The Chinese Communist Party (CCP) is struggling to reinvent itself. At the 16th National Congress in Beijing last November, the party approved policies intended to make it appear more connected with China’s rapidly liberalizing society and economy. After a week of introspection and political reorganization, party members seemed serious about reclaiming their position at the top of Chinese society. It appears they may do just that.

One key policy shift could yield important gains for Chinese citizens. In a speech at the opening of the party congress, President Jiang Zemin gave a sweeping endorsement of private property. He said, “We need to respect and protect all work that is good for the people and society and improve the legal system for protecting private property.” Though the notion of private property has existed in China for some time, this is the first time that it has received official attention at such high levels. As one party secretary stated, “From now on, public and private property will be viewed on an equal footing.”

This process is already underway. In August the Standing Committee adopted the Rural Land Contracting Law (RLCL), which strengthens 1998 legislation giving 30-year land-use rights to farmers, and explicitly outlaws “administrative readjustments” by local cadres. For the 210 million farm families in China, this legislation ensures incentives for long-term investment, and should result in increased productivity and efficiency.

Similar reforms are taking place in urban areas. In Shanghai, almost 90 percent of homes are now privately owned, which has led to the creation of profitable mortgage markets and allowed homeowners to use property as collateral for consumer loans.

Party delegates also formally endorsed Jiang’s invitation for entrepreneurs to join the CCP, a handful of whom were voted into the powerful Central Committee. Though it may seem remarkable that the Communist Party would open its doors to the “running dogs of Western imperialism,” in reality this move merely formalizes the status quo. A quarter of China’s 100 richest multimillionaires listed in this year’s Forbes magazine survey claimed to be CCP members. Most CEOs of private companies or public corporations also have party connections. A prominent example is Jiang’s eldest son, who heads the country’s largest telecom firm, China Netcom, now privately held.

Jiang and party loyalists devised clever political rhetoric to justify the induction of “red capitalists.” At the party congress, the Constitution was amended to include Jiang’s signature political philosophy, the “Three Represents,” alongside “Mao Zedong Thought” and “Deng Xiaoping Theory.” Jiang’s theory calls for the party to represent...
the “advanced productive forces, the advanced culture and the interests of the broad masses.” While the “Three Represents” may help recast the party as vibrant and progressive, in truth it is an intentionally vague political device designed to reconcile the party’s increasingly pro-market views with Chinese socialism.

The Communist Party has every incentive to reform. The private sector in China has grown at an annual rate of 20 percent since the start of the reform era in 1978, far above the economy’s 8 percent average growth for the same period. More than 30 million private businesses have been established, contributing a significant share of tax revenue to the government and employing millions of people laid-off from failed state-owned enterprises. According to the World Bank, the nonstate sector in China now accounts for two-thirds of the country’s productivity and GDP, even though the state still controls two-thirds of China’s industrial assets.

Personal Connections Count

But to successfully rekindle its popularity, the party must do more than simply show that it too is open for business. To many in China, there is little difference between the communist leadership and its new business comrades; they are all part of the same entrenched ruling class that thrives in an unjust and corrupt system. Given that legal institutions in China are weak and individual success is often a function of personal connections, it is hard to disagree. If the Chinese Communist Party wishes to regain the trust of the masses, party leaders must prove they are genuinely interested in extending the benefits of this new “capitalism with Chinese characteristics” to all citizens. That will require the establishment of the rule of law, not just property rights.

What an irony: the communist party may only be able to survive by letting capitalism bloom.

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