3 Communist oligarchy and the oligarchic transition in China

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Jeffrey Winters’ *Oligarchy* came out at an opportune time due to the fact that the great recession (starting with the US sub-prime lending crisis in 2007) had already highlighted a global oligarchic tendency at both national (democratic and authoritarian states) and global levels. Since the breakout of the global financial crises in 2007 up to the present, a reexamination of oligarchy has gained momentum. For example, progressive thinkers Tavis Smiley and Cornel West have stated: “[N]ow America has regressed: Poverty is the new slavery, and oligarchs are the new kings.”2 MIT economist Simon Johnson also warned that the “financial oligarchy” had been a root cause of the US lending crisis and that the “power of oligarchy” is a threat to American people which is as serious as the crisis itself.3 Within this context, Winters’ theoretical analysis of oligarchy, its connection with and difference from democracy, offers an unambiguous guide to transitional societies as well as mature democracies to seek and guard democracy against sabotage and capture by oligarchic transition and oligarchy itself.

As indicated by the Jasmine Revolution and the Arab Spring in the Middle East, the Occupy Wall Street movement in the United States, and riots in the European Union (EU), both professionals and laypersons have been increasingly convinced that a small number of super-rich people (1 percent or even fewer) have benefited disproportionately from globalization, oftentimes at the cost of the remaining 99 percent.4 The so-called 1 percent can be regarded as oligarchs, whom Winters defines as “actors who command and control mass-concentration of material resources that can be deployed to defend or enhance their personal wealth and exclusive social positions.”5 In Winters’ “oligarchic theory,” “[t]he starting premise is that concentrated wealth in the hands of individuals empowers them in ways that produce distinct kinds of oligarchic politics.”6 He proposes a typology of four kinds of oligarchy—warring, ruling, sultanistic, and civil—to help understand oligarchy across time and space. However, in this brilliant work, one conspicuous weakness is that in contrast to the other two chapters, those on “warring oligarchies” and “ruling oligarchies” draw cases either from ancient and medieval times (Greece, Rome and Italy, and Medieval Europe) or from contemporary

1 Blasi et al., *Kremlin Capitalism*, pp. 54–56.
12 Gil Eyal et al., *Making Capitalism without Capitalists*, pp. 86–94.
13 Ibid., pp. 102–112.
15 Ibid., pp. 115–142.
18 Ibid., p. 21.
non-state actors (the Mafia and local politicians in the Appalachian region), leaving out the modern nation-state.

As the "warring oligarchies" tend to be concentrated in the pristine stages of political development, the challenge to find a contemporary nation-state as a relevant case is more or less understandable. However, China could be a perfect case to fit with and buttress Winters' theoretical framework on "ruling oligarchy." Clearly, in his conclusion, Winters is aware of the value of the China case, as he states:

Fabulously wealthy oligarchs are also emerging rapidly in newly capitalist China, but under conditions of much stronger state and party institutions than existed in Russia when its oligarchs began to appear. The Hurun report (2010) tracks changes in the composition of China's wealthiest citizens. Its 2010 data show China had 875,000 people in 2009 with a net worth of $1.5 million or more, and 55,000 with more than $15 million. The richest 1,363 Chinese, who represent 1/10,000th of 1 percent of the country's population, had financial assets of at least $150 million. Their combined wealth was $787 billion, which is roughly equal to 20 percent of China's 2009 GDP (gross domestic product).8

The above quote is the entire discussion on China in Winters' book. However, during the three years following 2010, the super-rich became even richer. For example, in 2010, the total net worth of the top 1,000 wealthiest amounted to 1,881 billion yuan (roughly at 6.1 exchange rate with the US dollar); in 2012, this number reached 1,948.1 billion yuan; in 2013, it increased to 2,521.5 billion yuan. From 2010 to 2013, when the Chinese economy slowed down, the top 1,000 increased their net worth by 34 percent. Furthermore, although the Hurun Report has been regarded as "political death" for those exposed, Rupert Hoo-gewerf, the owner of the report, admitted that, at best, it had listed one third of the super-rich while the remaining two thirds stayed invisible.9 The best guess for this dark matter is that since the most visible super-rich are from the business community, the invisible ones are hiding in politics. Among these Yang (explicit) and Yin (hidden) faces of Chinese plutocrats, on the one hand, are the business elites, who have infiltrated deeper into the power structure; for example, in the 2012 list, 157 had political titles: 76 members of the People's Congresses (legislative assemblies) and 74 members in the Chinese People's Political Consultative Conferences (CPPCC) of various levels, and seven were delegates to the Chinese Communist Party (CCP) 18th Party Congress.10

On the other hand, the political ruling elite have collectively amassed a huge amount of wealth themselves. In describing the "unholy alliance" between entrepreneurs and state partners, Richard McGregor wrote, "[a]s the entrepreneurs got richer, their political antennae sharpened. The smart entrepreneurs moved closer to the Party, and, by and large, the Party moved closer to them."11 The oligarchic tendency in China's political economy as a result of power-capital nexus has accelerated with alarming speed.12

Inspired by Winters, I will pursue three goals in this chapter. First, I will demonstrate that an oligarchic transition has occurred in China during the past two decades: China has completed an oligarchic transition in a very short period of time, thus a ruling oligarchy has emerged and flourished. Second, I will argue that China has become a perfect example of a ruling oligarchy in this century. Third, I will explain how the statist development strategy helped transform the "new class" under the orthodox Maoist regime into oligarchs under the bureaucratic capitalist party-state, and in turn, how the new oligarchs have hijacked China's political and economic reforms and created a "stability-maintenance regime" to repress societal demand for further liberalization, as well as undo what had been accomplished under political development in the reform era, especially in terms of those legacies left by the 1980s under Hu Yaobang and Zhao Ziyang.

Oligarchic transition and ruling oligarchy in China

Since Socrates, Plato and Aristotle (the founding fathers of political science), oligarchy has been a defined and fascinating phenomenon in political rule.13 According to Aristotle, an oligarchy exists "when control lies with the rich and better-born, these being few."14 In contrast, Winters has a slightly different take on oligarchy: "Oligarchy refers to the politics of wealth defense by materially endowed actors."15 If Aristotle has given us a static definition for the nature of oligarchy, then Winters has provided a more dynamic definition which highlights the substance of oligarchic politics. In my research, I will not juxtapose Aristotle's and Winters' definitions in a diametrically opposed manner; rather, I will take these two definitions as a possible single synthesis. Winters has challenged Aristotle's mutually exclusive categories of democracy and oligarchy by claiming that "[c]ivil oligarchies are indifferent to democracy."16 For Winters, he can develop a category of civil oligarchy to combine democracy (such as in the United States) and rule of law (such as in Singapore) with oligarchy. However, since Aristotle developed a theoretical model for the purpose of abstraction, and he preferred a mixed policy (the best one is a mixture of kingship, aristocracy and democracy) in the real world, we can reasonably believe that Aristotle did not bar an admixture of oligarchy and democracy; therefore, Aristotle and Winters can be reconciled over their studies of oligarchy.17

Nominally speaking, China under the CCP has been claimed by its rulers as a "people's republic," which is an antithesis to oligarchy in either an Aristotelian or a Wintersian sense. Surprisingly, a well-kept secret in China is that although the CCP has insisted upon the "four cardinal principles" (Marxism, socialism, proletarian dictatorship and party leadership) and denied the possibility of a transition to democracy, in less than a generation China has completed an oligarchic transition under Jiang Zemin (general secretary from 1989–2002) and Hu Jintao (general secretary from 2002–12), from 1992 to the present. As Alice Miller has observed, "[w]hat emerged across the late Jiang
and Hu Jintao periods, therefore, was an oligarchic politics of collective leadership.” She continues, “across the Hu period, the leadership appeared to be operating much more clearly as an oligarchy.”

This oligarchic transition deserves our attention for several reasons. First, it is under the CCP, a self-claimed “vanguard party” for the proletariat in China, that the Chinese ruling elite accomplished an historical process of wealth concentration into their own hands. If Robert Michels found the German Social Democratic Party to be a critical case for his “iron law of oligarchy,” then the CCP may be a stronger case for the oligarchic tendency of the self-claimed vanguard party. Second, it is unprecedented in human history that a group of power holders could solely rely on political power as a magic wand for stealing wealth in the most populous nation and the second largest economy in the world. Third, accompanying the wealth-concentration process, a huge underclass has been created through China’s economic miracle; therefore, a contradictory dynamic between the oligarchs and a dangerous class has developed. Fourth, political power has been both the vehicle for wealth theft and wealth defense under the Chinese communist system, thereby creating a uniquely repressive and brutal stability-maintenance regime for China in the 21st century.

China’s oligarchic transition can be illustrated from three angles: first, that the rapid social stratification has created an upside down “T” structure in Chinese society; second, that the new oligarchs are dominated by government officials and the immediate family members of the ruling power elite; and third, that the Chinese ruling elite has used globalization as a pretext and global capitalism as a collaborator (especially Wall Street) to legitimize its oligarchic transition.

**The rapid social stratification has created an upside down “T” structure in Chinese society**

Under orthodox Maoism, Chinese society was more homogeneous and egalitarian (although it tended to be one of the equality of poverty). Under the political concept of “people,” it had three simple components in the class structure: workers, peasants and the cadre. Those who could not be included among the people were the enemies of the people. As China under Deng Xiaoping started its reform and opening-up process in 1979, the two key institutional pillars that harbored workers and peasants collapsed: in cities, the work-unit system (Danwei) abandoned its lifetime employment, loosened its social control function, and many of its factories became private; in the countryside, people’s communes were dissolved into the household responsibility system. Over time, the peasants were allowed to become migrant workers in cities, especially those in coastal areas. An undifferentiated class structure gave way to a highly stratified one, with at least ten different increasingly unequal strata having emerged at the end of the 20th century.

The Gini index has been regarded as the most popular measure for a country’s socioeconomic inequality. Ranging from 0 (absolute equality) to 1 (absolute inequality), if a country’s Gini index is around 0.2, it indicates the most desirable equity in today’s world. If it moves beyond 0.4, it indicates increasing inequality. Once it reaches 0.5, it indicates extreme inequality. The Chinese government has not released complete longitudinal data on the Gini index for the past 30 years; in fact, the Gini index has become a top state secret, which suggests that the Chinese government has something to hide.

In the 1980s, the state released the Gini index for the urban population. This action is understandable for political reasons since the urban areas had less poverty than the countryside and the Gini index for rural areas registered far worse than that for urban areas. Starting in the 1990s, the Chinese government started releasing national data of the Gini index, including both rural and urban areas. But after 2000, the government stopped releasing new numbers. In December 2012, the Southwestern University of Finance and Economics released a research report in which researchers found that in 2010 the Gini index for the Chinese family was 0.61 (0.56 for urban families, 0.60 for rural families). Its conclusion, that China’s inequality is egregious in the world, became politically charged. Partially in response to this number, the following year the government released a whole set of Gini indices for the previous ten years. These official numbers encountered strong skepticism, in particular towards the claim that the Gini index had reached its plateau in 2008 and had started to decline thereafter. Although we must always remember that statistics literally are the “art of the state” in China, and any bad news tends to be underreported, from Figures 3.1 and 3.2, we can still infer an obvious conclusion: an increase of inequality has been going on in China under the entire period of reform. In the 21st century, after crossing three steps, China has reached the level of extreme inequality. Among the major countries in the world, China’s change has been the most dramatic in such a short period of time.

The worsening Gini index also indicates the polarization of Chinese society. The production of oligarchs and the underclass, oligarchy and pauperism, are two sides of the same coin. As analyzed by Socrates, oligarchy ultimately creates a city of rich and poor. Its dynamic can be attributed to the same socioeconomic and political process. According to research by the scholars at the Chinese Academy of Social Sciences, around 1980, when China had just started its reform, the top 20 percent of wealthy households took 36 percent of the national total income; the bottom 20 percent took 8 percent. In the late 1980s, the richest 20 percent increased their control of the national income to 42 percent, in contrast to 6 percent for the bottom 20 percent. Ten years later, these two numbers changed to 51.4 percent versus 4.06 percent, respectively. Their ratio changed from 4.5:1 in the early 1980s to 12.66:1 in the late 1990s. The State Statistical Bureau revealed that from 2000 to 2011, the top 20 percent of urban households increased their per capita disposable income by a factor of 4.16; for the lowest 20 percent, the equivalent number is 2.79.
Around 2003, Chinese scholars found that there were 7 million elite, or 1 percent of the employed population, wealthy people accounted for 2–3 percent, and the middle class 15–17 percent. At least 200 million people (20 percent of the total population) belonged to the vulnerable groups. Among them, 50 million were urban poor and 50 million rural poor. Many were poor migrant workers or laid-off urban workers. Chinese sociologist Li Qiang uses an upside down "T" to describe this social structure where there is a small elite, a narrow strip of middle class, and a bulging lower class. It is different from either a pyramid-shaped society or a rugby ball-shaped one. An underclass, which was eradicated after the CCP took power in 1949, returned in the 1990s. This group of people, estimated to number at least 10 million, has been excluded from employment, deprived of channels for political participation and petition, and is stigmatized for its marginal social status.

The new oligarchs are dominated by government officials and the immediate family members of the ruling power elite

Under a classic communist system such as the Stalinist or Maoist systems, egalitarianism had been upheld at least in public display. However, certain perks and privileges, such as special provisions of luxury goods and Western cultural products ("Inner Party stuff"), were reserved for the "inner party" leaders (in George Orwell's words). A new class actually emerged within the communist system. As Milovan Djilas had realized more than half a century ago: "The core and the basis of the new class is created in the party and at its top, as well as in the state political organs. The once live, compact party, full of initiative, is disappearing to become transformed into the traditional oligarchy of the new class, irresistibly drawing into its ranks those who aspire to join the new class and repressing those who have any ideals." After idealist Mao passed away and pragmatist Deng returned to power, China started repairing its elite structure, shattered by Mao. The new class not only grabbed political power with more vigilance, but also cashed in their political power in the newly introduced market for personal gains. Reuters created a "Connected China" site and gives straightforward advice to its readers:

Social power begins with family. In elite Chinese politics, accumulated social capital is essential for promotion into the higher ranks of the Party, and powerful family connections play a crucial role in all spheres of society.

These powerful family connections have been actively built and expanded by the sons and daughters of powerful leaders, who are called "red princelings" in China. Their spouses, in particular the so-called "golden sons-in-law," have also risen high in both politics and business. In July 2012, the Hurun Report (equivalent to the US Forbes ranking) announced that for the first time, China had more than 1 million people with wealth at the value of more than 10 million yuan. Among them, 179,000 (17.55 percent) lived in Beijing, 167,000
China's market reform has its unique features different from the former Soviet Union and Eastern European countries. It is not simply a replacement of the old system by the new one. Instead, it created a dual system (a mixed economy) with the coexistence of the old distribution system and the new market mechanism. The cadre as the guardian of vested interest not only could keep their traditional political power and privilege under the old system of redistribution, but they also had the capacity to exploit these powers to seek more and more economic interest under the new market system. The exceptional continuity of power held by the cadre caused the unique social stratification and mobility under China's reform era.

Under the reform, there have been three major surges of Chinese political power that have been used as “the golden touch” by Chinese government officials for private gain. In the 1980s, as the first generation of private entrepreneurs primarily emerged from the underprivileged classes to accumulate sizeable wealth outside state ownership, a price mechanism was introduced to more goods and products and a so-called “two-track system” was created. Some government officials and their children practiced “official speculating and profiteering” to exploit the price differentials between the cheaper state-controlled quota and more expensive market value. Nonetheless, official corruption then was still at its incipient stage. For example, in 1983, the party secretary Wang Zhong of Haifeng County in Guangdong was executed for accepting bribes of 58,000 yuan. In that province, the engine of China's economic miracle in the 1980s, the average value of corruption cases under investigation was around 10,000 yuan. In 1989, it reached a mere 60,000 yuan. Luo Yunguang, vice-minister of the railway, was removed in 1989 for taking cash gifts of 2,000 yuan, a gold ring (at 465 yuan value), a fridge (at 2,354 yuan value) and a kickback of 950 yuan. Still, Chinese people were infuriated by the increasing official corruption, and a nationwide pro-democracy movement broke out in 1989 with official corruption as one of the major targets.

The second surge happened after 1992, when Deng Xiaoping re-launched China's march toward a market-based economy. To answer the call of “getting rich is glorious” and cash-in on the unprecedented opening of the window of opportunity, a large number of government officials and state employees “plunged into the sea of market.” According to Social Mobility in Contemporary China (2004), a Chinese Academy of Social Science (CASS) report, its 1993 survey (a sample of 1,356) found that 32.5 percent of private entrepreneurs came from state institutions (technological professionals, officials in the government agencies and public institutions, and leaders in enterprises), 43.4 percent from ordinary workers and farmers. In 2002, a new survey (a sample of 3,135) found that these two percentages had changed to 65.4 percent and 10.7 percent, respectively.

Meanwhile, two CASS-sponsored national surveys on social structural changes and social attitudes of urban residents revealed the same conclusion: the majority of Chinese believed that state officials were the number one beneficiary of the reform and gained most in terms of income. The increasing importance of power in seeking directly or in catalyzing success in business was unequivocally illustrated by three effective channels for transferring wealth from the state into the hands of government officials: the encirclement of land for development, the privatization of state-owned enterprises, and massive official corruption. The loss of state assets, estimated at 100 billion yuan each year in the 1990s, enriched several families of high-ranking officials who created a monopoly control over several industries and sucked out a huge amount of cash from the newly created stock exchanges in Shanghai and Shenzhen. Several families of high-ranking party officials controlled important industries (such as Wang Jun, son of Wang Zhen, who controlled ammunition exports; Li Peng's family has dominated the power and energy industry; Jiang Mianheng, son of Jiang Zemin, cornered the market of mobile phone service and telecommunication, etc.).

In James McGregor's words, the Chinese communist leadership “saw the Russian oligarchs taking over state assets as private individuals—and the party decided it would be the oligarchy.” What we have seen in China is a unique social development that has “no ancient wisdom, no followers.” In the 21st century, as China joined the World Trade Organization (WTO) and embraced globalization, the information industry, financial industry, and many other service industries (such as insurance, real estate, etc.) have maintained a state monopoly, but have been captured by the state-owned corporations that are run by the aforementioned “princelings.”

The following news reports and exposés illustrate the scope and enormity of this communist oligarchic transition:

The Case of “Eight Immortals” (Deng Xiaoping, Wang Zhen, Chen Yun, Li Xianmian, Peng Zhen, Song Renqiong, Yang Shangkun, and Bo Yibo, all top communist leaders in the 1980-90s). Bloomberg News tracked their 103 descendants, including children, grandchildren and great grandchildren, and their respective spouses [see Table 3.1]. The report revealed, “In the 1980s, they were chosen to run the new state conglomerates. In the 1990s, they tapped into real estate and the nation's growing hunger for coal and steel. Today the Immortals' grandchildren are players in private equity amid China's integration into the global economy ... Three children alone—General Wang's son, Wang Jun; Deng's son-in-law, He Ping; and Chen Yuan, the son of Mao's economic tsar—headed or still run state-owned companies with combined assets of about $1.6 trillion in 2011. That is equivalent to more than a fifth of China's annual economic output.”
of Wen Jiabao, including his son, daughter, younger brother and brother-in-law, have become extraordinarily wealthy during his leadership and have controlled assets worth at least $2.7 billion.\textsuperscript{46} Upon her graduation from an American business school, Wen Ruchun, Wen’s daughter, was hired by JP Morgan Chase under the alias “Lily Chang” from 2006 to 2008 for annual pay of $900,000 and total pay of $1.8 million.\textsuperscript{47}

Bloomberg News reported on February 27, 2013 that the richest 70 members of China’s legislature added more to their wealth in the previous year than the combined net worth of all 535 members of the US Congress, the president and his cabinet, and the nine Supreme Court justices. The net worth of the 70 richest delegates in China’s National People’s Congress rose to 565.8 billion yuan ($89.8 billion) in 2011, a gain of $11.5 billion from 2010. That compares with the $7.5 billion net worth of all 660 top officials in the three branches of the US government.\textsuperscript{48}

Massive official corruption has also been duplicated at the ministerial, provincial and local levels. For example, the trial of Liu Zhijun, minister of railway, in 2013 revealed that one businesswoman (Ding Shumiya) alone gave him bribes valued at 49 million yuan. The court froze a huge amount of assets: 795 million yuan, US$230,000, €2.23 million, HK$85.25 million, C$150,000, nine stock exchange accounts, 37 houses or apartments, a 100 percent share of a hotel with its 337 housing units, 16 motor vehicles, a 100 percent share of a club, a 60 percent share of a company, and 612 items of paintings and decorations.\textsuperscript{49} In another example, in June 2013, the Procuratorate Office of Beijing released a report regarding anti-corruption during the previous three years. Among 1,214 investigated cases of embezzlement and corruption, 232 cases involved cash values of more than 1 million yuan.\textsuperscript{50} Since China’s anti-corruption campaign is often intended to serve political purposes, and in particular, to target political competitors in factional struggle, its exposed cases mean less about the success of building clean government, and more about the structural loopholes that can fatten up many venal and rent-seeking officials. Although a popular movement has been launched to ask for the public declaration of officials’ property, some top party leaders have strongly opposed it. The Chinese official Xinhua news agency found out that 97 percent of government officials opposed the introduction of public declaration of officials’ property.\textsuperscript{51}

Due to the opaque nature of China’s documentation on anything and the draconian punishment the government renders upon those who demand more transparency, we cannot have a definitive estimation of the wealth concentration in the hands of government officials. However, it is indisputable that China’s top elites have become the richest families in the world over just two decades and that the oligarchic nature of the current system has become conspicuous.

According to Winters, “[w]hen oligarchs retain a high and personal role in the provision of coercion, and yet rule collectively and through institutions marked by norms or code of conduct, the result is a ruling oligarchy.”\textsuperscript{52} In China, this oligarchy has featured “oligarchic collectivism.” As George Orwell argued:

\begin{table}[h!]
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\begin{tabular}{|l|c|}
\hline
\textbf{Background} & \textbf{No. of people} \\
\hline
Educated overseas & 30 \\
Lived, worked or owned property in US & 34 \\
Executives in private business & 43 \\
Executives in state-owned enterprises & 26 \\
Held government or Communist Party positions & 30 \\
(excludes state-owned companies and the military) & \\
Links to companies registered offshore & 18 \\
Ties to China’s military & 25 \\
Worked in finance & 27 \\
Worked in technology & 21 \\
Worked in real estate & 16 \\
\hline
\end{tabular}
\caption{Table 3.1 Profile of 103 descendants from “eight immortals”}
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It has long been realized that the only secure basis for oligarchy is collectivism. Wealth and privilege are most easily defended when they are possessed jointly. The so-called ‘abolition of private property’ ... meant, in effect, the concentration of property in far fewer hands than before; but with this difference, that the new owners were a group instead of a mass of individuals.53

Certainly, while Chinese oligarchs mostly do not wear military uniforms or display handguns in public, the collective government, especially the trium of Party-state-army, has heavily relied upon the military force, the paramilitary force, the state security and police forces, which will be elaborated upon below, regarding the nature of the stability-maintenance regime.

The Chinese ruling elite has used globalization as a pretext and global capitalism as a collaborator (especially Wall Street) to legitimate its oligarchic transition

For the past three decades, the entire world has witnessed the widening gap between rich and poor under neoliberal globalization. Deng's reform coincided with and reciprocated this process.54 Having offered cheap labor, cheap land, lax environmental regulations and authoritarian stability, as well as, of course, a huge potential market, China quickly became the largest foreign direct investment (FDI) recipient and factory for the world. Overseas Chinese capital and Wall Street had carefully worked out a win-win situation with the Chinese government at the cost of Chinese environment, labor and human rights: the Chinese element had been the selling point for Wall Street stocks, Chinese companies listed on NYSE and NASDAQ exploited ill-informed American average investors, Wall Street investment banks maintained their double digit growth in profit through underwriting and brokering many Chinese state-owned enterprises (SOEs) for IPOs on stock exchanges within and outside China, and under the foreign exchange monopoly the Chinese government got a windfall of hard currency. The earnings provided much-needed performance-based legitimacy for the Chinese government after the 1989 Tiananmen massacre. The astronomical Chinese foreign currency reserve was used to finance US debt and George W. Bush’s wars in Iraq and Afghanistan under the circumstances of his tax cuts for wealthy Americans.

There have been many examples to illustrate how Chinese leaders have been helped by global capital to transform themselves into oligarchs. Wall Street investment banks quickly recognized China as a new emerging market. Henry Paulson, an executive in Goldman Sachs who seemed to be distanced from the New York headquarters to be stationed in Chicago, developed his China strategy to win big deals for Goldman Sachs, which eventually won him the CEO position in the company and the position as treasury secretary in the George W. Bush Administration. He conducted about 70 trips to China from 1992 to 2006. In 2001, Jim O’Neill, chief economist for Goldman Sachs, coined the term Gold BRIC (standing for Brazil, Russia, India and China). In May 2004, Joshua Cooper Ramo, a Goldman Sachs analyst on China affairs, proposed “The Beijing Consensus.” In 2006, Deputy Secretary of State Robert Zoellick, a former international advisor of Goldman Sachs, created the concept of “responsible stakeholder” for China’s role in the world, which had also become a keystone for Bush’s China policy. Wall Street firms built up vast “connections” (guanxi) through hiring princelings to penetrate state-controlled capitalism in China: Goldman Sachs once hired Jiang Zemin’s grandson; JP Morgan, Merrill Lynch and Credit Suisse all offered big salaries to hire the children of Chinese top leaders, including Li Ruihuan, Zhu Rongji, Wen Jiabao and Wu Bangguo.55 In 2006, JP Morgan started a “Sons and Daughters” program to recruit the children and friends of Chinese ruling elites into the bank to secure business deals in China. As The New York Times has found in the hiring case of Wen Ruchun by JP Morgan Chase, such practices, for example, 250 well-connected hires by JP Morgan in Asia alone, indicated that US investment banks have pursued “a broader strategy for accumulating influence in China: Put the relatives of the nation’s ruling elite on the payroll.”56

To muffle critical voices from the international media, the Chinese government has been aggressive in applying both carrot and stick to Western news agencies and journalists. Blocking websites from Chinese readers, denying residency visas to journalists, boycotting businesses affiliated with the news agency (for example, financial services from Bloomberg), and even kicking reporters out of the country (for example, Al Jazeera English’s reporter Melissa Chan was denied the renewal of her press credentials by the Chinese government in 2012, and Al Jazeera had to close its office completely in Beijing which had been open since 200757), have been some of the tough tactics used by the Chinese government to force foreign news agencies to exercise self-censorship. Bloomberg News published some high-profile exposés in 2012 on Chinese power elites and consequently encountered retaliations from China. In 2013, Bloomberg News decided voluntarily to suppress completed reports on “the hidden financial ties between one of the wealthiest men in China and the families of top Chinese leaders,” in order to survive in an environment, according to its top executive, analogous to the Third Reich under Nazism and fascism.58

Although China has kept repressing its people and defying global human rights norms, it does not lack “old friends” in the West. With his influential lobbying firm Henry Kissinger has been the most reliable friend to the Chinese government. Robert Lawrence Kuhn, a managing director at Smith Barney/Citigroup, who cannot speak or read Chinese, wrote a biography (“hagiography”) to help promote Jiang Zemin to the West.59 Rupert Murdoch and his charming Chinese wife, Wendy Deng (now divorced), carefully courted Chinese top leaders and their children. For example, they established personal rapport with Chinese Vice-President Zeng Qinghong and his son Zeng Wei, who proved to be assets for Murdoch. John Garnaut, reporter for the Sidney Morning Herald, wrote:

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Murdoch spared no effort in trying to charm his way into the Chinese marketplace. He sponsored a book about Deng Xiaoping written by his daughter, Deng Rong, whose husband ran one of China’s main arms-trading conglomerates. His News Corporation led a consortium with investment bank Goldman Sachs to inject $325 million of capital into a telecom venture run by a US-educated entrepreneur, Jiang Minsheng. The investment turned to gold when Jiang’s father, president Jiang Zemin, orchestrated the transfer of a third of the assets of China’s dominant telecommunications company into it. Murdoch also joined forces with a former PLA [People’s Liberation Army] radio host to create the Phoenix satellite television joint venture, which helped to prove his flexibility in adapting to Chinese media sensitivities.

Not surprisingly, China did not follow the wishful liberal logic of “all good things go together,” in which capitalism promotes a transition to liberalization and democratization. Instead, China intensified its repression of political dissidents and people of all faiths, quietly completing its transition into a ruling oligarchy. Globalization—in particular the underwriting of the China model or the Beijing Consensus by Wall Street—provided legitimacy to the Chinese government in the eyes of the Chinese people.

The stability-maintenance regime and oligarchic politics

China’s oligarchic transition from a communist revolutionary regime to blatant self-enriching organized theft, or a kleptocracy, is an important historical event for this country and the world. However, this development is not unprecedented or incomparable from the perspective of political theory. Here the ancient wisdom of Plato and Aristotle can help us extrapolate the nature of Chinese ruling oligarchy and its causes and effects.

In his Republic, Plato’s analytical narrative of timocracy metamorphosing into oligarchy sheds light upon our understanding of China. In this narrative, the timocrat, an honor-loving general with military victory and courageous reputation, got entangled with the court and suffered in the hands of sycophants. His son, seeing and suffering this, thrust “love of honor and spiritedness” out and turned greedily to “money making.” Jeffrey Sikkenga summarizes the moral of the story: “In short, fear sobers him up to the reality that he cannot take self-preservation for granted; he must worry first and foremost about securing the means not of glory but simply of life. Fear of physical privation is a fundamental part of the moneymaker’s psychology.”

Due to the same psychological trauma and suffering under the Cultural Revolution, the sons of timocratic revolutionaries (including “princelings” such as Xi Jinping and Bo Xilai and those from more modest family backgrounds, such as Hu Jintao and Wen Jiabao) embraced excessive wealth as the substance of life and meaning of happiness after the market reforms brought a windfall of opportunities to those in power under state-guided capitalism.

Egalitarianism and populism have enjoyed long traditions in China, and the communist revolution along with Mao’s utopian ideal further strengthened these beliefs in contemporary China. However, the oligarchy has a different logic in its governance from the communist proletarian dictatorship. Under the impulse of unlimited greed, an oligarchy inevitably encourages the pursuit of opulence by a small, powerful elite at the expense of the populace; perpetuates the privilege for the few to amass fortune and rule; divides society into two antagonistic camps of rich versus poor; corrodes civic virtues and a sense of community; creates dynamics for revolts by the poor and therefore destabilizes the regime itself; and finally, tilts the regime to be prone to violence, suppression, injustice and the destruction of the rule of law. Toivo Koivukoski puts it nicely, making even greater sense in light of China: “An oligarchy is in this sense a body politic motivated by the stomach, with what remains of reason in public discourse reduced to an instrumental rationality that would preserve and increase one’s own property, irrespective of the needs of others.” Against such a theoretical background, Chinese ruling oligarchs have to rely heavily upon violence with increasing intensity to maintain their political rule. The nature of violence has gone through a change from the proletarian dictatorship under Mao to the stability-maintenance system under the current regime; from targeting the old or newly emerged bourgeois elites to targeting the lower class, the weak and the marginalized. Since power and wealth have been twin brothers in Chinese state capitalism, the defense of power and the defense of wealth have been blended into the same mission, to be fulfilled by one ruling group—the CCP.

This power-wealth defense system has several important features. First, through the Party-state-army triad, all forces of violence have been under the monopoly control of the CCP, especially the top echelon of Politburo Standing Committee members (the number of members ranging from seven to nine). The Party has vehemently resisted the idea of state control over the army, or the political neutrality of the army. The Party has upheld these principles as indisputable and sacrosanct: the Party commands the guns, not the other way around; the army must have absolute loyalty to the Party’s leadership.

Second, the repressive system of violence has four major parts:

1. The army (PLA, the gun barrel, 枪杆子) has a force of 2.5 million, which has always been politicized. The army has always lurked behind political conflicts in China. It has been deployed to massacre nonviolent civilians in Lhasa, Tibet, Tiananmen Square in 1989, again in Tibet in 2008, and in Xinjiang in 2009 and 2013. In the ideological debate of 2013, The PLA Daily called upon the officers and soldiers to safeguard the ideological battleground in the spirit of “fighting the Battle of Triangle Hill” (上甘岭战役) in the Korean War.
The renowned China specialist Susan Shirk has succinctly pointed out:

Certain departments have disproportionate clout within the Communist Party because they are the linchpin of its control over society: the CCP Organization Department (controls personnel appointments), the CCP Propaganda Department (controls content of media and culture), and the Ministries of State Security and Public Security (the internal police). Along with the People's Liberation Army and the People's Armed Police, the paramilitary internal security force spun off from the PLA, they constitute a "control cartel" with exceptional political independence and leverage over the top leaders. A Chinese journalist said, "The CCP has two powers, the gun and the pen, and it must control both."^60

It is important to note that this control cartel has integrated its various components very coherently, and these components tend to have overlapping functions and interdependent collaborations, some straddling institutional boundaries. For example, the Armed Police, estimated to number around 700,000, is a hybrid of the army and the police: its soldiers, their training and equipment are like the army, but their function is to work as gendarmes. The state security agents and internal security police often trespass onto each other's turf. Many cyber commentators (the so-called "Fifty Cents Party," referring to the monetary reward they receive for each of their online comments) are hired by the propaganda departments, but they can also work as cyber police to spy on netizens. The secret police also have recruited a huge number of informants (some authors estimate one out of ten adults is recruited by the government) to sow suspicion and fear among the people. ^71

Third, the use of violence by the Chinese government has intensified rapidly. The collapse of the Soviet Union and Eastern European communist regimes in the late 1980s and early 1990s, the "color revolutions" in Eastern Europe and Central Asia in the early 21st century, and the "Jasmine Revolutions" in the Middle East since 2008, have continued to remind the Chinese elite of their own political vulnerability and fragility. In recent years, collective incidents and riots have increased to 100,000–200,000 a year, and in 2010 involved more than 10 million people. ^72

The government has faced challenges to its legitimacy from two directions: the New Left, using populism to captivate the lower class for social equality; and the liberals, focusing on rights and democracy to mobilize citizens for participation and justice. Understandably, Xi Jinping, the new leader of the Chinese party-state, who has revealed his status quo leadership, purged his rival in political succession, Bo Xilai, who tried to mobilize his followers through a neo-Maoist and Leftist approach on one hand, and on the other hand, by rounding up more than 100 activists (led by Dr Xu Zhiyong), who demanded that the high-ranking Party officials declare their property, and more than 1,000 influential microbloggers (the Xue Manzi incident is one
notorious example) nationwide who had circulated unorthodox and skeptical ideas against Party propaganda and brainwashing. Although Bo was sentenced to lifetime imprisonment based upon charges of embezzlement, taking bribes and abuse of power, the real issue was not about him accepting 20 million yuan in bribes, embezzling 5 million yuan from the government fund, owning a mansion in Nice, France, or financing his son's playboy lifestyle from Eton, Oxford to Harvard and Columbia Law School. Chinese people would not believe that Bo's extravagant lifestyle is an outlier to other top leaders. Bo's trial simply revealed the tip of an iceberg in the sense that the ruling elite in China has enjoyed an opulent and decadent lifestyle beyond the imagination of ordinary Chinese and even humbling government officials in developed countries. Instead, Bo's crime was that his individualistic and aggressive attempts to win the supreme power of the ruling oligarchy threatened the collectivistic nature of that rule and, ultimately, his populism would also have disturbed the oligarchic system. As George Orwell prophetically pointed out, “[f]rom the point of view of our present rulers, therefore, the only genuine dangers are the splitting-off of a new group of able, underemployed, power-hungry people, and the growth of liberalism and skepticism in their own ranks.”

Conclusion

It has not been easy to discuss oligarchy in the process of globalization dominated by neoliberalism, especially when Goldman Sachs people have occupied key positions in the US Treasury, World Bank and major think tanks, and oligarchs such as Rupert Murdoch, Silvio Berlusconi and Michael Bloomberg have thrown weight around by exercising their discursive hegemony in national politics and global dialogue. Wearing heavy makeup done by image makers, oligarchs would deliberately like to masquerade in the cloak of freedom and democracy. Unconsciously, some academic researchers have mistaken oligarchy for democracy. Ten years ago, Yale Law Professor Amy Chua published a bestseller, World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability, in which she took civil oligarchy and even ruling oligarchy as the quintessential content of liberal democracy, therefore confusing oligarchic transition with democratic transition. She arrived at a precarious conclusion that liberal democracy is almost irrelevant to today's Third World countries. Some Chinese New Left thinkers (such as Wang Shaoguang, Hu Angang, Cui Ziyuan and Pan Wei), although critical of the current politics and policies in China, have abandoned liberal democracy and its associated key ideas (such as civil society, limited government), and have tried to seek inspiration and direction for China's future from the tyrannical Maoist legacy.

As China is caught in the crossfire of ideological grand debates among the ruling oligarchy, the New Left thinkers and the liberal democrats, it is extremely important to realize that the current stability-maintenance regime is not the intended result of “reform and opening-up” initiated by the reform-minded leaders in the late 1970s and early 1980s, nor is it an institutionalization of “socialism with Chinese characteristics.” As a matter of fact, in the process of wealth creation by the Chinese and the expansion of globalization, the Chinese leaders have engineered a radical transition within a short period of time (less than a generation) to achieve the dual monopoly control over political power and national wealth by the elite of the CCP. This transition, namely an oligarchic transition, has betrayed the most fundamental concepts in socialist thinking: equality, justice and fraternity. The intensifying brutality of the regime in repressing challengers from both the Left (old egalitarian socialism) and the Right (liberal democracy), and the increasing frequency and expanding scope of popular riots have created a new politics of class conflict in China, quite different from the official claim of a “harmonious society.”

The Party-state-army has gelled to form a gargantuan control cartel to safeguard the vested interests of the ruling elite in power and wealth. Its collectivistic control and exercise of violence have defined China more as a ruling oligarchy, which means that any individual challenge to the oligarchic rule, either from a New Left leader such as Bo Xilai, or from a liberal leader such as Liu Xiaobo (who initiated the Charter 2008 Movement), will prove futile. As the official guidelines for propaganda and ideology have fallen deeper into rigid Marxism, Leninism and Maoism to seek circular legitimation for its ruling from the infallibility of a “vanguard party,” core principles such as universalism, constitutionalism, civil society and Western democracy have been denounced; Chinese politics runs a risk of falling into fascism. However, all these have become a necessity for the ruling elite to keep both political power and wealth in their hands. Under such a regime, people who expect the emergence of a Gorbachev-like reformer within the party-state will most likely be disappointed. As the oligarchy has become more parasitic upon the economy, more invasive of non-state economic sectors (privately owned or foreign enterprises), and more predatory of the people, the odds of a social and political revolution happening in China have increased.

Notes

Communist oligarchy and transition in China


He Qinglian has done thorough work to document and interpret these developments in her *The Pitfall of Modernization*. Beijing: Jinri Zhongguo chubanshe, 1998 (何清涟《现代化的陷阱》北京 今日中国出版社 1998), which was updated later as *China’s Descend into a Quagmire*. Hong Kong: The Broad Press, 2004 (《中国现代化的陷阱》香港 博大出版社 2004).


49 The Key Litigant Ding Shumiao in the Liu Zhijun Case is Indicted for Bribery Liu with 49 million yuan” (刘志军案关键人物丁书苗被公诉向刘行贿4900万 2013年09月08日，《京华时报》), www.chinanews.com/gz/2013-09-08/5258228.shtml (accessed September 21, 2013).


51 The Outlook magazine (《瞭望》), “Questions and Answers with Regard to the Declaration of Property by Officials” (官员财产申报难解), No. 11 (2009), http://lw.xinhuanet.com/htm/content_4485.htm (accessed September 21, 2013).

52 Winters, Oligarchy, p. 35.

53 Orwell, Nineteen Eighty-Four, p. 211.


66 Xu Youyu and Hua Ze, ed., Close Encounters with the Chinese PSB. Hong Kong: Open Books, 2012 (徐友渔，华侨主编《遭遇警察》香港开放杂志社2012年), collected 22 narratives about the experiences of intellectuals and activists in the hands of the secret police.


73 Orwell, Nineteen Eighty-Four, p. 213.
