

Youth unemployment and a wealth exodus: Xi Jinping's real problems are at home

by Yun Jiang

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Link: [Xi Jinping China: Jobless youth and exodus of wealthy in Xi's 'success story' \(smh.com.au\)](https://www.smh.com.au)

Xi Jinping has declared the [20th National Congress of the Communist Party](#) of China a “complete success”. But looking ahead, the party will have to deal with the most challenging period for the country in decades, as a pervasive sense of pessimism envelopes people inside the People's Republic of China.

Many of the difficulties are self-inflicted. The most crucial challenge for the party is the drastic slowing of the economy. Since the reform and opening up in the late 1970s, the party's social contract with the people has been based on economic growth and a sustained increase in the standard of living.

Despite Xi's focus on the importance of ideology, economic growth is still paramount in most people's eyes. How Chinese citizens judge the competence of the party is often on whether they believe their lives are getting better. Indeed, such a line has been used by party officials to deflect any external criticisms.

But this social contract is fracturing. Compared with the economic heydays of the 2000s and 2010s, people are no longer as certain their quality of living will improve or that the next generation will live a better life.

This pessimism is especially stark among young people. The urban youth unemployment rate has reached a [record 20 per cent](#). While many are struggling to find work, some are also disillusioned with work itself. The “lying flat” movement, which shares a similar sentiment to [“quiet quitting” in the United](#)

[States or Australia](#), has become viral. The urge to work relentlessly to improve one's situation in life is no longer as strong.

Some of China's economic downturn can be attributed to its strict adherence to the zero-COVID policy, for which there is no end in sight. Cities in China are still being locked down because of a few COVID cases. These lockdowns disrupt businesses and people's livelihoods, affecting both supply and demand.

As economic growth slows, Xi is trying to diversify the source of party legitimacy. From the party congress, two more sources of legitimacy have emerged: common prosperity and nationalism.

Common prosperity is Xi's signature economic policy to reduce inequality and boost the quality of life for ordinary people. It is too early to judge whether inequality is indeed reducing under this policy banner, as the term was only introduced a year ago. So far, it has spooked some big technology companies [into philanthropy](#).

Besides, some doubts remain that Xi will continue to push hard on reducing inequality in the face of drastic slowing growth. In the real estate sector, for example, the party has tried to curb the excesses of the property market. Yet, [the real estate crisis this year](#) has prompted the government to reverse that policy.

As for nationalism, the party has been trying to encourage it among the population since the 1990s. Xi is doubling down on this to reassert the party's long-term goal of national rejuvenation. But the rising nationalism in China in the past three decades has been built upon the increasing prosperity of the country. In the past year, however, a sense of pessimism has replaced optimism, with people becoming less nationalistic as a result.

It's not just due to the slowing growth. In China, the zero COVID policy has led to the resurging strong arm of the state. This is visible everywhere in the form of "Big White" – government officials who enforce quarantine and testing. Some of their more inhumane acts have been criticised in the country, from the [mistreatment of pets](#) to forcing people to stay in their buildings [during an earthquake](#). And then there was the [quarantine bus crash in which 27 people died on the way to a quarantine facility](#).

While China's citizens were once proud of the party's focus on protecting lives early in the pandemic, the over-the-top compliance measures have led to outcries and distrust towards the competence of local officials and doubts about the COVID policy.

The problem is especially acute as there is still no road map to ending the zero COVID policy, be it vaccines or otherwise. The party official responsible for the chaotic lockdowns in Shanghai was promoted to the second most powerful position in the party. And the signal from the party congress is that the policy will continue. Meanwhile, COVID testing now accounts for up to 1.3 per cent of China's GDP and 7.2 per cent of public revenue, making the mandatory testing regime harder to dismantle. Local governments will also find it difficult to give up the power and control they gained from lockdowns.

Living under constant uncertainty of lockdowns and the sometimes arbitrary enforcement of quarantine, more and more middle-class and wealthy citizens are considering leaving China. Those currently overseas are rethinking their plans to return. This can severely hamper China's efforts to attract enough people to achieve its ambition of becoming a technological superpower.

While Xi was triumphant in getting his third term, the party is facing a challenging period ahead. In the future, we may look back on 2022 as a turning point when optimism shifted to pessimism.

Much depends on whether Xi Jinping can successfully diversify the party's sources of legitimacy as the economy slows. Xi is right that there could be "high winds, choppy waters, and even dangerous storms" ahead – especially if the party cannot renew the social contract with the people.

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