

What's wrong with inequality: Power, culture and opportunity.

David S G Goodman

Inequality is a universal social phenomenon. As the contributions to this volume all bear ample witness, China is no exception in this regard despite three decades of state socialism before 1979 that emphasised equality in many regards. Cui Yongyuan is a Chinese TV personality (*Talk to Little Cui* on CCTV-1) member of the Chinese People's Political Consultative Committee and social commentator. His late 2011 comments on inequality in China are often quoted on social networks and blogs:

'I remember when I was a child, the schoolbooks said China uses 7% of the world's arable land to feed 22% of the world's population. But, they never told us that this 22% of the world's population includes 60% of its public officials; that this 22% of the world's population receives 3% of its educational funding; that this 22% of the world's population has 97% of its wealth concentrated in 1% of its hands; that 90% of this 22% of the world's population eats the world's most poisonous food, pays its highest taxes and does its most squalid and exhausting work.' (Boke 2012)

This fundamental opposition to inequality was somewhat bizarrely (for all kinds of reasons, including his imminent but then unknown demise) echoed if more domestically by the former Chongqing leader Bo Xilai at a press conference during the March 2012 National People's Congress. Amongst other comments about inequality, Bo explicitly highlighted the rising Gini Coefficient (an index of income equality) in China with economic growth over the previous three decades, pointing out that social instability is usually expected when that index reaches 0.4 (0 is total equality; 1 is total inequality.) According to Bo, China's Gini Coefficient had been 0.2 before the reform era but had now risen to 0.5. (Bo Xilai 2012.)

The moral superiority of a contemporary discourse critical of inequality is clear, but by way of conclusion possibly worth considering further for two important reasons. The first is the most obvious: namely, that it pre-supposes, often without further comment, the greater desirability of equality. Yet this too might be challenged, and should at least be considered, for both practical and theoretical reasons. If, for example, equality removes the incentive to innovate, as is often argued, then that too may be less desirable. The second is the question that has been raised throughout these chapters: namely, how inequality is conceptualised, especially beyond discussion of the Gini Coefficient and even wealth. What is wrong with inequality is not so much that it exists, but how it is conceptualised and as a consequence managed socially and politically.

Inequality, development and the state

Inequality, and equality too for that matter, are both complex concepts, not readily unpacked. They may, for example, refer variously to the distribution of material benefits,

access to public goods, or public and private treatment, all of which are not mutually scalable. Moreover, the notion that there is anything wrong with inequality, let alone that equality is preferable, is historically a little strange. Most pre-industrial societies were already based on a high degree of social stratification. It is only really with the Twentieth Century and the advent of mass society that discourses of equality became predominant. (Kornhauser 1962; Ortega y Gasset 1994)

There are essentially two conflicting views of inequality that have dominated public discourse worldwide since the middle of the Twentieth Century. The first rejects inequality and emphasises individually equal distribution of material goods as well as access to public processes, including particularly politics. Interestingly this acceptance of equality has rapidly come to embrace gender differences, but less rapidly to assimilate differences in national culture and skin colour. The portrayal of inequality as dystopia is very powerful. The notion of fairness (equality of treatment) is not confined to children, though its precise definition may well be a matter for discussion and contestation. Rank egalitarianism has rarely been practiced, but as a principle its influence is strong.

The second view of inequality sees equality as at least as equally dysfunctional. In this view equality is often regarded as little short of rank egalitarianism. It is said to destroy initiative and to remove incentive because there is no reward for effort, let alone risk. Though inequality is not often seen as morally superior it is regarded as ethically sound: a return on work according to the quality and not just the quantity of the input. It seeks to recognize difference and encourage productivity. This was essentially the view of the People's Republic of China [PRC] during the 1990s. It saw the Mao-era of political domination (1956-76) as having delivered equality, but an equality of poverty. It was now the duty of the state in the reform era to encourage greater individual productivity. (Harvey 2007)

These positions are necessarily extreme. Nonetheless they highlight a real dilemma. Overstress equality as an automatic redistributive entitlement and there is no return on difference and no encouragement for anyone to act beyond the basic minimum, however that is set. Overstress inequality as a return on difference and the social and individual causes of that difference can either be all too easily over-looked or regarded as an individual entitlement regardless of the social consequences. The children of the wealthy and healthy simply succeed their parents, regardless of their ability and perhaps more importantly the abilities of others less privileged in their education or background. This apparent paradox is a creative tension. It highlights the need for the role of the state: both to guarantee a basic entitlement and to encourage productivity; to ensure basic social welfare at the same time as it provides a secure framework for social and economic activity.

An acceptance of inequality, and to some extent its encouragement, was much the dominant prescription for development during the 1980s and 1990s. In recent years though, research has redressed the balance quite considerably. One much publicised study has argued that more equal societies are healthier societies. (Pickett and Wilkinson 2011) There have also been studies suggesting that despite some beliefs about capitalist development, economic growth is more sustainable in more equal societies, especially those which have a higher GDP per capita. (UNRISD 2010)

Equality, income, wealth

Unfortunately, the examination of inequality and its consequences is hampered by the misleading perspectives often employed by both policy makers and even academics. Inequality is all too frequently only seen in economic terms, though even then income is also often confused with wealth. There is a tendency to concentrate on the immediate and not to understand inequality in its historical context, and equally not to see inequality in its spatial context, thereby confusing socio-psychological explanations with statistical analysis.

The overemphasis on the economic determination of inequality was a starting point for the editors of this volume. The reasons for that overemphasis are not hard to ascertain: economic determinations of inequality are quantifiable, and so somehow regarded as more objective, and certainly more amenable to formulation in policy making. There is of course considerable logic to this. Wealth and even income may indeed be effective markers of inequality. At the same time economic inequality can only be part of the story, and may even be epiphenomenal on occasion as well as causal.

The equation and confusion of income and wealth is a common perspective, again presumably because of ease of measurement. Considerable effort goes into discussing Gini Coefficients in comparative perspective as though they were indeed a more comprehensive measure of wealth rather than more accurately an index of income or consumption. Income and the Gini Coefficient often become proxies for wealth. (World Bank 2012) Again, not totally misleadingly, but not the whole picture.

Interestingly, less economically developed societies are also likely to be more unequal, at least as reflected in the Gini Coefficient. Conversely, economies with a higher GDP per capita (the USA, UK, Japan for example) are likely to have lower Gini Coefficients, suggesting greater economic equality. (Maddison 2007) In China's case then the 2010 figures of a Gini Coefficient of 0.47 (Chen Jia 2012) at a time when GDP per capita is about US\$4,400 (World Bank 2011) is then not quite the same thing as it might be for other economies with both high GDP per capita and a similar level of Gini Coefficient-indicated inequality.

These concerns touch on the possible wider consequences of economic inequality. In the PRC the widely accepted view that a Gini Coefficient of 0.4 threatens social stability is often publicly repeated. (Fang and Yu 2012) Yet statistics do not always translate so readily into social or political motivation. Individuals and groups have to feel resentment at inequality, as well as being objectively unequal and prepared to do something about it for action to follow. Objective inequality may simply be accepted as a part of everyday life. It is also important to understand people's frame of reference when understanding their comparative circumstances. Generally speaking it is clear that resentment is greatest towards inequality when it occurs more immediately and locally. (Davies 1962) In the case of the PRC the scale of the country and varied patterns of inequality within regions and sub-regions are hidden by national statistics. Recent research certainly suggests that the propensity to challenge social stability does not follow the generally held interpretation of statistics. (Whyte 2010)

Political power

Inevitably for a country experiencing such rapid development, economic inequality is often very visible in the PRC. But it is not, as the contributions to this volume demonstrate the whole story. Economic inequality is clearly not the only manifestation of inequality, let alone its only or prime determinant. There are also significant inequalities of political power, of culture, and of opportunity, which sometimes overlap and intersect with each other, as well as with economic inequality.

Yingjie Guo in his chapter on the impact of the state highlights the inequalities wrought by the exercise of state power – sins of omission as well as of commission. These have echoes in other chapters, notably those by Colin Hawes on the exercise of law, and Graeme Smith on the processes of land reallocation under the imperative of development. The state allocates or manages the reallocation of resources unequally. Indeed equity has never been a principle of state action in the PRC since 1949, even if the types of inequity have changed, from the preferment of workers and peasants during the 1950s; to privileging the workers, peasants and soldiers during the 1960s and 1970s; to recognition of the importance of the more ‘advanced’ elements of wealth creation, political leadership and nationalism, according to the theory of the ‘three represents’ (*sange daibiao*) under Jiang Zemin in the 1990s.

The institutional approach to understanding inequalities of political power is certainly important, not least for interpreting reaction and resistance. The last few years have seen a larger number of formal and semi-formal acts of political resistance to political inequalities, and greater publicity afforded them. One of the more famous has been the events in Guangdong Province’s Wukan Village at the end of 2011 and beginning of 2012, where land seizures by local government resulted in protests and demonstrations by villagers and the suicide of one of the leaders of the protest after being pressured by local officials. These events climaxed in January with the provincial government moving to release arrested protestors, call fresh elections in the village, and investigate the alleged land seizures. (Yin 2012) Less publicized at the end of 2011 was the interpretation of political inequality and the need for change reflected in the self-nomination of about a hundred individuals standing as candidates for election to local people’s congresses without the approval, and often against the opposition of the Chinese Communist Party [CCP.] (Review and Outlook Asia 2011) This is in many ways even more remarkable than events in Wukan and similar acts of rural protest, not least because the nomination of non-Party sanctioned candidates are almost certain to be more expressivist and less effective in practice.

At the same time, the manifestation of inequalities of political power go far beyond the institutional exercise of state power and the reactions of the excluded. Equally as important is the associational dimension of the inequalities of political power. The best example is the behaviour of China’s new rich, in particular, the new entrepreneurs who have emerged in the last twenty to thirty years driving the phenomenal rates of economic growth the PRC has experienced. Much of the research that has considered their political behaviour has focussed on their relationship within or closely allied to the Party-state. They have been variously regarded as ‘red capitalists,’ ‘nomenklatura capitalists,’ state capitalists, and

associated descriptions emphasising both their economic leadership and political connections. (Dickson 2003; Dickson 2008; Huang 2008; Tsai 2007; Zhao 2010)

Research has highlighted how the CCP has sought not simply to accommodate their activity, so long regarded as politically 'unsound,' but has sought to encourage their participation in the political process. This encouragement has been manifest not only through active membership of the Party but also by service in state positions outside the CCP, such as delegates to people's congresses and membership of people's political consultative conferences. (Chen Minglu 2011) A substantial proportion – perhaps as many as one-third – of these new entrepreneurs emerged from the previous state socialist era Party-state system so their participation in the CCP and other political processes has a career background.

On the other hand, a substantial proportion of new entrepreneurs began their economic activities more independently even if they later sought accommodation with the Party-state. It is this accommodation that marks a recognition of the inequalities of political power and their consequences. Many, though by no means all new entrepreneurs whose economic activity began outside the Party-state were and some remain unwilling and uneasy about a close relationship with either the CCP or any part of the political process. Nonetheless, they eventually came to realize the need for such political connections if they wanted access to land, labour and loans as their businesses began to grow. Particularly in the 1990s it was common to hear entrepreneurs informally comment on their preference to remain apart from politics even as they became involved. (Goodman 2008) Similar attitudes are often voiced amongst middle class university students all too aware of the inequalities of political power and the consequences for their career prospects of staying aloof from the CCP.

Culture

One of the worst epithets a Chinese person can use to describe another is that they lack 'culture.' (*meiyou wenhua*.) Indeed, it is often heard when voices are raised or at points of conflict. Culture in this context is often equated with formal education, but it means more than that. The tradition was and to some extent remains that civilisation is defined by the ability to read and write Chinese, hence the equation with formal education where reading and writing were learnt through studying the Chinese classics. Culture is then behaviour and discourse, as well as learning and knowledge.

This understanding of culture and the inequalities that follow and that pervade Chinese society is well understood by all as Wanning Sun's observation earlier in this volume makes clear. Migrant workers who have come from the villages to urban areas looking for work resent that they are treated as inferior because of their low cultural status. They are uneducated and so have to move to the city and sell their labour to survive. They object to the entrepreneurs who employ their labour but treat them unfairly as a result. They feel abandoned by the government which no longer embraces the socialist ideal of a ruling working class. They consider themselves condemned from birth by the accident of a rural household registration which means that they are denied full civil rights and welfare when working in an urban area. (Pun and Lu 2010)

The drive for cultural status – for respectability and recognition – is particularly strong amongst migrant workers, just as it was under similar circumstances for the English working class in the Nineteenth Century. (Thompson 1966) Of course the circumstances in the PRC are radically different not least because for thirty years before 1978 and the start of economic restructuring there was a well established and privileged working class, working largely in the state sector. During the three decades since the reform era started that earlier working class has been largely though not totally dismantled. Alongside its remnants a new class of workers has started to emerge as cheaper labour has been brought from the countryside to urban areas for construction, production lines and the like. It is debatable as to whether the migrant workers from the countryside have yet developed a class consciousness that enables them to be discussed as a new working class. (Chan and Siu 2012) All the same it remains clear that these new migrant workers are paying attention to their self description, with an emphasis on the worker aspect as opposed to the migrant aspect (implying from the village) and in the process are trying to engage in cultural activities that will raise their status. (Qiu and Wang 2012.)

Wanning Sun's argument that there is both a culture of inequality and an inequality of culture is echoed by both Andrew Kipnis and Lisa Rofel each in their own chapters, the former considering the formal education system, the latter China's gay communities. As with the migrant workers, language and self-development are the keys to understanding the configurations of the culture of inequality and the inequality of culture. Equality and inequality are both constructed through the educational process, formally and informally, with much of the debate centring on the identification of and distinctions according to *suzhi*: a word meaning quality, but now used more with the notion of ranking in much the same way that differentiated levels of culture (in its many meanings) are appreciated. The point of education is to raise one's *suzhi* and that of the entire population. Self-development is also central to the work of the various gay community organisations, in their push for greater acceptance.

The concerns with language and self-development that are identified in dealing with the culture of inequality and the inequality of culture are by no means confined to the uneducated, migrant workers or gay communities. The notion of a Chinese middle class is promoted precisely in this context. (Guo 2008) In statistical terms the middle class in the PRC remains (2012) at about six per cent of the population in terms of its consumption power, yet the idea of the middle class extends to a far larger part of the population in terms of their aspirations and desired life-style. Housing developments are neatly targetted at different sectors of the urban population – young marrieds, older more established couples with teenage children, retirees – promising more for the future than the present in terms of educational services, cultural activities, and above all self-betterment. (Zhang Li 2010) Less directly shopping malls offer similar *suzhi* cues and notions of inequality management.

Inequality of opportunity

In many countries of the world the idea of equality of opportunity is an essential part of the political and economic culture, even if more recently this has sometimes also become a

user-pays equality of opportunity. The comments on cultural inequalities in the preceding section suggest that there is not much room in the PRC for the notion of equality of opportunity to be articulated, let alone to be widely understood. Certainly the overwhelming impression from the contributions to this volume is that there is an institutionalized and accepted inequality of opportunity. Indeed to a large extent the very notion of social equality is challenged by the experience of the PRC's last three decades as described here.

The PRC is not just socially unequal, it is highly polarized across a number of variables. Unequal access to public goods and social mobility has become institutionalized between a series of haves and have nots: not simply between rich and poor (Solinger), but also regionally across China and between rural and urban areas (Cartier); as well as between those who worked and lived in the work-units (*danwei*) of the Party-state at the beginning of the reform era and benefitted from the restructuring of economic and social activity, and those who did not (Tomba and Tang.) In addition, as Sargeson details, there remains a gender divide over property ownership.

The inequality of opportunity is in many ways the most important of the inequalities highlighted in this volume. Not only does it impact the livelihood of large sections of the population, it also highlights the threat to the political regime which a concern with economic inequality or the statistics of Gini analysis cannot do. Institutionalized inequality of opportunity has the capacity to create resentment and political action because its stage is the immediate and the local. Laid-off state workers used to live cheek-by-jowl with the beneficiaries of reform and restructuring, and while social interactions may certainly change the potential for social tension is great.

The emergence of an institutionalized inequality of opportunity is also important because it highlights the need for government action at all levels. The Party-state has clearly, as Yingjie Guo highlights, created many of the problems that it now faces, but the exercise of state power will also be critical to the amelioration of those problems. This is a process that started to some extent in 2005 and increasing amounts of the national budget have subsequently been devoted to providing a more even distribution of public goods – housing, employment, health, education and social welfare – through programs targeting the less advantaged. (Duckett and Carillo 2011) At the same time the problems China faces are not just those of uneven distribution or economic inequality. The bigger problem is one of political and economic culture. The test of the extent of the Party-state's resolve on this matter is relatively clear. Rather than band-aid solutions to specific problems, a more fundamental addressing of the issues of inequality will require it to create strategic policy and an implementation campaign designed to radically alter the way people think and interact on issues of distribution and opportunity.

David S G Goodman is Professor of Chinese Politics at the University of Sydney, where he is also Academic Director of the China Studies Centre. His research is concerned with social and political change in China, and his most recent publications include *Class and Social Stratification in China*.

References

- Bo Xilai (2012) 'Bo Xilai hui jizhe wenshilu: Chongqing zheijinian xinwen zhenbushao' ['Record of Bo Xilai's answers to reporters: There has really been not a little news from Chongqing these years' 16 March 2012
<http://news.ihongpan.com/12/0316/zhy100740.html>
- Boke (2012) *Boke zhoukan* [Blog weekly] in *Xiandai kuaibao* [Contemporary Express] Nanking, 19 March.
- Chan, Anita and Kaxton Siu (2012) 'Chinese migrant workers: factors constraining the emergence of class consciousness' in Beatriz Carrillo and David S G Goodman (ed) *Peasants and Workers in the Transformation of Urban China* Cheltenham, Edward Elgar.
- Chen Minglu (2011) *Tiger Girls: Women and Enterprise in the People's Republic of China* London, Routledge.
- Chen Jia (2012) 'Wealth Gap Survey to be Published' in 7 February 2012 *China Daily*.
- Davies, James C (1962) 'Towards a Theory of Revolution' in the *American Sociological Review* vol.28, no.1, February.
- Dickson, Bruce J (2003) *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* Cambridge University Press.
- Dickson, Bruce J (2008) *Wealth into Power: The Communist Party's Embrace of China's Private Sector* Cambridge University Press.
- Duckett, Jane and Beatriz Carrillo (2011) (ed) *China's Changing Welfare Mix* London, Routledge.
- Fang Xuyan and Lea Yu (2012) 'Government Refuses to Release Gini Coefficient' in *Caixin* [Financial News] 18 January 2012.
- Goodman, David S G (2008) 'Why China has no new middle class: cadres, managers and entrepreneurs' in David S G Goodman (ed) *The New Rich in China: Future Rulers, Present Lives* London, Routledge.
- Guo Yingjie (2008) 'Class, Stratum and Group: The politics of description and prescription' in David S G Goodman (ed) *The New Rich in China: Future Rulers, Present Lives* London, Routledge.
- Harvey, David (2007) *A Brief History of Neoliberalism* New York: Oxford University Press, Chapter 4

Huang Yasheng (2008) *Capitalism with Chinese Characteristics: Entrepreneurship and the State* Cambridge University Press.

Kornhauser, William (1962) *The Politics of Mass Society* London, Routledge, Kegan, Paul.

Maddison, Angus (2007) *Chinese Economic Performance in the Long Run 960-2030 AD* Paris: OECD Publishing, Development Centre Studies.

Ortega y Gasset, Jose (1994) *Revolt of the Masses* Norton. [Originally 1932.]

Pickett, Kate and Richard Wilkinson (2011) *The Spirit Level: Why Greater Equality Makes Societies Stronger* London, Bloomsbury Press.

Pun, Ngai and Lu Hulin (2010) 'Unfinished proletarianization: self, anger, and class action among the second generation of peasant-workers in present-Day China' in *Modern China*, 36 (5).

Qiu, Jack Linchuan and Hongzhe Wang (2012) 'Working-class cultural spaces: comparing the old and the new' in Beatriz Carrillo and David S G Goodman (ed) *Peasants and Workers in the Transformation of Urban China* Cheltenham, Edward Elgar.

Review and Outlook Asia (2011) 'Why China Is Unhappy' in *Review and Outlook Asia* 11 November 2011.

Thompson, Edward P. (1966) *The Making of the English Working Class* New York, Vintage.

Tsai, Kellee S (2007) *Capitalism without Democracy: The Private Sector in Contemporary China* Cornell University Press.

UNRISD [United Nations Research Institute for Social Development] (2010) *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* Geneva, United Nations Research Institute for Social Development.

World Bank (2011) *World Development Indicators Database*.

World Bank (2012) *Poverty Reduction and Equity*
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

Whyte, Martin King (2010) *Myth of the Social Volcano: Perceptions of Inequality and Distributive Injustice in Contemporary China* Stanford University Press.

Yin, Sim Chi (2012) 'Anxiety lingers despite outward calm in Wukan' in *The Straits Times* 9 January 2012.

Zhang, Li (2010) *In Search of Paradise: Middle-Class Living in a Chinese Metropolis* Cornell University Press.

Zhao, Suisheng (2010) 'The China Model: can it replace the Western model of modernization?' in *Journal of Contemporary China* Vol .19 (65).