

Opinion **China**

The lessons for the US from China's 'common prosperity' push

Beijing's charm offensive to preach equality and fairer growth faces scepticism

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The Chinese Communist party has been on something of a charm campaign in the US. Amid all the stories about a silenced tennis star, a #MeToo scandal, disappeared billionaires and Uyghur concentration camps, Americans are also beginning to hear about Beijing's efforts to reduce inequality and create a healthier and more balanced type of economic growth. China's ["common prosperity"](#) message has filtered through mainstream television shows such as 60 Minutes on CBS and national newspapers.

And while there are rightful doubts about whether an authoritarian government with a dicey human rights record, a history of debt-fuelled growth and a ruling class with its own vested interests in the old system can implement better policies, there are nonetheless important lessons that America should take from China's efforts to do so — in particular, the focus on quality over quantity in terms of growth.

Over the past few years, this has involved reforms in the banking sector, the restructuring of local government debt, [anti-monopoly measures against Big Tech](#) and, most recently, an attempt to [deflate the real estate bubble](#). The troubled property giant China Evergrande may yet melt down and take out the remainder of the sector with it, but I have to admire Beijing for doing exactly what the US did not do in the run-up to the subprime crisis, by identifying problematic companies in advance of a crash, and attempting to let the air out of a bubble before it brings down the rest of the economy.

of quantitative tightening as part of the shift from quantity to quality of growth (higher wages and more focus on sustainability). While there has been some increase in fiscal stimulus in advance of China's 20th Party Congress next autumn, this is not, as TS Lombard put it in a note, "a classic China stimulus", but more a "build ahead better" plan focused on areas such as cleaner energy, smart infrastructure, and the digital economy.

It is all part of [the country's effort to create a "dual circulation" economy based on greater self-reliance and "indigenous innovation"](#), with the aim of raising productivity and wages in high-growth industries. While some view this as China's own version of the US's nationalistic decoupling, I would argue it's a strategy that makes perfect sense for Beijing. The world's second-largest economy should be thinking about how to create a new economic ecosystem purpose-built for its future.

Linking local production to rising local demand is sensible for all sorts of reasons, from geopolitical to environmental. It creates more resilient and redundant supply chains, and allows manufacturers to move more quickly up the economic food chain, as [a large body of research](#) has shown.

China actually learnt this kind of [iterative manufacturing](#) and [industrial policy from the US](#). It's interesting that America's most innovative companies, such as Tesla (which is all about controlling its own supply chain), never moved away from this model. More will follow; a recent McKinsey survey of global supply chain managers found that nearly 90 per cent expected more regionalisation and localisation of production in the future.

A final lesson that America might take from China's common prosperity efforts is the importance of holding business leaders personally accountable for wrongdoing. Obviously, an autocratic state walks a very fine line here lest it is tempted to go too far — throwing even corrupt business leaders in the gulag with no trial is, needless to say, bad for both human rights and investor confidence. Washington has the further constraint that, unlike Beijing, it cannot simply demand that Big Tech pay its fair share of taxes; it has to pass legislation requiring that.

But sending executives who have broken the law to jail after a fair trial, and checking corporate excesses in advance of crisis, is a good thing. China has recently made some improvements in investor protection schemes and securities law. In November,

recent years — that “nobody went to jail”. It may be that [reining in political and business elites](#) is the biggest future challenge for both the US and China.

Of course, liberal democracies have more transparent court systems and a free press to help ensure that they do. Politicians remain accountable to the electorate, however polarised it might be. China, meanwhile, has cleared the way for President Xi Jinping, whom many see as the next Mao, to become a leader for life. Beijing’s “common prosperity” effort has its merits. But it can’t obscure the fact that in China, the Communist party itself remains the biggest market risk.

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