

Briefs | Analyses

Perspective on China

When Thomas Piketty meets Chinese economy

What challenges does the pandemic pose to China's diplomacy?

Zhiyuan Cui

[EURICS fellow, spring 2020]

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CHINA IN PIKETTY'S CAPITAL AND IDEOLOGY

Interview with Zhiyuan Cui

Editor's note: *Capital and Ideology* has not been published in China: the Chinese publisher wanted Thomas Piketty to cut out some "sensitive" sections of the book. The author refused to do so.

How Piketty's work is received in China?

The Chinese version of his earlier book *Capital in the 21st Century* had a very wide and positive reception here. The second one, *Capital and Ideology*, has not been published. Without a Chinese translation, people will not have easy access to it. I published a long review in Chinese of *Capital and Ideology* on August 31, 2020, in a leading online news platform in China. My Chinese review essay has generated a lot of interests and has been circulated widely in the Chinese internet and Wechat groups. Some people here are interested in Piketty's idea of participatory socialism and his observation that China may be the only mixed economy today in the world.

What does Piketty say about the Chinese economic system?

Piketty is critical but he also says something quite positive about the Chinese economic system. Namely, China is almost the only "mixed economy" in today's world, with the share of public capital around 30% of the national capital (total public and private). Piketty points out that from 1950 to the 1970s in Western countries like the UK, Germany, France, USA and Japan, public capital had a similar share in the national capital. Due to privatisation, the lack of investments in sectors that remained public such as education and health, and huge increase of public debts, the share of public capital in national capital has shrunk to almost zero (less than 5%) in the vast majority of Western countries. For Piketty, a "mixed economy" with 30% share of public capital in the national capital can give real advantage. I quote: "China thus appears to have settled on a mixed-economy property structure: the country is no longer communist since nearly 70 percent of all property is now private, but it is not

COVID-19: A BATTLE FOR THE INTERNATIONAL NARRATIVE

Jens Damm

[EURICS Fellow, autumn 2020]

At the end of March 2020, about three months after the outbreak of the COVID-19 epidemic, the Chinese government announced victory over the virus. While the “battle” on the ground may have been declared “won” in Wuhan, the battle for the international narrative continues. After the US has tried to “othering the virus” by naming it “Chinese virus” and “Wuhan virus,” China is now especially eager to display its responsible actions to the world. Its global communication started in January 2020, a few weeks after the pathogen identified as a novel coronavirus was reported for the first time in China. The Central Government then declares fighting the COVID-19 with all available means. From January 20 to mid-March 2020, a state of national crisis is declared and put into action and internal criticism is contained by the government.

From mid-March to the end of April 2020, however, the Chinese government faces increasing western criticism. China is accused of hiding the epidemic and putting pressure on the WHO to contribute to misinformation as well as using COVID-19 to gain influence, including through what has been called “mask diplomacy.” Confucius Institutes, which have been officially set up to promote the Chinese culture and language, are branded “Trojan Horses” entirely controlled by the Chinese Communist Party. Overall, China is perceived as seeking to improve its image abroad through coercion and blackmail rather than through

legal means of persuasion. All these allegations are, at first, courteously denied. But from the end of April to mid-May 2020, a diplomatic offensive, described as a “wolf warrior,” begins. In response to international criticism, diplomats from the People’s Republic of China (PRC) direct unusually harsh rhetorical attacks against various foreign addresses, even going so far as to be accused of exerting direct pressure on foreign media.

By the second half of May, they have returned to a more nuanced rhetoric. China presents itself as part of a united front including ASEAN states, but also the European Union, as part of a multilateral world order against a US hegemonic world order. The PRC is now trying to limit the damage diplomatically, and the narrative is more strictly controlled. Chinese Foreign Minister Wang Yi, for example, emphasises during National People’s Congress on May 24th China’s continuing responsibility as a member of the international community.

“China has fought shoulder to shoulder with the rest of the world”

Since May 2020 China is portraying its handling of COVID-19 as extremely successful. The most emblematic publication in this regard is the White Paper *Fighting COVID-19: China in Action*, first issued on June 8, 2020, by China’s State Council Information Office. While parts of the White Paper are clearly directed towards the domestic audience, there is also a strong international aspect (it is published both in Chinese and English). The white paper argues that “international solidarity” and “multilateralism” were necessary to deal with the crisis and highlights these efforts in Section IV, titled “Building a Global Community of Health for All.” Consistent with Xi Jinping’s discourse on the “community of human destiny” (*renlei mingyun gongtongti*), the White Paper describes how “China has fought shoulder to shoulder with the rest of the world” in line with the idea that “the world is a global community of shared future.” China describes itself as a multilateral partner cooperating in the fields of science, technology and economics. It claims to keep these issues strictly separate: scientific cooperation would not be overshadowed by political and economic consideration and vice versa. After fierce criticism from the international media, as well as from some corners of academia, the management of the Confucius Institutes was in July 2020 relocated to a new “public benefit institution” (*minjian gongyi zuzhi*) to be operated by a number of domestic and foreign universities, enterprises and other non-governmental public benefit



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on the nationalised property, since “the previous private owners continued to enjoy the yield on the property in the form of interest on the new national debt issued in compensation.” Meade’s “topsy-turvy form of nationalisation” aims at the reverse: the government should receive, more or less passively, beneficial public ownership yields without engaging micro-managing a particular public firm.

Which of the systems described by Piketty do you find particularly interesting for China?

Piketty’s discussion of the German and Nordic “codetermination system” where workers and shareholders sharing powers of enterprises above certain size is very instructive for China. The second key phrase of The Chinese Communist Party’s “Resolution on Comprehensively Deepening Reform” was to “establish the community of interests between labour and capital owners by encouraging workers to hold shares of the enterprises they are working.” This objective is based on the Chinese experience of rural “Shareholding-Cooperatives” (“股份合作制”), set up in the 1980s, following the dismantling of popular communes. In many areas of the countryside, peasants had found that some “collective property” other than land were simply physically indivisible, except by total destruction (e.g., destroying a truck and selling it by pieces). They had therefore decided to issue individual shares to each peasant, on equal terms, while retaining some proportion of “collective share” for the village as a whole. This is how the name “shareholding cooperative” came about.

In paying tribute to Jean Monnet, Albert Hirschman makes a distinction between “wishful thinking” and “thoughtful wishing”. Piketty uses the term “participatory socialism” to distinguish his proposals from those of the former Soviet Union and present-day China. He says that he prefers to “speak of ‘participatory socialism’ to emphasise the goal of participation and decentralisation and to sharply distinguish this project from hypercentralised state socialism that was tried in the twentieth century in the Soviet Union (and is still widely practised in the Chinese public sector)”. I believe Piketty’s “participatory socialism” is a form of “thoughtful wishing.” Whether my hope that China will take up many reform proposals recommended in Piketty’s book is just “wishful thinking” is still waiting for the test of time.

To go further

Read **Zhiyuan Cui**’s entire review and turn to additional references on eurics.eu ; dive into **Thomas Piketty**’s *Capital and Ideology*, Harvard University Press, 2020, 1093p.

completely capitalist either because public property still accounts for a little more than 30 percent of the total—a minority share but still substantial. Because the Chinese government, led by the CCP, owns a third of all there is to own in the country, its scope for economic intervention is large: it can decide where to invest, create jobs, and launch regional development programs.” But Piketty is quick to add that: “The point is, of course, not to idealise public property in China, much less to pretend to know the ‘ideal’ share of public capital in a just society. [...] In the Chinese case, the mode of governance of public property is notable for its vertical authoritarian character and can hardly be taken as a universal model.”

Do you think that China is going to change this vertical and authoritarian model described by Piketty? Is a greater passivity of the Chinese State as an investor emerging?

The Chinese leadership seems to have been aiming at reducing “its vertical authoritarian character” of public property governance. The Chinese Communist Party’s “Resolution on Comprehensively Deepening Reform” adopted by the Third Plenary Session of the 18th Party Congress in November 2012 has a key phrase: “focusing on the management of the state capital mainly”. It means that micro-managing an enterprise will be no longer the main task. The state will behave like a more or less passive portfolio investor, investing public capital in diverse enterprises, not necessarily being the majority shareholder in each of them. This is supposed to open up the possibility for a more “autonomous” and less “authoritarian” corporate governance in the Chinese public sector. Though there is still a long way to go to fully implement this Party Resolution, the direction of the reform is clearly stated at least (for an empirical study on the on-going progress of implementing of this Resolution, I recommend to read “The Rise of the Investor State: State Capital in the Chinese Economy” by Hao Chen and Meg Rithmire.)

In my opinion, this recent Chinese effort to establish a more or less passive “investor state” is similar to what the 1977 Nobel Prize in economics James Meade called “topsy-turvy form of nationalisation”. The term “topsy-turvy” means “reversed”: what Meade had in mind was to reverse the policy of nationalisation carried out by the British Labour Party after the Second World War. In 1945, the UK government nationalised many enterprises by compensating the private owners with the issuance of public debt. As Meade underlined in his book *Liberty, Equality, and Efficiency* in 1993, the result was that the government took over the task of micro-managing the enterprises without receiving the yield

For Piketty, a “mixed economy” with 30% share of public capital in the national capital can give real advantage

organisations, all independent of the Ministry of Education. On its territory, when referring to the EU and the UK, China maintains a discourse emphasising the necessity of non-interference and economic cooperation which is described as a win-win situation. But when it comes to the US, the “united-front” logic is cracking. Here, diplomacy is characterised by a rather aggressive, partly sarcastic critique of the US’s COVID-19 policy, as well as a direct rejection of US narratives about China.

Showing a superiority over democracy

Abroad, in official publications and embassies social-media accounts, the Chinese government seems to attempt to shape an opinion in favour of its policy response to COVID-19. It includes descriptions of the Chinese population’s support for the Chinese method, which is depicted as “based on scientific evidence.” China attempts to prompt its citizens abroad to promote this narrative. In some cases, Chinese students who criticised Beijing on foreign social media were even coerced to publicly support their government (by jeopardising their scholarships, or even through threats to their family in China) as was reported by the *Voice of America* and the *Japan Times*. Nonetheless, in general, Chinese students abroad do agree with their government in various aspects, e.g., with regard to Taiwan and Hong Kong issues. Nonetheless, in general, Chinese are eager to emphasise the better handling of the pandemic in China when compared to Western countries. On Chinese social media, the worsening health situation in Europe and the US is perceived as a manifestation of the failure of these countries to manage the pandemic. The fact that the USA blames China is not accepted. The international Chinese media confront the Trump administration, citing its handling of the pandemic and punitive measures against Chinese companies. The US Secretary of State Mike Pompeo is especially singled out for criticism, and many reports on the increasing death toll in the United States are used to demonstrate the failure of the

US response. China’s domestic narrative seems to be built on its pandemic response’s being “rational” and thus indirectly “better” than the Western one, despite its democracy and liberalism. In particular, China’s rapid actions are presented as an alternative to the failure of the fight against the pandemic in some Western countries under “populist leadership.” As we can see with the Chinese version of the White Book, a stronger vocabulary is employed within China than internationally. China is described as a “great power” (*da guo*) and vocabulary derived from war such as “battle” and “fight” is used much more often. Interesting enough, other more successful pandemic responses, e.g. in South Korea and in Taiwan, are almost never mentioned in the Chinese media. If mentioned it is with a strict focus on medical measures, and not on questions of different political systems. Taiwan is even accused of “seeking independence by the epidemic.” However, the actor mainly singled out remains the Trump administration and not Taiwan.

In order to give credibility to its claim of superiority of its method, China will need to end social restrictions sooner than most other countries, to reduce the economic hardship resulting from the pandemic, and to establish a more efficient health structure (including new hospitals). But China will probably keep its borders strictly closed for a much longer period than Western countries, until the pandemic is over, which will bring hardships to the Chinese middle class who has got used to frequent travel both for business and tourism. China’s public diplomacy could be undermined by these domestic challenges.

To go further

Read **Jens Damm**’s article in French and turn to additional references on eurics.eu

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