
China's Eleventh Five-Year Plan (2006–2010): From “Getting Rich First” to “Common Prosperity”

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Abstract: China's Eleventh Five-Year Plan, which sets the directions for national development for the 2006 to 2010 period, has been described as a revolutionary plan. This paper examines the Plan's goal to build a “harmonious socialist society” by enabling disadvantaged groups and less developed regions to share the fruits of economic growth. It first describes the Plan's main principles and major quantitative targets for the five-year period. In the second half of the paper, the author argues that the emphasis on “common prosperity” can be explained by the rise in inequality over more than two decades, by a new political administration that seeks to establish its own path while endorsing ideas from past regimes, and by President Hu Jintao and Premier Wen Jiabao's more open and consultative style of leadership. *Journal of Economic Literature*, Classification Numbers: O20, O53, P21. 1 figure, 2 tables, 58 references. Key words: China, Five-Year Plans, income inequality, regional development, common prosperity, sustainable development.

INTRODUCTION

On March 14, 2006, the Fourth Plenary Session of China's Tenth National People's Congress formally ratified the country's Eleventh Five-Year Plan, for the period 2006 to 2010. Since 1953, the People's Republic of China (PRC) has implemented a series of Five-Year Plans that established the blueprint and targets for national economic development.² In a country where the state continues to exert powerful control over much of the economy, the Five-Year Plans are key indicators of the directions and changes in development philosophy. China's Eleventh Five-Year Plan has, prior to and since its formal approval, been described as “revolutionary,” “a watershed,” and “of turning point significance” (Naughton, 2005; New Five-Year Plan, 2005a, 2005b; Nation's 11th, 2006; Ten Features, 2006), suggesting that China's leaders are seriously rethinking their development priorities and strategies.

This paper examines one of the most prominent goals stated in the Eleventh Five-Year Plan—building a “harmonious socialist society” (*shehui zhuyi hexie shehui*). Specifically, I focus on the Plan's emphasis on addressing inequality by enabling disadvantaged groups and

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²No five-year plans were implemented for the 1949–1952 period, when the Chinese leaders' focus was to rehabilitate the economy, and for the 1963–1965 period, because the failure of the Great Leap Forward necessitated economic adjustments.

less developed regions to benefit from economic growth. Less than 30 years after Deng Xiaoping famously popularized a “getting rich first” (*xianfu lun*) development philosophy, which encouraged some people and some regions to get rich first, and after more than two decades of near double-digit rates of growth, China’s leaders are promoting via the slogan “common prosperity” (*gongtong fuyu*) the idea that more people and more regions should share the fruits of economic development (Editorial Group, 2005, p. 8; Kwan, 2005; New Five-Year Plan, 2005a). In the following pages, I first outline the Eleventh Five-Year Plan’s guiding principles and major targets, especially those related to inequality. In the second half of the paper, I show that the shift of the prevailing discourse from “getting rich first” to “common prosperity” can be explained by two decades of increased inequality, by the new political leaders, and by a more open and consultative style of leadership.

PRINCIPLES AND TARGETS

The Eleventh Five-Year Plan (hereafter the Plan) consists of 15 sections and a total of 48 chapters (Editorial Group, 2006). The document begins by concluding that during the period of the Tenth Five-Year Plan (2001–2005) China became a significantly stronger nation, people’s livelihood had improved notably, and the nation’s status in the world had risen considerably. Most importantly, the document reiterates two principles for development—a “concept of scientific development” (*kexue fazhan guan*) and constructing a “harmonious socialist society”—that became the foundation of the Plan (Editorial Group, 2006, p. 4). Both principles have since 2003 been identified with the administration of President Hu Jintao and Premier Wen Jiabao. These principles are, in essence, two sides of the same coin: a harmonious society is the objective and scientific development is the method to reach it (Naughton, 2005; The New, 2005). By the time of the drafting and approval of the Plan, the Chinese public and media had already become familiar with its concepts, based on which the Chinese leaders called for a shift in direction from the singular pursuit of economic growth to “putting people first” (*yiren weibei*), to promoting sustainability in economic development, and to progressing toward an “all-around well-off” (*quanmian xiaokang*)³ society (Kwan, 2005; The New, 2005; Editorial Group 2006, p. 3). When explaining the “proposal”⁴ for the Plan in October 2005, Wen stated that building a harmonious socialist society entails giving priority to employment, social security, poverty reduction, education, health care, environmental protection, and safety. Scientific development is, in essence, a euphemism used by the Chinese leaders for economic growth that takes into consideration the welfare of disadvantaged people and regions as well as environmental concerns (Lam, 2005).

To be sure, the Chinese leaders continue to emphasize economic growth and development as “the absolute principle” (*fazhan shi ying daoli*) (China’s Development, 2005; Editorial Group, 2006, p. 6), but they now explain development in broader terms. First, the Plan’s expectation is “steady and relatively rapid development” (*pingwen jiaokuai fazhan*). While the Tenth Five-Year Plan proposed “relatively rapid development” (He, 2001, p. 4), the new

³The term *xiaokang* describes a society in which most of the population are of modest means or have reached the middle-class and have achieved a comfortable level of living. Although originating from classical literature, the term has been heavily promoted by China’s leaders as a goal for the future.

⁴It is customary that several months before the ratification of a Five-Year Plan, a proposal (an abridged version of the Plan) is announced and discussed at a national meeting. In October 2005, at the Fifth Plenary Session of the Sixteenth Central Committee of the Chinese Communist Party (CCP), Wen Jiabao explained in detail the proposal for the Eleventh Five-Year Plan (Hu, 2005).

Table 1. Selected Targets of the Eleventh Five-Year Plan^a

Indicator	Unit	Year		Five-year change	Expected/ restricted
		2005	2010		
Economic growth					
Gross domestic product	Trillion yuan	18.2	26.1	(7.5)	Expected
GDP per capita	Yuan	13,985	19,270	(6.6)	Expected
Natural environment					
Reduction of energy consumption per unit of GDP	Percent	-	-	-20	Restricted
Reduction of water consumption per unit of industrial value added	Percent	-	-	-30	Restricted
Reduction of emission of major pollutants	Percent	-	-	-10	Restricted
Forest cover	Percent	18.2	20.0	1.8	Restricted
Human society					
Population	Million	1,308	1,360	(0.8)	Restricted
Urbanization	Percent	43	47	4	Expected
Urban employment increase	Million	-	-	45	Expected
Transfer of rural labor	Million	-	-	45	Expected
Urban unemployment	Percent	4.2	5.0	0.8	Expected
Urban disposable income per capita	Yuan	10,493	13,390	(4.9)	Expected
Rural net income per capita	Yuan	3,255	4,150	(4.9)	Expected
Urban population with retirement insurance	Million	174	223	49	Restricted
Cooperative health care in the countryside	Percent	23.5	>80.0	>56.5	Restricted
Average educational attainment	Years	8.5	9.0	0.5	Expected

^aAll economic data are in constant 2005 prices. Numbers in parentheses refer to average annual growth rates. Sources: Compiled by the author from Editorial Group, 2006, pp. 9–10.

Plan qualifies this goal by adding the adjective “steady,” thus signifying a greater emphasis on long-term sustainable growth. Like its predecessors, the Plan elaborates a set of targets to be achieved at the end of five years. Table 1 lists selectively the Plan’s main targets. The overall target for economic growth is the same as the one established in the Tenth Five-Year Plan—to double year 2000’s gross national product (GDP) per capita by 2010. This would entail an average annual growth of GDP and GDP per capita at, respectively, 7.5 and 6.6 percent between 2006 and 2010. These expected rates are significantly lower than the actual rates of growth during the 1990s (Editorial Group, 2005, p. 214). Indeed, Chinese leaders are no longer pursuing the type of dramatic growth that marked the 1980s and 1990s, but are shifting their focus to the ways in which economic growth takes place and to the changes that accompany economic growth.

Second, the Plan emphasizes that economic growth is not the equivalent of economic development—a new concept for Five-Year Plans (New Five-Year Plan, 2005b). Specifically, the Plan highlights a variety of problems that have occurred during rapid economic growth, in particular, environmental degradation and a rise in inequality. Since the economic reforms and especially since the mid- and late 1990s, scholars, observers, and the media have been critical of the Chinese government for failing to address these problems (e.g., Wang and

Hu, 1999). In response, the “concept of scientific development” and “harmonious socialist society” directly incorporate the notions of long-term sustainability and a more equitable distribution of the benefits of economic growth (Naughton, 2005). Specifically, sustainability of economic development is linked to the carrying capacity of the natural environment and human society. Concerns about the natural environment focus on the consumption of energy and natural resources and environmental pollution. Human society concerns focus on issues of employment and income inequality, the gap between the city and countryside and among regions, and social protection.

The concepts of sustainability and distribution are prominently illustrated by the Plan’s quantitative targets (Table 1). For the first time in the history of Five-Year Plans, each quantitative target is defined as either “restricted” (*yueshuxing*) or “expected” (*yuqixing*) (Zhang and Wang, 2006). Restricted targets are tied to the responsibilities of governments at both the central and local levels. In other words, governments at various levels are obliged to achieve these targets. Expected targets, on the other hand, are ones that the state anticipates to achieve primarily through market forces with support by the government. The distinction between these two sets of targets shows that Chinese leaders want to send a clear message that they take the restricted targets seriously and are committed to achieving them.

Almost all of the Plan’s targets related to the natural environment are restricted and are concerned with conservation of resources and reduction of pollution. For example, the Plan requires that energy consumption per unit of GDP be reduced by 20 percent, water consumption per unit of industrial value added be decreased by 30 percent, emission of major pollutants be trimmed by 10 percent, and forest cover be increased from 18.2 to 20.0 percent. These targets, as a whole, are more ambitious than those in the Tenth Five-Year Plan.

Human society targets are established for population growth, urbanization, employment, income, social protection, and education—all in one way or another connected to the people’s standard of living. Limiting population growth to about 0.8 percent per year is a restricted target, indicating that China’s leaders continue to adhere to the Malthusian logic that population growth adversely affects standards of living; they therefore continue to insist on a nationwide birth control policy. The level of urbanization is expected to increase from about 43 to 47 percent, reflecting a widely held notion that urbanization will benefit the economy.⁵ Related to urbanization are targets addressing urban employment, all of which would entail creation of many additional jobs. Urban employment is expected to rise by 45 million; transfer of rural labor (to urban sectors) is expected to rise by 45 million; and urban unemployment to increase only slightly, from 4.2 to 5.0 percent. The expected transfer of rural labor is of special significance to rural development. Because the large pool of surplus labor in the countryside⁶ has been a major cause of rural poverty, allowing an additional 45 million rural Chinese to work in urban sectors would facilitate an increase in rural income. Urban and rural incomes are both expected to increase at about 4.9 percent per year. While these targets will not reduce the rural-urban income gap per se, achieving similar rates of income growth in rural and urban areas will mitigate the trend over the last two decades, in which urban incomes grew more rapidly than the rural.

The Plan includes specified targets for social protection and education. Increasing the access of urban residents to retirement insurance from 174 million to 223 million (or from about 31 to 35 percent of the urban population) is a restricted target. Similarly, increasing the

⁵See also the section of this paper entitled “A More Open and Consultative Process.”

⁶Estimates of the size of the country’s agricultural labor surplus are generally in the range of 150 million or higher (Cai, 2001; Zhang et al., 2005).

proportion of rural residents covered by a cooperative health care scheme from 23.5 to over 80 percent also is a restricted target. And, the average educational attainment of the population is expected to increase from 8.5 years to 9.0 years. The last two targets have special significance for the rural population. The health care target directly addresses the widespread criticism that China's rural citizens have been shortchanged, as they are left out of the social protection system available only to urban residents. The educational attainment target is yet another indicator of an apparently renewed commitment to rural development. Although a Compulsory Education Law that calls for nine years of education for each child has been in effect since the 1980s, its implementation has been much more in evidence in cities and more developed regions than in the countryside and less developed regions. Many girls in rural areas, in particular, do not have access to education beyond the elementary level. The Plan's target for education, if achieved, is likely to benefit in particular disadvantaged groups and regions.

The Plan's emphasis on rural development is further articulated in a section, consisting of six chapters, devoted to the notion of the "new socialist countryside" (*shehui zhuyi xin nongcun*). Specifically, this new term embodies the following main objectives: increase agricultural productivity, facilitate development of non-agricultural sectors and the transfer of rural labor to these sectors, reduce tax and fee burdens on farmers, improve rural infrastructure and environmental protection, boost health care provision in the countryside, and extend nine-year mandatory education to poor regions and poor households with support by central and local governments. None of these are new policies *per se*, as eradication of rural poverty has been on the government's agenda since the founding of the PRC. Nonetheless, the Plan's specific attention to rural development suggests that support and funding for rural areas may increase.

Although the Plan does not specify quantitative targets for regional development, it does incorporate three chapters in a section that focuses on promoting "coordinated development among regions" (*qiyu xietiao fazhan*). The overall objective is to reduce inequality by fostering the development of laggard and slow-growth regions. The Plan continues the ongoing emphasis (since 1999 and in the Tenth Five-Year Plan) on "western development" (*xibu da kaifa*),⁷ and suggests that the state should increase its support for western China through policies and fiscal transfers. In addition, the Plan highlights the regions in the northeastern and central parts of the country, proposing economic restructuring and reforms of state-owned enterprises for the former and accelerated industrialization and urbanization for the latter. According to the carrying capacity of the natural environment and current scales of population concentration and economic development, the Plan recommends four types of regional development trajectories: "upgraded development," "focused development," "limited development," and "prohibited development." The eastern region, for example, is recommended for "upgraded development" based on high-technology, advanced and knowledge industries and services so as to reduce its reliance on industries that consume large quantities of land and natural resources and also pollute the environment.

Finally, the section highlights the role of city clusters, such as the Yangtze Delta and the Pearl River Delta, in fostering urbanization. It endorses a "rational" (*heli*) and "stratified" (*fenlei*) model of urbanization. Specifically, the Plan advances the concept of "engaging in both industries and farming, circular flows between city and countryside" (*yigong yinong, chengxiang shuangxiang liudong*) for rural-urban migrants. While stating that migrant workers' labor rights should be protected, the Plan does not favor an all-out removal of restric-

⁷See also the section on "Widening Gaps" below.

tions on migration. Rather, it encourages the permanent settlement of rural migrants in medium and small cities as well as small towns, but insists that super-large cities should control their population growth. This strategy is consistent with the expectation that urbanization will increase, but not at a rapid rate.⁸

What has been described above focuses on issues of sustainability and distribution. The latter, in particular, elaborates the notion of “common prosperity.” To be sure, the Plan also includes detailed guidelines for industrialization, services, administrative reforms, foreign trade and investment, governance, defense, and other aspects of the economy and society, but these are not as directly connected to the pursuit of “common prosperity” and are therefore not specifically addressed in this paper. In the following sections, I show that the Plan’s emphasis on “common prosperity” can be explained by the rise in inequality, the new political leadership, and a more open process of consultation.

WIDENING GAPS

It is widely reported that the gap between rich and poor in China is large and increasing. According to the World Bank, the rate at which China’s income gap increased over the last two decades was the fastest in the world (Editorial Group, 2005, p. 9). China’s Gini coefficient increased from 0.33 in 1980 to 0.37 in 1992, 0.45 in 2001, and 0.47 in 2005, suggesting that economic inequality in China has surpassed, by a significant margin, that of capitalist economies such as the United States and United Kingdom (World Bank, 2004; How to Interpret, 2005; Sisci, 2005). And, government statistics show that the bottom 10 percent of the families own less than 2 percent of all societal assets while the top 10 percent own over 40 percent of the total assets (New Five-Year Plan, 2005a, 2005b).

Regional inequality has also increased. During the 1980s, the eastern region grew more rapidly than the central and western regions so that the gaps among the three regions had widened (Fan, 1995; Wei, 2000, p. 29). Although interprovincial inequality declined during the 1980s, it was due to the relatively slow growth of old industrial regions in northern and northeastern China, which offset the rapid growth of eastern and southeastern provinces such as Jiangsu, Zhejiang, Fujian, and Guangdong (Fan, 1995). Regional inequality increased further in the 1990s and beyond, as shown by the data for selected years in Table 2. GDP per capita is a widely accepted indicator of overall economic development and it is used here to compare provincial and regional levels of development. The coefficient of variation (CV) for provincial GDP per capita showed an increase from 0.56 in 1990 to 0.64 in 2000 and since then had remained steady at about 0.64. Different from the 1980s, therefore, interprovincial inequality increased throughout the 1990s. The regional breakdowns depict the increase in regional inequality even more profoundly. Between 1990 and 2004, the average annual growth rate of the eastern region was the highest (11.59 percent), followed by the central region (9.71 percent) and the western (9.33 percent), in that order (Table 2).⁹ Thus, the eastern/central ratio and eastern/western ratio of GDP per capita increased from respectively 1.48:1 and 1.84:1 in 1990 to 1.92:1 and 2.53:1 in 2004. The regional differentials in growth rates appeared to have slowed in the 2000–2004 period (12.5 percent for the eastern region; 11.20 for the central; and 11.15 percent for the western region), but this was not sufficient to reverse the widening regional gap. Throughout the period from 1990 to 2004, Shanghai was

⁸See the section on “A More Open and Consultative Process.”

⁹Figure 1 shows the provincial units encompassed by each of the three regions.

Table 2. GDP Per Capita and Urban and Rural Income, 1990–2004

Indicator	Year				Average annual growth rate (percent)			
	1990	1995	2000	2004	1990– 1995	1995– 2000	2000– 2004	1990– 2004
Provincial GDP per capita								
Mean (yuan)	3,259	5,222	8,428	13,527	9.43	9.58	11.83	10.17
Coefficient of variation (CV)	0.564	0.568	0.641	0.636				
Eastern region (yuan)	3,594	6,672	11,048	18,217	12.37	10.09	12.50	11.59
Central region (yuan)	2,435	3,769	6,058	9,481	8.74	9.49	11.20	9.71
Western region (yuan)	1,954	3,060	4,619	7,215	8.98	8.24	11.15	9.33
Eastern/Central ratio	1.476	1.771	1.824	1.921				
Eastern/Western ratio	1.840	2.180	2.392	2.525				
Shanghai (yuan)	9,542	15,662	28,666	42,768	9.91	12.09	10.00	10.71
Guizhou (yuan)	1,463	1,851	2,667	4,078	4.70	7.31	10.61	7.32
Shanghai/Guizhou ratio	6.522	8.464	10.748	10.489				
Urban and rural income								
Urban disposable income per capita (yuan)	2,522	4,170	6,143	9,422	10.06	7.75	10.69	9.41
Rural net income per capita (yuan)	1,146	1,536	2,204	2,936	5.86	7.22	7.17	6.72
Urban/rural ratio	2.200	2.715	2.787	3.209				

^aAll GDP and income figures are in constant 2004 prices. Tibet is excluded, and Sichuan and Chongqing are combined. Sources: Compiled by the author from National Bureau of Statistics, 1991–2005, and 1999.

the first-ranked provincial unit and Guizhou was ranked last. The gap between these two provinces increased from 6.51:1 in 1990 to 10.49:1 in 2004 (Table 2). Clearly, at both the regional and provincial levels, the rich have been getting richer and the gap between wealthy and poor has become wider.

Rural-urban inequality also has been on the rise. Research has documented that the gap between rural and urban incomes had increased during the 1980s and 1990s (Knight and Song, 1999, pp. 319–338). Moreover, China's rural-urban income gap is among the largest, if not the largest, in the world; and rural-urban inequality is the biggest component of overall inequality in Chinese society (Li, 2003; Lin, 2005). The data in Table 2 show that rural-urban inequality increased throughout the period from 1990 to 2004. The ratio of urban disposable income per capita to rural net income per capita increased from 2.20:1 in 1990 to 3.21:1 in 2004 (Table 2). Moreover, the widening of the rural-urban gap appeared to have gathered momentum, as the average annual growth rate of urban income increased from 7.75 percent in 1995–2000 to 10.69 percent in 2000–2004, while that of rural income remained steady at about 7.2 percent.

Thus, the evidence of increased income, regional, and rural-urban inequalities is overwhelming. The fruits of economic growth are clearly not distributed evenly. While this is not at all surprising, persistent widening of development and income gaps for over two decades has contributed to increased tensions and unrest. Throughout the 1990s, thousands of protests



Fig. 1. Provincial units in mainland China.

occurred annually in the countryside, many accompanied by violence and resulting in casualties (O'Brien, 2002, p. 141). Furthermore, the frequency of protests and demonstrations has increased over time. For example, government reports show that across China the number of protests involving over 100 people increased from 58,000 in 2003 to 74,000 in 2004 (Sisci, 2005). Indeed, scholars and observers have been warning of the political ramifications of rising inequality, including separatist tendencies and the socialist system's legitimacy crisis (Wang and Hu, 1999).

Rural-urban inequality also has prompted millions of rural migrants to seek work in cities. The "floating population," referring to migrants who live in places different from where they are officially registered, has amounted to ca. 150 million, or more than 11 percent of the total population (National Bureau of Statistics, 2006). Not only has mobility increased, but migrants are also moving longer distances (Fan, 2005). While rural migrants provide the necessary labor for urban industries and services, they are being blamed for overburdening urban infrastructure, exacerbating urban unemployment, and engaging in criminal activities and high-risk behaviors (Solinger, 1999; Zhong and Gu, 2000; Yang and Ding, 2005; Yang, 2006).

By the mid- and late 1990s, increased concern over the rise in inequality had indeed led China's leaders not only to acknowledge its seriousness but also to implement programs designed to alleviate inequality (Fan, 1997). Poverty reduction, for example, was one of the objectives of the Ninth Five-Year Plan (1996–2000) (The New, 2005). The Eight-Seven program launched in 1994 aimed at pulling 80 million rural people out of poverty within seven

years (Cai, 2001, p. 327). In June 1999, former President Jiang Zemin announced a new program, dubbed the “western development,” “go west,” or “develop the west” program, to boost the economic development of the 12 provincial units in western China that comprise 72 percent of the nation’s land area but only 29 percent of its population (Yeung and Shen, 2004, p. 4).¹⁰ In November 2002, at the Sixteenth National Congress, Jiang Zemin stated that the widening rural-urban gap should be reversed (CCP, 2002, p. 19). In this light, the Plan’s emphasis on “common prosperity” is by no means new but constitutes a formal endorsement and extension of efforts since the 1990s to address increased inequality. In addition, the official media’s frequent reporting of inequality data such as the Gini coefficient and of protests across the country has helped create the consensus necessary to promote the idea of a “harmonious socialist society” and the pursuit of “common prosperity” (Sisci, 2005).

A NEW POLITICAL LEADERSHIP

Since the late 1970s, three generations of leaders have defined the directions of China’s development. Deng Xiaoping is widely considered to be the architect of the economic reforms. Perhaps the most well known idea attributed to Deng is that some people and some regions should get rich first so that they can provide “demonstration effects” for other people and regions to follow (Deng, 1983, 1993a). While this idea reflected in part Deng’s efforts to fend off the leftist opposition, it was also couched in the prevailing thought that China was at the “primary stage of socialism” and should prioritize rapid economic growth over egalitarianism (Su and Feng, 1979). Referred to in China as the “Deng Xiaoping Theory,” Deng’s ideas legitimized a series of policies and reforms aimed at pursuing comparative advantage and efficiency. For example, the Sixth Five-Year Plan (1981–1985) advanced the notion of regional division of labor, and the Seventh Five-Year Plan (1986–1990) formally adopted the “three economic belts” (*sanda jingji didai*), whereby the eastern, central, and western regions were “assigned” different development paths (Economic Growth, 1986; The Seventh, 1986; Fan, 1995, 1997). And, in part to mitigate the damaging effects of Tiananmen on foreign investment and to boost economic growth, during Deng’s famous southern tour of 1992 he once again affirmed the legitimacy of the eastern coastal region to get rich first (Deng, 1993b).

The regime led by former President Jiang Zemin and Premier Zhu Rongji was consolidated in the early 1990s. Among their main tasks were to guide the nation’s recovery from Tiananmen and to address issues that arose as a result of the economic reforms. One of Zhu’s main responsibilities, for example, was to oversee the restructuring of state-owned enterprises. It was only during the last phase of the regime, in 2000, that Jiang proposed the Three Represents (*sange daibiao*) theory, which was later written into the CCP constitution, alongside Marxism-Leninism, Mao Zedong Thought, and Deng Xiaoping Theory. Three Represents refers to the three things that the CCP represents: the development trends of advanced productive forces, the orientations of an advanced culture, and the fundamental interests of the overwhelming majority of the people of China. In practice, the theory legitimized the inclusion of capitalists and private entrepreneurs within the Communist Party. While it is questionable whether Three Represents has had notable impacts on the economy and society, it no

¹⁰The “western development” program includes the 10 provincial units in the western region (Fig. 1) as well as Inner Mongolia and Guangxi.

doubt served the purpose of defining Jiang's legacy before he stepped down to make way for the next generation of leaders.

Hu Jintao succeeded Jiang Zemin as the CCP's new General Secretary in 2002 and as President of the PRC in 2003. He was not well known to the Chinese, although he had been on the Politburo Standing Committee for 10 years and had served as Vice President since 1999. Together with Hu in his rise to power were new Premier Wen Jiabao and seven other men, who formed the expanded nine-person Politburo. Their relative youth—ranging in age from 58 to 67 in 2002, compared to predecessors who were well into their 70s—and technocratic backgrounds reflect these leaders' commitment to economic development and their willingness to implement new ideas. Indeed, less than four years into the new administration, the Hu-Wen team has already managed to establish its own path and at the same time maintained important continuities from past regimes. Almost immediately after Hu and Wen ascended, they began to distinguish themselves from Jiang and Zhu by introducing the notion of "putting people first" and the "concept of scientific development" (Lam, 2005). These concepts were first raised by Hu when he visited Guangdong during the SARS crisis in April 2003 and were later included in official speeches at the Fourth Plenary Session of the Sixteenth Central Committee of the CCP in 2004 (Naughton, 2005; The New, 2005). They have since become the foundation for introducing the idea of a "harmonious socialist society" and "common prosperity" in the Eleventh Five-Year Plan—the first Five-Year Plan under the Hu-Wen administration.

Although "putting people first" and the "concept of scientific development" were officially introduced by Hu and Wen, the ideas embodied by these slogans are not new. As described earlier in this paper, in the mid- and late 1990s, the Chinese leaders had already become concerned with the rise in inequality and began implementing programs to alleviate it. Thus, the background for the idea of "common prosperity" was formed during the Jiang-Zhu administration. And, although much of the attention on the Deng Xiaoping Theory has been on "getting rich first," the theory does recommend narrowing the gap in society at a later point in time. Deng's thoughts echoed the marginal social product theory of income distribution, which states that those who contribute most to the creation of society's wealth and thereby set examples for others to follow deserve to get rich first (Hsu, 1991, p. 110). The notion that others will follow the successful leaders implies that wealth will eventually spread from the rich to the poor. In addition, Deng (1993b) had indicated that state intervention might be required to narrow the gap and that the appropriate time for such intervention would be at the end of the 20th century, when China had become a "well-off" (*xiaokang*) society. In this light, what Hu and Wen proposed can be regarded as a continuation of the Deng and Jiang-Zhu regimes, which if necessary could be used to legitimize the Plan and its directions.

From a political perspective, therefore, the Plan identifies and articulates the Hu-Wen leadership via new slogans and by building on previous regimes. The Hu-Wen team also cultivates a more open and consultative image, one that has been conducive to the incorporation of different views into the Plan, to which I now turn.

A MORE OPEN AND CONSULTATIVE PROCESS

Two features of the Plan suggest that the Chinese leaders are increasingly receptive to a more open and consultative process in planning the future of the nation. First, the term *jihua*, which had since 1953 been used to describe Five-Year Plans, has been replaced by the new term *guihua*. The literal English translation of both terms is "plan" or "planning," but *guihua*

is more often used to describe the function of planning agencies than that of the government. Various reports and discussion papers about the Plan have translated *guihua* into “layout,” “program,” and “vision and guideline” (The New, 2005; Tanaka, 2006). The shift from *jihua* to *guihua* is symbolic because the former connotes a central planning mode of administration whereas the latter has a more open tone. More specifically, the shift signifies three changes in the function of Five-Year Plans (Editorial Group, 2005, pp. 7–8; Kwan, 2005). First, rather than concerning itself with detailed planning of the economy, the state now sees itself as being responsible for identifying macro, broad directions while leaving more resource allocation tasks to market mechanisms. Related to that, the number of quantitative targets in the Plan has been significantly reduced and its emphasis shifted to broad principles and development priorities. Finally, the Plan gives a higher priority, compared to past Five-Year Plans, to improving citizens’ overall well being, which includes income but also employment, education, health, and environment.

The second feature is the extensive consultation that took place prior to the Plan’s ratification. Preparation for the Plan began in 2003, three years before the beginning of the five-year period and earlier than previous plans (The New, 2005). And, the National Development and Reform Commission (NDRC), which was in charge of drafting the Plan, had actively solicited opinions both domestically and internationally. The World Bank’s 2003 *World Development Report*, entitled *Sustainable Development in a Dynamic World*, was required reading for the staff at NDRC during preparation of the Plan (World Bank, 2005a). And, in 2004, the World Bank was invited to assemble an international team of researchers to advise the NDRC on various aspects of the Plan (Fan, 2004; Yusuf and Nabeshima, 2006). In 2005, the All-China Environment Federation conducted a nationwide survey of over four million people on environmental protection and submitted it to the State Council (The New, 2005). Also in 2005, a 37-member Expert’s Commission was established to participate in the final stage of the Plan’s drafting process (Naughton, 2005). The Commission included specialists in the government bureaucracy as well as a number of leading economists, some of whom had been known to be outspoken and even critical of government policy. Hu Angang of Qinghua University and the National Economic Conditions Research Center of the Chinese Academy of Sciences (CAS), for example, has for many years warned of the detrimental effects of increased inequality (e.g., Wang and Hu, 1999). Cai Fang, of the Population and Labor Economics Research Institute of the Chinese Academy of Social Sciences (CASS), has written extensively on labor and employment issues and has persistently argued for enlarging the role of the market (Cai, 2006, p. 42). Lin Yifu, of Peking University’s Center for Chinese Economic Research, persuasively argued that China’s comparative advantage lies in its large labor supply and that efforts to increase the value of labor will reduce inequality (Lin, 2005). All of the above reflect prominent ideas in recent public discourse and have indeed found their ways into the Plan (Naughton, 2005), which shows a commitment to protecting the environment, introduces the notion of “common prosperity” as an alternative to increased inequality, endorses efforts to expand the role of the market, and emphasizes spreading education to tap into the country’s abundant human resources.

In addition to members of the Commission, other experts also were asked to advise the Chinese leaders. On September 29, 2005, just one week before the “proposal” for the Plan was announced and discussed (see note 4), geographer Zhou Yixing of Peking University was invited to lecture the Politburo.¹¹ In his lecture, and drawing from recent papers

¹¹Prof. Zhou Yixing is a renowned urban geographer in China, who has for decades studied China’s urbanization.

published in *Eurasian Geography and Economics* (Zhou and Ma, 2005) and *China Quarterly* (Zhou and Ma, 2003), Zhou pointed out that the officially reported high rates of urbanization between 1996 and 2003—an increase in the urban population share of approximately 1.4 percentage points per year—were an artifact of data adjustment and that the true rates of increase were only about 0.6 percentage points per year (Zhou, 2006; Zhou Yixing: Chengzhenhua, 2006). He observed that the reported rates had already sent a misleading message that rapid urbanization could be a quick fix for problems in rural areas. Furthermore, he argued that it would be a mistake if local governments were to pursue rapid urbanization without considering the locality's carrying capacity, such as availability of jobs to accommodate rural migrants (Wang, 2005). For the 2006–2010 period, Zhou recommended an annual increase of 0.6 to 0.8 percentage point and warned that an annual increase above 0.8 points would be problematic. The Plan's final target of increasing urbanization from 43 percent in 2005 to 47 in 2010 corresponds to an annual increase of approximately 0.8 percentage points, which suggests that Zhou's recommendation was indeed incorporated into the Plan (Zhou Yixing: Chengzhenhua, 2006).

Evidently, although the consultative process was largely controlled (Naughton, 2005) and the Plan did not aim at political reform (Lam, 2005), China's leaders did make an extensive effort to solicit opinions from experts and engage in broad consultations (Stiglitz, 2006). This is quite consistent with Lu and Neilson's (2004, p. 13) observation that "many critical views . . . did not fall on deaf ears" when commenting on Chinese leaders' response to criticisms of the "western development" program. In this light, the consultative process for the Plan was much more than an effort to appease the critics, reflecting Chinese policymakers' willingness to adopt a more open model of governance.

PROSPECT FOR "COMMON PROSPERITY"

In 2001, Beijing was selected as the site of the 2008 Olympics and, in 2002, Shanghai was successful in its bid to host the 2010 World Expo. Furthermore, in November 2006, Dr. Margaret Chan, China's representative to the World Health Organization (WHO), was elected as its Director-General. These are just a few of the examples illustrating a resounding international recognition of China's rising status in the world and its potential to shape global issues. This recognition is in no small part due to China's unprecedented record of economic growth. Along with China's rise is a more confident nation, one that appears ready to attack complex and contentious issues arising from the economic reforms, including inequality.

China has proven that it is capable of achieving rapid economic growth. What is uncertain is whether it can also spread wealth from the rich to the poor and from the more developed to less developed regions. Four observations suggest that this goal will be extremely difficult to achieve. First, there is strong evidence that high levels of disparity persist in many parts of the world despite ongoing efforts to reduce inequality (World Bank, 2005b). Second, the Plan sets goals and makes broad recommendations but lacks specific guidelines about how to achieve and implement them (Naughton, 2005). The third observation is concerned with the role of the state and state policy. Unlike the "getting rich" idea, which was fully backed by state investment and policy instruments, it is unclear whether and how much the state will involve itself in pursuing the "common prosperity" goal. Nicholas Lardy (2006) concluded that there is little evidence that a fundamental shift in government spending priorities is taking place, thus casting doubt on the government's role in funding the planned increase in social services. Although one of the Plan's themes is a heavier reliance on the market, it is questionable whether market mechanisms will be effective in implementing

many of the Plan's recommendations, such as enabling nine-year compulsory education in poor regions. Moreover, as the assessment of local governments continues to be based on their economic performance, there is little incentive for them to invest in social services. Fourth, many of the Plan's recommendations are vague and some appear contradictory. For example, the Plan's expected target to transfer 45 million rural laborers to urban sectors implies that the affected rural residents will migrate on a permanent basis to cities and towns. Yet the Plan includes no specifics on how migration and household registration (*hukou*) policies will change to enable such massive shifts. In fact, the notion that large cities should control their size seems contradictory to the rural labor transfer target.

This is not to say, however, that "common prosperity" is impossible to achieve. China's record since the late 1970s provides strong evidence that it is capable of accomplishing within a short time what may take other countries much longer to achieve. China's experience also speaks volumes to the effectiveness of its incremental, experimental, and pragmatic approach toward development, one that is often referred to as the "crossing the river by touching the stones" approach. Thus, vague recommendations, seemingly contradictory objectives, and absence of specifics have indeed characterized many of China's recent development efforts, including those based on the Deng Xiaoping Theory. Yet China in the first decade of the 21st century is different from China under Deng. A prominent role of the central government, massive inputs, and drastic policies have constituted the recipe for economic success over the last two decades or so, but may no longer be relevant to and effective for the "common prosperity" goal. The likelihood that this goal will be achieved may very well depend on whether the state can identify a new set of economic, institutional, and political means for redistributing wealth.

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