including the tax rate itself. Chinese residents highly value the possession of real estate as a reliable form of property investment; it was reported in 2020 that about 70 percent of the wealth held by Chinese households was in real estate. Some 40 percent of households owned two residential houses, with most of them belonging to middle-income groups. Were they to become the primary group to bear the burden of the new tax plan, the pertinent legislation would seemingly not be of much assistance in achieving the goal of strengthening the middle-income class. Therefore, we should assume it unlikely that a property tax will be put in place nationwide within the next five years.

Meanwhile, local governments have been given significant policy space to initiate and experiment with measures to lift the incomes of low-income groups, thereby increasing the size of the middle-income groups. The 2022 session of the Provincial People’s Congresses, most recently convened in January, did highlight the theme of common prosperity and included many provincial governments announcing local measures for promoting the program, with emphasis on income disparities. In reality, their statements mostly repeated what Xi had outlined at a high level, rather than proposing more implementable courses of action.

There has been some broader policy action to date, however. In particular, a key focus of such measures is supporting the aged population by addressing the income issues that retirees unfortunately often face in China. The common prosperity program, therefore, also works as a strategy to deal with the challenges an

aging society brings to China. In the coastal regions, where income per capita is well above the national average, Jiangsu Province announced an increase of 4.5 percent per capita in the “basic pension” for retirees, while Zhejiang set the bottom line for a resident’s livable pension as above 11,000 RMB (roughly USD 1,700) annually. For the provinces in central China, local governments like that in Shanxi have vowed to “increase the weight of the middle-income groups” among the population and, in Anhui, to “push forward the project of doubling the income of middle-income groups.” Many provinces in western China have also initiated various policy measures to promote common prosperity. In Yunnan, the provincial government announced that the basic pension for retirees would be continuously increased, while the Gansu provincial government announced an increase of the lowest standard of the basic pension for urban and rural residents to 113 RMB (roughly USD 15) per month per person. Shaanxi Province for its part announced the “possibility to extend the age of compulsory retirement” and pledged to “make sure that the pension is delivered on time and with the full amount”—a notable statement in its implication that such payments have previously not been delivered on time or in full.

Meanwhile, the program also emphasizes increased investment in human capital in general, which can be regarded as a measure for taking care of younger members of the population as well. Together with the emphasis on retirees, these twin goals fit China’s pre-communist morality of “assisting the aged and the young,” reflecting that Xi himself and the CCP in general have increasingly aimed to find moral support from the nation’s Confucian philosophical past. In terms of policy so far, Zhejiang Province has proposed that, in the next five years, 75 percent to 90 percent of pre-school-age children have access to quality and free kindergarten, that the gross college enrollment rate reach 70 percent, that the average expected number of years of schooling reach 15.5, and that out-of-pocket health care expenditures for individuals be kept at less than 26 percent of total costs (many of these steps are part of a push to improve access to public services, discussed in further detail below).

**New emphasis on rural development, meanwhile, is focused on overcoming urban-rural disparities.**

For reducing regional disparity, Beijing continues to try “improving the arrangement of richer regions assisting the poorer regions,” meaning that a coastal province is paired with a poorer inland province, with the former responsible for providing material, fiscal, technological, and human resource assistance to the latter. This is a long-standing policy, however, and should not be seen as a new innovation of common prosperity.

New emphasis on rural development, meanwhile, is focused on overcoming urban-rural disparities. In this regard, some provinces, such as Shaanxi, have initiated a strategy of development prioritizing the “county economy” (the “county” is the basic administrative unit for rural China, while in urbanized areas the county is restructured into a “city”), but what the “county economy” means specifically remains unclear. In Zhejiang, the goal in this regard is set as making sure the income ratio between urban and rural residents is cut to less than 1.9 within five years. But how to actualize such equalization again remains an unanswered question.

Paralleled with reducing disparities, equalization of public services is considered an important step toward achieving common prosperity. In relevant official documents, “public services” cover a wide range of issue-areas, including education, childcare and the well-being of children, assistance for the disadvan-

taged, pensions, housing, public health, and so on. Frequently mentioned specific priorities include reducing the burden of education costs on low-income families and increasing their children's level of education, improving pension and health care protections, narrowing disparities in social protection benefits among different groups, raising the minimum level of benefits for the lowest-income groups, and providing affordable housing to new urban residents and low-income households and encouraging the construction of new rental housing in high-cost cities with large migrant populations. All of these measures are intended to target and substantively reduce various disparities. For example, were equalization of public services to be more or less actualized in early education, university education, health care, and pension

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security, the urban-rural disparity would be greatly reduced: since 1949, Chinese rural residents have had little access to such public services, even as urban residents have enjoyed progressively better access over the same time period. Similarly, reform of the “hukou” residence system is now especially emphasized as a priority means of institutionally facilitat-

ing equal access to education services for the children of migrant workers in urban areas. This has been on the agenda for years, however.

In general, many programs now run under the heading of common prosperity are actually not especially new. Aligning existing policies with a new political program is a common phenomenon in China, and in this case many policies that have already been in practice for years have been connected to the common prosperity program. Promotion of the state sector is one such policy. On the other hand, reducing the burden of taxes and fees faced by owners of small- and medium-sized businesses is a relatively new priority that has not previously been substantially implemented (though whether it can gain substantive progress under the common prosperity program remains an open question).

# INTRINSIC CONTRADICTIONS: Dilemmas and Challenges for the Common Prosperity Program

Xi's common prosperity program seems to be challenged by a number of intrinsic contradictions, which can be analyzed in the following aspects.

**Macroeconomic:** At a high level, the common prosperity program faces a fundamental dilemma in terms of providing incentives for economic growth versus income redistribution. China's economic growth has already slowed significantly in recent years, due to structural macroeconomic factors; now, if common prosperity is mismanaged, the suppression of private sector business threatens to further contribute to the diminishing of economic momentum. In recent years, Xi has consistently emphasized making state-owned capital and state-owned enterprises bigger, better, and stronger. This has also been suggested as a major path to promoting common prosperity—hence, one reason for China's latest crackdown on its largest private businesses as part of an effort to “combat monopolization.” While monopolization by private enterprises may certainly cause a series of problems, the private sector has made huge contributions to the growth of wealth in China—in contrast to the Mao era, when the state sector monopolized industries and commerce but the economy was largely stagnant. It is for this reason that anxiety has risen fairly widely among China's richer and middle-income classes that the vision of common prosperity could inadvertently sabotage economic growth to the extent that the practical result would be a return to the common poverty of Mao's China. Even in a more optimistic scenario, portrayed as a balanced trade-off in which the nation tolerates lower growth rates to emphasize quality and equality, any indication of slower economic growth will certainly intensify challenges in funding the common prosperity program in the first place.

In recent years, Xi has consistently emphasized making state-owned capital and state-owned enterprises bigger, better, and stronger.

**Fiscal:** With the slowdown in overall economic growth, the Chinese government has been experiencing fiscal pressures. In particular, local governments have faced fiscal shortfalls, as they are in a disadvantageous position, in comparison with the national government, in terms of how state budgets are divided and their limited means of raising other revenue (land sales being the most common). The implementation of many policy measures of common prosperity requires large fiscal input, particularly from local governments. At the January session of the Provincial People's Congresses, a number of governmental reports pledged that for carrying out common prosperity policies, their expenditures on residents' well-being would be increased despite their being under fiscal pressure. But none of these reports then answered the question of how these expenditures would be funded. The national government has promised to improve intergovernmental fiscal transfers to give provincial governments more budget flexibility; in reality, however, such budget transfers are always a bitter battle between central and local bureaucrats. In addition, without institutional reform, there is no reason to believe that local bureaucrats now have an upper hand in this contest. Furthermore, no specific provisions have been mentioned on fiscal transfers from provincial governments to lower-level governments. The central leadership, at the same time, has already urged local bureaucrats to “rationalize fiscal expenditures” to ensure the social protection of low-income

groups, while also criticizing local governments for their “irrational” behavior in public expenditures.

**Institutional:** The problems the common prosperity program aims to tackle are rooted in China’s political and economic institutions, which supported the country’s fast economic growth in past decades. Institutional reforms, therefore, are necessary for overcoming those problems now leading to slower growth. Xi, in his relevant speeches, has mentioned the possibility of such reform—for example, fiscal transfer and hukou system reforms—but so far corresponding measures have yet to be proposed. In a similar vein, without fiscal reforms and reforms of budgetary politics, it appears difficult to achieve funding levels, even equivalent to those available during past decades of robust growth, sufficient to support a significant expansion of public services and social protection for underprivileged groups.

**Administrative:** At least since mid-2021, many provinces have reduced salaries of middle- and lower-ranking bureaucrats and other employees of state organizations. This might free up money for funding common prosperity programs, but it will also cause further problems. As local governmental staffs are supposed

to play a pivotal role in implementing common prosperity projects, it is hard to imagine that with their own salaries and incomes cut, they will have any strong enthusiasm to take on new duties.

**There is a notable contrast between the state’s emphasis on improving the socioeconomic interests of the low- and middle-income groups and its firm desire to limit those same groups’ participation in public decisions about who gets what.**

**Corruption:** The common prosperity program relies on state policies and bureaucratic action for initiatives and implementation, which necessarily creates tension between state dominance in resource allocation and anti-corruption

efforts. Common sense can predict that some of those cadres whose income is reduced but whose power regarding resource allocation is increased will find both legitimate and illegitimate ways to benefit their own and their family’s interests while managing common prosperity projects. Such corrupt behavior, if not constrained, will victimize those people who are intended to benefit from the common prosperity program.

**Political:** There is a notable contrast between the state’s emphasis on improving the socioeconomic interests of the low- and middle-income groups and its firm desire to limit those same groups’ participation in public decisions about who gets what. While low-income groups’ participation in governmental decision-making is constrained as much by a lack of socioeconomic privileges as by anti-democratic sentiment, authorities may have some concern that middle-income groups may begin to demand more political representation as their size and consumer power increase. It is perhaps notable that whereas Chinese documents consistently use the phrase “middle-income groups,” in the English-speaking world it is often translated into the “middle class.” It seems that the wording used by authorities in this case is carefully chosen to avoid the political ramifications that the term “middle class” might entail. The Chinese government’s official goal of creating the conditions for the growth of “a large, prosperous middle class”—often seen in the West as vital to the health of democratic polities—could in this regard be misleading for some Western readers.

# YOUR DONATION, MY CONTROL: Common Prosperity's Implications for Philanthropy

Encouraging greater charitable donations by the wealthy, especially private entrepreneurs, is a significant part of common prosperity, according to Chinese authorities. This is referred to as “tertiary redistribution,” a third source of distribution of income and resources for citizens after direct employment wages and government support. To respond to Xi’s call for “the development of philanthropic means,” a number of business giants, primarily technology companies such as Alibaba, Tencent, and JD.com Inc., moved quickly to announce large philanthropic donations, often totaling in the range of hundreds of billions of RMB, with the goal of “assisting common prosperity.” A new wave of philanthropic donations has seemingly been unleashed, and, at least at a general level, this seems to indicate greater opportunities for both domestic and international philanthropic organizations in China.

However, it remains unclear where much of this contributed money has gone or how exactly the funds will be managed and spent. No detailed information is available to answer these questions, as most firms have not disclosed these details. It is also unclear how many of these donations were made voluntarily or were the result of business leaders’ fears of political pressure. Some analysts have distinguished two categories of these new Chinese donors: those “unhappy billionaires” who needed to be “persuaded” to contribute philanthropically and those “happy millionaires” who genuinely welcome new regulations on big firms’ monopolistic size and scope and who see their own chances of becoming billionaires increasing due to the common prosperity campaign. This seems consistent with the government’s stated goal of increasing private sector competition and aiding small- and medium-sized companies, while also advancing redistribution of wealth.

**A new wave of philanthropic donations has seemingly been unleashed, and, at least at a general level, this seems to indicate greater opportunities for both domestic and international philanthropic organizations in China.**

Overall, the Chinese government appears committed to encouraging greater philanthropy in China as part of the common prosperity program, with an emphasis on all of the priority areas discussed earlier. But it also appears unsure about how to do so in a sustainable and effective manner. As private wealth has accumulated in China, interest by high-net worth individuals in philanthropic activity has grown naturally, but to a lesser degree than is common in many other countries. The government faces a significant challenge in how to promote philanthropy that will have the socioeconomic impacts it desires in a way that encourages voluntary buy-in by donors, without making them feel as if they have been forced to donate (thus reducing their engagement in ensuring the money is spent effectively).

The situation also suggests that expertise on how to effectively manage and distribute funds to causes and recipients for maximum impact remains lacking in China, or that best practices for the local context have not yet been well developed. This would in turn suggest that the Chinese government would be encouraging of efforts to educate elite donors, foundations, and nonprofits in the country on what those best practices might be. Theoretically, this could include foreign philanthropic expertise. This has several complications, however.

The first is that the economic elements of the common prosperity campaign have gone hand-in-hand with a cultural or “spiritual” element, as previously touched on; in practice, this has involved a significant tightening of government control over cultural expression and societal organizing by non-state groups. This dovetails with a general, long-standing, suspicion of nongovernmental organizations (NGOs)—and foreign NGOs in particular—under the administration of Xi Jinping, who is deeply concerned about the potential for NGOs and other civil society groups to spread unauthorized ideas and destabilize the party-state’s social and political control. This has resulted in a progressively narrower space available for NGOs to operate in China, including through the implementation of China’s Foreign NGO Law, which came into

force in January 2017 and substantially constricted the number of foreign NGOs registered to operate in China. The common prosperity campaign, with its emphasis on encouraging a “purer” expression of Chinese cultural values in society, is likely to lead only to greater scrutiny of foreign NGOs interested in operating inside China.

The second complication is that Xi’s emphasis on reinvigorating the state sector of the economy as part of the common prosperity campaign means

that a large proportion of the funds donated so far may have been channeled directly into government or state-owned, rather than nonprofit, programs and activities. Institutions working with such funding and programs, therefore, may face additional challenges meeting compliance and reporting requirements both inside and outside of China, as well as challenging reputational considerations.

Ultimately, common prosperity may present both significant opportunities and challenges for the philanthropic sector. Chinese authorities’ desire to see greater philanthropic activity in China appears to be genuine. Although no relevant official statement declares this regarding foreign philanthropy, it is likely that China would be pleased to see greater foreign expertise and funding in China under the right conditions—in other words, China would welcome foreign money as long as it firmly aligns with the government’s own priorities, and those authorities would retain full effective control over nearly every aspect of the distribution of funds. In the long term, there should be little doubt that the state would prefer to effectively establish a model that might be described as “your donation, for my purpose, under my complete control.” Philanthropic actors interested in operating in China must bear these factors in mind when considering whether or not to do so and how to have the greatest potential impact.

**The common prosperity campaign, with its emphasis on encouraging a “purer” expression of Chinese cultural values in society, is likely to lead only to greater scrutiny of foreign NGOs interested in operating inside China.**

# CONCLUSIONS

**Xi Jinping's common prosperity campaign is a comprehensive, redistribution-centered program with multiple layers of policy implications; yet, it remains teeming with intrinsic contradictions.** It is proposed as China's strategy for its next stage of development, as the country seeks to move from eliminating absolute poverty to facing the challenge of avoiding the middle-income trap. It is rooted in the CCP's traditional communist ideology, while envisioning the establishment of a global advantage over the Western capitalist world's ability to tackle inequalities. It is a long-term plan but is in part expected to yield immediate political utility for Xi and his allies. This is especially true in the absence of institutional reform to rebalance a series of contradictions in China's political economy of development, ranging from that between stimulating economic growth and promoting income equality, and between the growing role of the state in redistribution and the foreseeable consequences of this resulting in market and civil-society atrophy.

**In the end, the program's most important intrinsic tensions are not necessarily due to its scale or ambitions...but they flow from a shortage of practical means.**

In the end, the program's most important intrinsic tensions are not necessarily due to its scale or ambitions, but they flow from a shortage of practical means conceived for achieving its goals. One example is the gap between the program's great demand for funding needed to achieve its goals and the limit of relevant financial resources. Philanthropy may have an opportunity to flourish in China when it comes to assisting authorities to partially overcome these difficulties. But the regime's anti-Western, statist, and rigid governance mentality will significantly constrain and control the limits of international philanthropic operation in China. The coming years of common prosperity, therefore, will require deft navigation by all those organizations and individuals dedicated to working in this space.

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