Chapter 28

COMMUNISTS AND CAPITALISTS IN CHINA:
WHO WILL CO-OPT WHOM?

The defining event in China in the first year of the 21st century is probably not the EP-3/F-8 aircraft collision near Hainan and its aftermath, or the detention, trial, and release of Chinese-American scholars, or the repression of the Falun Gong, or the award of the 2008 Olympics to Beijing—although each of these is important. The defining event is the decision of the Chinese leadership to admit acknowledged capitalists to membership in the Communist Party of China (CPC). The ramifications of this decision include the prospect of two very different futures: (1) a “capitalists co-opt party” scenario, or (2) a “party co-opts capitalists” scenario.

At the 80th anniversary of the CPC on July 1, 2001, President Jiang Zemin declared that the CPC should formally accept private business owners (read, “capitalists”) as party members. The point was reiterated and reinforced three weeks later by Jiang’s announcement that he will propose to the party’s Central Committee meeting in late September a change in the party’s constitution to allow explicitly for private businessmen to be admitted to party membership.

The new policy is intended to reflect Jiang’s personal contribution to communist “theory”—the so-called “Three Representations” doctrine. This element of communist esoterica mandates the party to represent and to promote “advanced productivity,” “advanced cul-

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ture,” and the “fundamental interests” of China’s broad masses, including private businessmen.

While some of this rhetoric is reminiscent of the labyrinths of medieval scholasticism, the bottom line is that clearing the way for capitalists to become party members also clears the way for sharply different futures to emerge in China.

Jiang’s pronouncement is the culmination—although perhaps not the end—of a protracted debate within the party’s leadership, a debate that has been both stimulated and accelerated by several recent developments in China’s economy: a growing proportion of China’s gross domestic product (currently probably more than 25 percent) originating in the rapidly-growing private business sector; the continuing progress of privatization of state-owned enterprises; and the planned but postponed launching of a new and genuine stock market for trading private corporate equities. (China’s existing stock markets in Shanghai and Shenzhen are anodyne versions of the real thing because more than 75 percent of the voting shares of stocks traded on these markets is owned by the government.) Establishment of the new market, sometimes labeled “China’s Nasdaq,” is likely to generate a surge of new private companies, IPOs, and capitalist entrepreneurs.

The debate has been protracted because there are strong as well as strongly-held arguments on both sides. Those arguing for exclusion of capitalists from party membership contend that their inclusion would risk further compromising two major pillars of communist ideology: state ownership of the basic means of production (notwithstanding general acknowledgment that markets must play an important role, “especially in the early stages of China’s development”), and the doctrine of “classes” and “struggles” between them (in which capitalists traditionally have figured as one of the classes to be struggled against). So, the argument continues, inclusion of capitalists risks further eroding the residue of what’s “socialist” in China’s slogan of a “socialist market economy.”

The evidently compelling argument on the other side is that excluding them from membership carries with it even greater risks. As one senior party theorist said to me, “If these entrepreneurs are not included inside the party, they will be inclined to develop organizations
and channels outside the party, and they will have ample resources to do so.” If the capitalists are excluded, the CPC will face a growing gap between itself and the entrepreneurial individuals and groups, whose activities and interactions with the global economy will be further enhanced by China’s impending membership in WTO. The CPC would thereby risk becoming increasingly remote from the real world.

Faced with this Hobson’s choice between further ideological compromise or increased estrangement from where the action is, the party has opted to accept the former risk in order to reduce the latter one.

With the gateway to party membership open to capitalists, their membership will swell as will their influence within the party. So, who will emerge as dominant? Several scenarios are plausible.

In one scenario, the party will co-opt the capitalists, perhaps in a perverse way that results in still more corruption than that which already pervades the economy and society. One reason why capitalists may choose to join the 65 million present party members is to secure or enhance preferential treatment in their business dealings—including access to credit, property, licenses, contracts, and generally more favorable administrative dispensations. While this “party co-opts capitalists” scenario might aggravate the existing pattern of widespread corruption, it might nonetheless be consonant with continued or even enhanced economic growth—especially if it results in lowering the costs of business transactions through and with government by subjecting them to some sort of party discipline. The “party co-opts” scenario would leave the party’s political dominance unimpaired and perhaps even strengthened.

An alternative and more benign “capitalists co-opt party” scenario depends on the fact that “capitalists,” rather than being a homogeneous “class,” are extremely heterogeneous in China, as elsewhere. Their heterogeneity springs from the compelling differences in what they do and where they do it. They may, for example be high-tech or low-tech, oriented towards external or domestic markets, linked to or distant from foreign capital and technology, pro-WTO and market liberalization or against it, linked with the PLA or averse to it, and so on.
Capitalist entrepreneurs typically have very different, often competitive and frequently conflicting, economic interests. As party members, their divergent interests are likely to be reflected in different groupings, influences, and factions within the party. In the “capitalists co-opt” scenario, these divergent interests will convert the party from a presumption of monolithicity toward an increasing degree of pluralism. Admitting capitalists to party membership may have as its consequences political pluralism, as well as a more dynamic and entrepreneurially-driven economy. Along this road perhaps lies a stronger but more “normal” China.

Postaudit

The dilemma remains unresolved. If I had to place a bet, I would probably guess that, in the mid to long run, capitalists will be the co-optors rather than the co-opted.