

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"

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The paper *What Does the Future Hold for China's Private Economy? An Analysis of Sense of Insecurity for Chinese Entrepreneurs in the Private Sector* by [Cao Jiaqi](#) and [Yueying Shen](#) is quite interesting, informing, and useful.

Since approximately the late 1990s, one of the most visible elements of market-oriented reforms in China has been the development of a previously non-existing private sector, and the surge of medium, large and very large private enterprises. In this respect, it is worth mentioning that the relative weight and role of the private sector in PRC's economy is routinely overstated by both Chinese and international observers: for instance, the authors flatly state, as a matter of fact observation, that “*the private sector contributes more than 50% of tax revenue, 60% of GDP, 70% of technological innovation, 80% of urban labor employment, and 90% of new jobs and enterprises*”.

Actually, an accurate interpretation of China's statistical evidence leads to a more balanced assessment, showing that a very important role is being played by a new type of mixed market-oriented productive enterprises, which are not intrinsically capitalist in nature, and that both quantitatively and qualitatively the role of the public sector is still dominant (see Gabriele 2020; Tianlei Huang and Véron 2022; Gabriele and Jabbour 2022). However, besides this important caveat, there is little questioning on the fact that the birth and rise of the private sector has had on balance a very good impact on the country's economic development, thereby benefiting the Chinese people as a whole – at least, so far.

Yet, it has also implied the emergence of new class of rich, and in some cases ultra-rich *entrepreneurs/capitalists*. So far the limelight - especially on the part of international observers - has mainly been focusing on the shining, meritocratic, Shumpeterian, *entrepreneurial* hat worn by the first generation of these unique private actors. Yet, with the passing of time the ugly *capitalistic* smell of privilege, arrogance and exploitation is inevitably spreading as well, creating serious social and ideological contradictions.

In a country where the basic foundational principles of socialism are still firmly rooted, large swaths of the population have been feeling emotions ranging from envy to hatred with respect to the rising social status of *entrepreneurs/capitalists*, leading in some cases the Party and the authorities to curb the ascendance of the new class through a number of formal and informal means. As a result, in turn, some of its members have been experiencing a growing sense of alarm and insecurity. Such feelings, if left unchecked, might unduly undermine the overall investment climate for both domestic and foreign capitalists, with negative macroeconomic and developmental consequences.

Cao Jiaqi and Yueying Shen investigate the above mentioned phenomenon in a study commissioned by officials of Zhejiang province, one of those where the private sector is most developed. The authors investigate the opinions about the business environment on the part of the province's entrepreneurs (some of which operate in Shanghai). They apply textual analysis, interviewing 35 entrepreneurs and reviewing some of the most important CCP documents issued since the party's foundation (1921) that discussed the policy approach on the private economy.

The interviews revealed that the entrepreneurs did feel a sense of insecurity and vulnerability, and were coping with it via an array of strategies, ranging from cultivating political connections to outward emigration or retirement. However, the analysis of CCP documents showed that, over its century-old history, the Party did go several swings stretching from more radical to more tolerant attitudes, but eventually “*formed a more stable philosophy and policy towards private capital*”. According to its very nature and class allegiance, the CCP cannot fully support capitalists, thereby allowing for an unrestrained surge of income and wealth inequality and social polarization. Thus, to maintain social stability and its bond with the masses the party will *moderate the impulse of capital expansion*” At the same time, the CCP also realizes that the role of private capital to promote in role of China's economic prosperity is “*irreplaceable*”, making it “*impossible for China to return to a fully public economy*.” Therefore, “*the anxiety that China will return to full public ownership is completely unwarranted*”.

I appreciate the authors' straightforward methodology and share their core conclusion. As the authors themselves remark in the text, under Xi Jinping leadership China is indeed undergoing a gradual *socialistic* leftwards shift, moving the pendulum towards a higher priority to be accorded to state-owned and state-controlled enterprises, equality-enhancing policies and social programs, and more reliance on planning and projecting capabilities rather than on market mechanisms. However, this progressive policy shift does not amount to a square negation of the market socialist model set up since the 1980s, and is not likely to eventually lead to the total demise of the private sector for the foreseeable future.

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