

Review of: "What Does the Future Hold for China's Private Economy? An Analysis of Sense of Insecurity for Chinese Entrepreneurs in the Private Sector"

Børge Bakken¹

¹ Australian National University

Potential competing interests: No potential competing interests to declare.

An analysis of the private sector entrepreneurs in China is in a so-called "sensitive area" in China, and Cao and Shen's article gives some good evidence to that fact by commendably focusing on the felt anxiety by the entrepreneurs they have interviewed. While the social status of the entrepreneurs is described as having "continually improved", that is a truth with many reservations because the private sector is still so dependent on political support from inside the system of power. While we get many interesting and valuable comments from the entrepreneurs, the sensitive issue about their dependent status is less convincingly described. That may be explained precisely by the answers the entrepreneurs give, their anxiety and dependency on the political centre. The authors identify four main factors that account for private entrepreneurs' lack of security: "The difficulty in obtaining equal protection of private property; the risk of criminal charges that threaten personal safety; the growing culture of hatred against rich people; and doubts over changes on the state political ideology, the latter causing the most anxiety among entrepreneurs." I think this is well summed up, and since Xi Jinping has made the talk of the capitalists within the political system, the anger against the rich may well be directed towards the private entrepreneurs instead of the political elite that is using the entrepreneurs. Xi's famous "Document no.9" from 2013 listed seven issues that should "not be talked about" in public, and describes one of these forbidden areas as "Party-elite capitalism (*quanguo zichanjieji buyao jiang*)". In China, it is important to distinguish between the "red-rich" with political power, and the private entrepreneurs who belong to the "non-red rich". Of course, this is well-known in China, and the official statement about this was already formulated by one of the founding fathers of the party, Chen Yun, who early on compared the private entrepreneurs with songbirds in a cage. Let them fly, he said, let them sing, and make the cage big enough for that, but he knew, as the entrepreneurs still know, that they are songbirds in a cage.

The authors are very specific about the use of the "songbirds". I quote them here: "According to the statistics, the private sector contributes more than 50% of tax revenue, 60% of GDP, 70% of technological innovation, 80% of urban labour employment, and 90% of new jobs and enterprises." The quote is an illuminating description of the private sector's economic value and comes from the approximate Chinese expression of "56789" used to describe the sector's vast importance. While not giving accurate numbers, the meaning of these numbers is to illustrate that private firms contribute enormously to the overall well-being of a Chinese economy in recent trouble. The ideological turn in Chinese politics, coming with the dominating role of Xi Jinping, is probably in some trouble that will perhaps give the entrepreneurs a sort of revival after Xi's tightening of the screw. When Ma Yun, the CEO of the powerful tech company Ali Baba was forced to

leave a few years ago, it was bad news for the private entrepreneurs. It is symptomatic that Ma Yun has emerged on the scene in what may seem like a comeback during the present hard times for the Chinese economy with both increasing joblessness rates and stalled growth rates during and after the pandemic. I think Xi Jinping will have to re-introduce some of the influence of the private entrepreneurs even if it may come as a Leninist NEP policy to use a Soviet parallel. The entrepreneurs are still in Chen Yun's birdcage, although the cage may be expanded for some time again. The authors also give us some updated accurate numbers on top of the general 56789 expression, adding: "Chinese private enterprises also have an important impact on the world economy, according to statistics, from January to August 2022, Chinese private enterprises accounted for 50.1% of China's total imports and exports, reaching 13.68 trillion yuan, up 14.9% year-on-year."

I think it is a wise decision by the authors to aim to "investigate the insecurity issue among private entrepreneurs in China." Of course, the Parry has noticed the increased emigration among rich private entrepreneurs and the fact that some have moved their assets abroad. The unsafe circumstances in China have made that inevitable, and it will not serve the nation well in the long run. The authors also mention the dissatisfaction among the private entrepreneurs that the State-Owned Enterprises (SOEs) are getting unfair privileges in terms of lending practices by Chinese banks. It is another sign that the cage has been shrinking, thus affecting the Chinese economy negatively. The authors also quote Nicholas Lardy's work, arguing that the current downward trend in China's economy has a lot to do with the shift to SOEs that are generally inefficient and corrupt but have survived because of the large amount of bank loans they have received. The entrepreneurs rightfully see this as a kind of abuse of political power. The Party branches set up in a lot of private companies are also a way to control the private entrepreneurs that may backfire on the general health of the Chinese economy instead of securing a better control of the enterprises. Of course, a regulation of the sector is necessary not to experience the corrupt practices of the 1990s all over again, but such a regulation should preferably be legal rather than ideological. Regulation does not necessarily become more economically effective by ideological control. I would surmise that it would rather make the sector more open to political manipulation and corruption. It is symptomatic that China, since the start of the alleged "anti-corruption campaigns" started more than ten years ago has shown no improvement in China's standing whatsoever on international statistics on corruption, like in the Transparency International estimates of global corruption data. Instead, the country has fallen a couple of places on the world ranking list. Ideological control may not have the same effect as healthy economic regulation of the sector. The authors allude to this problem by quoting the reaction to a public statement by Qiu Xiaoping, the Vice Minister of China's Ministry of Human Resources and Social Security, on "strengthening the Party's leadership to promote the democratic management of enterprises". Qiu's remark "has again sparked anxiety among private enterprises" according to Cao and Shen's interviewees.

Perhaps the most interesting part of the article is when the authors look into the main factors affecting the security of private entrepreneurs and the main strategies of Chinese private entrepreneurs to cope with insecurity. Their insecurity, the authors maintain, leads to an anxiety that is not so much a psychological anxiety as it is a politically and socially imposed insecurity based on the realities in which the entrepreneurs operate. I fully agree with the author's statement that: "The lack of security is not a psychological problem, as generally perceived, but a subconscious fear due to the expectation of insufficient security in the political environment, and therefore it should be understood in the political

context.”

The following part of the paper is probably the most interesting part of the article, because we seldom have interview data from the private entrepreneurs in China. Here, about 35 private entrepreneurs from Zhejiang province were interviewed. What is striking about the interviews is that they all revealed their worries about their own safety. The authors sum up the fears of the entrepreneurs in four different categories: “private property, personal freedom, traditional culture, and ideology”. They are afraid of losing their assets, even that their own family assets could be taken away suddenly without means for themselves to protect themselves against such expropriation. The authors argue found that: “Although today the legality of private property has been repeatedly emphasized, the historical memory of the positioning and treatment of private entrepreneurs still lingers”. Tax issues are also part of the fears of entrepreneurs, and the general hatred against the rich is more than just a feeling in a society where the difference between rich and poor have been escalating since the early Deng reforms took place in the 1990s. China is today among the most unequal society measured both by GINI coefficients of relative inequality as well as inequality is enhanced by the still dominating practice of household registration (*hukou*) rights and restrictions dividing the population even more into “haves” and “have-nots”. The entrepreneurs know well that this rage will be directed against them and not against the hidden wealth of the “red rich”. The “red rich” expression is mine I must add, not the authors choice of words. I think it may be too controversial to bring up this question inside China, but every entrepreneur knows what it means to be outside or inside of the political “system” or *tizhi* . They are, despite their wealthy, still very much *dependent* elites, without the safety of political power. The fact that rich private entrepreneurs prefer to place their children in the civil service is well-known throughout China. To make family members move to the “inside” of the system is probably the most secure safety valve of them all in today’s China. The interview data confirms such anxieties and preferences. The ideology of the “inside” Party based reality is also seen as a direct threat to the very existence of the private entrepreneur. Millions of dollars are used by private entrepreneurs to “maintain relations” with the insiders in this highly politicized and hierarchical power structure. There should be little wonder that so many entrepreneurs are considering emigration in the circumstances of such security and such high costs of “maintain relations”. The latter has been called the “price of power” as the “red rich” has to be continually reaffirmed to make the politically rich also become monetary red rich. Again, the authors do not mention the expression “oligarchs”, but I think we can easily describe the insiders in the political powerhouse as “red oligarchs”, and that oligarchy in China probably must come with political power even if there are fantastically rich private entrepreneurs in the country. The “red oligarchs” are possible not the people listed on the top of the Hurun report of the rich in China. They are the ones “not to be talked about”.

In conclusion, there is a lot of interesting data in this article, and the interviews are confirming the insecurities and the anxieties of the rich private entrepreneurs in China quite truthfully and accurately. The problem with the analysis is paradoxically linked to the same type of problems encountered by the entrepreneurs themselves. Even intellectuals are “dependent” in the ideological system that is Xi’s China. A full analysis of the “red” insider economy and what Xi Jinping himself calls the “Party-elite capitalists” cannot be openly discussed in China today. To see this through the eyes of the entrepreneurs’ own accounts still gives us a glimpse of the real issue in China, the enrichment of the political elites and the dependent situation of the entrepreneurial “birds in the cage”. What the entrepreneurs struggle with is getting access

to this “insider” economy of political power. Their insecurities precisely reflect the dichotomy of the powerful insider rich and the still dependent outsiders, the private entrepreneurs. Despite interesting data making the framework and the background of the article, I still find the actual interviews the most valuable contribution in a field that is still difficult to discuss in its full context in China today. It gives the entrepreneurs a voice.