

Socialism, Capitalism, and Class Struggle: The Political Economy of Modern China

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This essay traces the evolution of the political economy of China from the 1949 revolution up to the triumph of Chinese capitalism in 1992. It first describes and discusses the tremendous achievements in the first quarter century after the revolution, and also the struggles during the Great Leap Forward and the Cultural Revolution. The essay outlines the context of the tussles that followed the death of Mao, the role of the “intellectuals”, the alliance or the lack of it with the urban working class during Tiananmen 1989 and how the forces represented by Deng Xiaoping were able to impose their writ on the economy and society of China.

In recent years, China has emerged as a leading driving force of the global capitalist economy. The dynamics of class struggle and the possibility of socialist revival in China are issues of great importance not only for China but also for the world as a whole.

To prepare for the future revolution in China, it is necessary to review the historical lessons. This paper discusses the experience of class struggle during revolutionary China and in China's transition from socialism to capitalism. It is hoped that by learning from these historical lessons, the Chinese working class will be intellectually better prepared in the future revolutionary struggle, and re-establish a new, socialist society in China in the not very distant future.

The Capitalist World System and the Chinese Revolution

In the early 19th century, China was still the world's largest territorial economy and China's GDP accounted for one-third of the gross world product.¹ In the notorious Opium War (1840-42), China was defeated by Britain and was forced to pay war indemnity, open treaty ports, and cede Hong Kong to Britain. It marked the beginning of China's incorporation into the capitalist world system.

During the second half of the mid-19th century, China suffered successive major military defeats, lost large portions of territory, and was reduced to a less than sovereign semi-colonial state with foreign armies and navies stationed on her soil. By the early 20th century, China was reduced to one of the poorest countries in the world.

China's incorporation into the capitalist world system not only led to the disintegration of the traditional social structure, but also prepared the conditions for China's great revolutionary transformation. From the mid-19th century to the mid-20th century, all major classes and social groups within the Chinese society had, at different moments of history, risen to China's political stage and each had its own opportunity to lead China's transformation.

The peasant rebellion of *Taiping Tianguo* (1851-65) was crushed by the joint forces of the Chinese gentry-landlord class and western imperialism. The gentry-landlord class attempted to accomplish “self-strengthening” through the so-called “Westernisation Movement”, which was no more than an attempt of military modernisation. The Westernisation Movement failed miserably, as the Chinese army and navy were annihilated by rising Japanese imperialism in the 1894-95 war.

In the early 20th century, the national bourgeoisie was the indisputable leader of China's national liberation movement. However, the Chinese bourgeoisie was numerically small and economically weak. In its social background, it was intimately connected

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with the gentry-landlord class. It was largely a commercial and financial bourgeoisie that served as an intermediary between the Chinese market and the world market. The small indigenous industrial bourgeoisie was also dependent on foreign capital for finance, technology, and markets. Detached and alienated from the masses of workers and peasants, the Chinese national bourgeoisie was unable to mobilise the great majority of the population and lead fundamental social transformations.

When the Manchu Qing dynasty collapsed, Sun Zhongshan and his nationalist comrades failed to establish an effective democratic government. China soon fell into chaos and endless civil wars. By the 1930s, when the Nationalist Party ruled much of China, it had degenerated into a corrupt, military-bureaucratic clique.

It was the general historical conditions in China and in the world as a whole in the first half of the 20th century which determined that, only with the massive mobilisation of the broadest layers of the oppressed and exploited, led by fundamentally new revolutionary force, could China accomplish simultaneously social revolution and national liberation, and redefine its position in the capitalist world system.

When the Communist Party of China (CPC) came to power, it was confronted with three major challenges. The first challenge was to reverse China's long-term economic and geopolitical decline in the modern world system that had started in the 19th century, and catch up with the west. This challenge resulted from the fact that China had become a nation state within the capitalist world system, and therefore had to play by the rules of the system by competing with the rest of the world (and especially the major imperialist powers) industrially and militarily.

The existence of the capitalist world system constitutes a set of historical constraints that would apply to all states at all times during the lifespan of capitalism. However, the new People's Republic would have to operate within not only the constant constraints imposed by the world system, but also the constraints that were the direct outcomes of the Chinese Revolution. To the extent that the CPC came to power as a result of broad and systematic mobilisation of the peasants and workers, the new revolutionary state would have to reflect the desires, hopes, expectations, and aspirations of the great masses of working people.

It was the set of historical constraints imposed by the Chinese Revolution that led to the second and third challenge for the CPC. The second challenge was to provide the necessary material and social conditions to meet the historically determined "basic needs" of the Chinese working people. The third challenge, was to accomplish fundamental transformation of political, economic, and social relations in China as well as in the world system, to build and consolidate socialism (a much more egalitarian and democratic social system) in China and in the world as a whole.

It turned out that Revolutionary China was able to meet the first and second challenge with great success. It also made a great heroic attempt to meet the third challenge but failed.

Socialism and Accumulation

For China to stabilise its position in the capitalist world system and potentially climb up the ladder catching up with the west, two conditions were required. First, China had to mobilise all

potentially available economic surplus to accelerate the accumulation of capital. Second, while China could not be outside of the capitalist world system, nor could it change its peripheral status in the system in the short run, it could manage to minimise the transfer of surplus from itself to the core states that would result from unequal exchange and cross-border capital flows.

By eliminating the gentry-landlords, bureaucratic capitalists, and foreign capitalists, the available economic surplus was concentrated in the hands of the state and the first condition was met. In 1952, China's accumulation rate (accumulation as a share of national income) had already risen to 21%. By the 1970s, the accumulation rate had increased to more than 30% (State Statistical Bureau of China 1985). To meet the second condition, China had followed the classical Soviet strategy in the form of state-ownership of the means of production and centralised economic planning, in effect, a complete state monopoly over the domestic market.

According to Angus Maddison, from 1950 to 1976, China's GDP grew at an average annual rate of 4.7% and China's per capita GDP grew at 2.6%. The Chinese economy more than tripled over about a quarter of a century. China grew more rapidly than North America, western Europe, Africa, and the average of east and south Asia, and only lagged behind Latin America. If the Chinese official growth rates are used, China would rank as the fastest growing large economy in the world in this period. Overall, China succeeded in stabilising and possibly improving its relative position in the capitalist world system, reversing the long-term decline that had started in the early 19th century (Maddison 2003 and State Statistical Bureau 1985).²

More important than the growth rates were the successes of the Maoist period in the building of capital stock and technical capabilities that prepared the conditions for China's growth "miracle" after the 1980s. In the Maoist period, the state and the people's communes made enormous investments in irrigation, heavy industry, transportation, and social capabilities. The central planning system was very effective in the diffusion of industrial and agricultural technologies and economic "self-reliance" meant that by the 1970s China was able to produce a wide range of industrial goods at various levels of technological complexity.

Socialism and Basic Needs

In 1956, with the state-ownership of the means of production established in the cities and collective ownership established in agriculture, the Eighth Congress of the CPC officially pronounced that exploiter classes had been eliminated and China had become a socialist state.

In this paper, the concept of "socialism" is used in a specific theoretical and historical sense. It is clear that Revolutionary China that existed in the period 1949-76 remained a part of the capitalist world system and was bound by the basic laws of motion ("the law of value") of the system. Further, as the Maoists argued, throughout the entire historical period of Revolutionary China, there were class antagonisms and class struggles.

On the other hand, the Soviet Union, Revolutionary China, Cuba, and other historical socialist states, represented a distinct

form of state organisation. These states were the historical product of great workers' and peasants' revolutions and their internal economic and political relations were relatively favourable for the working people. It was in their abilities to meet the "basic needs" of the greatest majority of the population that China and other historical socialist states distinguished themselves from the rest of the peripheral and semi-peripheral states in the capitalist world system.

After a continent by continent comparative study of the populations' health conditions in socialist and capitalist states, Vicente Navarro (1993) concluded that: "at least in the realm of underdevelopment, where hunger and malnutrition are part of the daily reality, socialism rather than capitalism is the form of organisation of production and distribution of goods and services that better responds to the immediate socio-economic needs of the majority of these populations".

While the struggle for accumulation conforms fully to the laws of motion of the capitalist world system, the pursuit of basic needs raises fundamental questions regarding the rationality of the existing system. The defining feature of the capitalist world system is the endless accumulation of capital. Within the existing system, individuals, groups, and states have been under the constant and relentless pressure, to accumulate, and to always pursue "more". But to what end?

"Economic development" is supposed to deliver well-being to the general population. But how can "well-being" be defined and measured? Amartya Sen made the distinction between human achievements or "functionings" and the ownership of the commodities. While the command over commodities is a means to the end of well-being, it shall not be confused with the end itself. Sen proposed using indicators of capabilities rather than money income or wealth as the measure of well-being or living standard (Sen 1999).

The population's life expectancy at birth is a good summarising indicator that can properly reflect a country's achievement in approaching its population's physical potential. According to the World Bank data, between 1960 and 1980, China's life expectancy at birth rose by 30.5 years. The rate of improvement tripled the average rate of improvement for low-income countries. By 1980, China's life expectancy had risen to 67 years, fully 13 years ahead of India and better than the middle-income average. The success of the Chinese socialism in advancing the general population's health conditions is indisputable. In the Maoist era, China also achieved larger improvements in adult literacy and basic education than most of the peripheral countries.

What may be more revealing is to compare China's performance in the Maoist socialist period with the period when China undertook the transition to capitalism. According to World Bank data, between 1980 and 2000, China's life expectancy improved only by 3.5 years despite the very rapid economic growth, and China's improvement in life expectancy in this period was smaller than the world average and the average for low-income countries.

The achievements of Revolutionary China in advancing people's physical and mental potentials were nothing short of a spectacular success. It demonstrated convincingly the superiority of socialism

over capitalism from the working people's point of view in the context of periphery and semi-periphery.

Basic Contradictions of Chinese Socialism

Chinese socialism was the historical product of a great revolution, which was based on the broad mobilisation and support of the workers and peasants comprising the great majority of the population. As a result, it would necessarily reflect the interests and aspirations of the ordinary working people. On the other hand, China remained a part of the capitalist world system, and was under constant and intense pressure of military and economic competition against other big powers. To mobilise resources for capital accumulation, surplus product had to be extracted from the workers and peasants and concentrated in the hands of the state. This in turn created opportunities for the bureaucratic and technocratic elites to make use of their control over the surplus product to advance their individual power and interests rather than the collective interest of the working people. This was the basic historical contradiction that confronted the Chinese socialism as well as other socialist states in the 20th century.

In a "normal" class society, the use of outright coercive force is often the primary method of surplus extraction. In the core states of the capitalist world system, and to some extent also in the periphery and semi-periphery, where labour is "free" in the sense that the workers can sell their labour power at the prevailing prices determined by the supply and demand in the labour market, the "reserve army of labour" or a large pool of unemployed or underemployed workers plays an indispensable role in depressing the wages and disciplining the labour force. In a socialist state, however, both approaches of surplus extraction were either absent or substantially weakened.

As the CPC rose to power as a result of the broad political mobilisation and awakening among the Chinese workers and peasants, the construction of the new revolutionary state involved a "social compact" or a set of "historical compromises" that were radically different from what were typically found in other states of the capitalist world system. From the 1950s to the 1970s, the urban working class enjoyed a wide range of economic and social rights that included job security, free healthcare, free education, subsidised housing, and guaranteed pensions that together constituted what were referred to as the "iron rice bowl". In the rural areas, with the consolidation of the people's communes, the peasants were provided with very basic, but a wide range of public services including healthcare, education, care for the disabled, and care of the old people without children. Collective organisation of work and distribution of income protected the peasants from the worst outcomes of natural disasters as well as the social pressure and polarisation that would arise from spontaneous market activities.

These social arrangements (in effect the constitutional rights for the Chinese workers and peasants) not only provided the Chinese workers and peasants with a guaranteed minimum income and access to certain basic public services, but also greatly limited the range of surplus extraction techniques available for the state and its economic managers. The Chinese workers and peasants thus had got a far greater degree of control

over their own labour processes, in term of the pace, style, and intensity of their labour, in comparison with their counterparts in the capitalist states.

This was quite obvious for the urban sector workers whose iron rice bowl could not be broken. For agriculture, although the state had monopolised the agricultural markets and could influence the rate of surplus extraction through control over agricultural prices, the level of the total agricultural output (and therefore the surplus that could be extracted from the agriculture) had to depend on the peasants' productive effort. Collective organisation of the agricultural work and the relatively egalitarian income distribution within the rural collectives had moreover removed competition among individual peasants as a potential disciplining mechanism that could force the peasants to deliver a higher level of labour input.

Therefore, for a socialist state, accumulation and surplus extraction had to rely primarily on the working people's willingness to make a sufficiently large labour contribution. That is, it had to rely upon the socialist consciousness. To the extent the workers and peasants identified with the socialist state and considered the state's control over the surplus to be in their own long-term common interest, surplus extraction could be relatively effective and accumulation could proceed at a reasonable pace. But if this failed to happen, then surplus extraction became difficult and crisis of accumulation would follow.

Other than the socialist consciousness, the state bureaucrats and economic managers could also use "material incentives" as an alternative technique of surplus extraction. In theory, the payments of income to the workers could be structured in such a way so that they were proportional to the workers' labour contributions. In reality, a system of material incentives would create an internal labour market within any socialist work organisation. It led to divisions within the working class, undermined workers' control over their own labour processes, allowed some skilled workers to emerge as a labour aristocracy, and provided justification for the material privileges of bureaucratic and technocratic elites. Unlimited and inappropriate use of material incentives and distribution according to labour would seriously undermine the social basis of the collective socialist consciousness.

In the *Reading Notes on the Soviet Textbook of Political Economy* (1961-62), Mao criticised the excessive dependence of the Soviet socialism on material incentives. Mao argued that a socialist economy would have to, first of all, emphasise the interest of society as a whole, the collective interest, the long-term interest, rather than the short-term individual interest. The purpose of socialist work is to serve the people, serve the collective interest, and contribute to the building of socialism, rather than to earn more money. Excessive emphasis of material incentives and individual interests would make capitalism unbeatable (Mao Tse-tung 1979).

For the workers and peasants to identify with the socialist state, they had to have confidence that the party and state bureaucrats, economic managers, and other technocrats were indeed using and allocating the society's surplus product in a way that would contribute to the working people's long-term common interest. But for this to happen, the material privileges of the bureaucratic and technocratic elites had to be subject to strict limits, and in

some cases, be completely eliminated. The elites would have to make an explicit and serious effort to demonstrate their willingness to connect with the "masses" and their commitment to the working people's interest (for example, through regular participation in productive labour). Conditions had to be created to deepen and widen the workers' and peasants' participation in the management of the state's political and economic affairs.

It would be possible for these conditions to be met so long as a substantial portion of the party and state bureaucrats were committed to the revolutionary ideal and were willing to sacrifice their individual interests for the common interest of working people. However, the historical tendency in the socialist states had been that a growing proportion of the bureaucratic and technocratic elites tended to become, and some former revolutionaries tended to degenerate into, selfish careerists who were only interested in the expansion of individual wealth and power. Once these selfish careerists had become the majority in the elites and managed to consolidate their material privileges and power, then a new exploiter class in the form of privileged bureaucrats, privileged technocrats, and bureaucratic capitalists, alienated from the worker and peasants, would have taken shape.

The fundamental solution to this contradiction lies with the complete overthrow of the existing world system and its replacement by a new socialist world system based on egalitarianism and global democracy. However, so long as the capitalist world system continues to operate and exist, there is no easy solution to this contradiction. For a socialist state within a capitalist world-economy to survive as a socialist state, it must engage in constant and persistent struggle, by mobilising the masses of workers and peasants, to fight against its own tendency towards degeneration and "capitalist restoration", while supporting revolutionary movements in other states to accelerate the victory of the world socialist revolution.

Socialism and Class Struggle

The CPC came to power after 28 years of arduous and heroic revolutionary struggle. Millions perished or gave up on the way. Among the remaining communists, many of them were indeed highly committed, mostly selfless revolutionaries.

Once the party was in power, instead of attracting and recruiting committed revolutionaries, it increasingly attracted people who saw party membership as the path to power and material privileges. Industrialisation required technical and managerial expertise, which was concentrated in a small group of intellectuals and "experts" that typically had capitalist or landlord family backgrounds. The social composition of the party had shifted from the workers and peasants to the intellectuals and technicians. By 1957, the workers were already outnumbered by the intellectuals in the party.

Some of the former revolutionaries had also become careerist bureaucrats who were primarily interested in their individual material interests. In the first few years of the people's republic, the party-member cadres continued to live in a relatively egalitarian way, with the government directly providing them with the basic necessities and a small amount of monetary allowance. After 1955, all cadres were divided into 26 ranks with monthly

salaries ranging from 30 yuan to 560 yuan. The CPC had thus been transformed from a revolutionary organisation into a bureaucratic organisation that was increasingly alienated from the ordinary working people (Meisner 2003).

It was in this context that the CPC leadership was gradually divided into two factions advocating two different “lines”. One faction, led by Liu Shaoqi and Deng Xiaoping, declared that the principal contradiction in socialist China was no longer between antagonistic social classes but “between the advanced socialist system and the backward social productive forces”. It followed that the CPC would no longer focus on class struggle. Instead, the party’s main task was to promote economic development.

While the First Five-Year Plan was an economic success, some of the problems of the Soviet-style centralised planning were already apparent. Mao Zedong criticised the Soviet-style planning for its bias towards heavy industry, coastal provinces, and centralisation, to the neglect of agriculture, light industry, hinterland provinces, and local initiatives. Partly in response to these problems, the Great Leap Forward was launched in December 1957. In the rural areas, people’s communes were formed to mobilise the vast underutilised labour force to build large-scale agricultural infrastructure and develop rural industries that were oriented towards local needs. The planning process was decentralised to allow greater initiatives from provinces, localities, and grass roots workers.

The Great Leap Forward accomplished many important achievements. There were many technological breakthroughs, an enormous amount of industrial and agricultural infrastructure was built (much of it continues to be used even today), and hundreds of millions of peasants gained preliminary experience and knowledge of modern industrial production.

The economic surge in 1958, however, was followed by several years of major economic difficulties and widespread food shortage, a period that was known to the Chinese as the “three difficult years”. The conventional story about the Great Leap Forward and its failure was that Mao Zedong imposed his utopian version of communism upon the party leadership. Under Mao’s pressure, provincial and local party leaders imposed wildly unrealistic production targets on the peasants. The breakdown of effective communication and ill-advised decentralisation led to nationwide economic chaos and massive misallocation of resources. Peasants’ incentives were further undermined by excessive levelling of income under the new commune system. All of these contributed to the major crop failures from 1959 to 1962. The situation was then made worse by the high requisitioning of grains from the countryside as the central government failed to realise that the actual level of grain production was much lower than reported. The result was, according to some, the largest famine in the human history (Meisner: 214-44).

It is not the purpose of this paper to conduct a careful and detailed study of what actually happened during the Great Leap Forward and its aftermath. However, it is important to point out that now there is a growing body of evidence that seriously challenges the conventional story. Both Joseph Ball (2006) and the late William Hinton (2006) questioned the reliability and the

internal consistency of the data used by people who argued that a massive famine took place.

In recent years, as a growing proportion of the politically conscious young Chinese intellectuals and students move to the left, there has been a growing influence of Maoist ideas in China. Many young Maoists have joined force with Maoist revolutionary veterans to defend the social and economic records of the Maoist period. There has been a lively debate on the internet about the actual historical course as well as the short-term and long-term consequences of the Great Leap Forward.

Zhang Hongzhi, a veteran of the People’s Liberation Army who had participated in both the Liberation War (the 1946-50 civil war) and the Korean War, was a leading defender (but by no means the only one) of Mao for the Great Leap Forward period. Zhang collected a large body of evidence that convincingly demonstrated that, it was Liu Shaoqi and Deng Xiaoping (who were in charge of the party’s and the state’s day-to-day affairs), who were primarily responsible for the “communist wind” (the excessive levelling of income within and between communes which seriously undermined the peasants’ work incentives) and the “exaggeration wind” (the artificially high production targets which led to pervasive concealing and distortion of information). Zhang also argued that it was Mao who most actively led the effort to correct these policy errors but Mao’s effort was sabotaged by Liu and Deng (Zhang undated).

The failure of the Great Leap Forward reflected the fact that by the late 1950s, a privileged bureaucratic group had already taken hold. The communist party had evolved from a revolutionary organisation, the members of which were committed to revolutionary ideals, committed to the interest of working people, and willing to make self-sacrifices, into one that included many careerists who were primarily concerned with personal power and enrichment.

Given the political situation in China at the time, from time to time, these privileged bureaucrats and careerists were still under the pressure from the workers’ and peasants’ revolutionary initiatives on the one hand, and from the remaining revolutionary elements in the party on the other hand. During the Great Leap Forward, these privileged bureaucrats and careerists responded to these pressures in ways that would help to advance their own ambitions given the political environment, but cared very little about the working people’s genuine interest. Their behaviour led to disasters for the ordinary Chinese people.

Having failed to advance the “social productive forces” in the Great Leap Forward through the “communist wind” and the “exaggeration wind”, Liu and Deng moved from an “ultra-leftist” approach to a “pragmatic” or right opportunist approach. In the rural areas, they allowed the peasants to have bigger private plots and sell their outputs on free markets, diverting peasants’ labour effort away from the collective work. The collective work itself was partially privatised as a result of the “contracting production to the family” policy. This new partial privatisation had led to rising inequality among peasants as well as growing corruption among the rural cadres.

In the cities, the industrial sector was reorganised to concentrate power and authority in the hands of managerial and technical

experts. Bonuses and piece rates were widely introduced to promote economic efficiency. The rising economic and social inequality was justified by the “socialist” distributive principle: “from each according to his ability, to each according to his labour”, which Marx considered to be a remnant of the “bourgeois right”.

Thus, by the early 1960s, a revisionist faction within the communist party leadership, led by Liu Shaoqi and Deng Xiaoping, had been formed. In the 1950s, there were still some conflicts of interests between those elites who came from intellectual and technician backgrounds (which often meant former capitalist and landlord backgrounds) and those former revolutionaries who had degenerated into careerist bureaucrats, as was reflected by the anti-rightist movement in 1957 when Liu, Deng joined Mao to meet the challenge from the intellectuals with ideological suppression. By the early 1960s, the interests of the two groups of elites had very much converged as the revisionist party leaders relied upon technocrats with their “expertise” to advance the productive forces.

Against the Liu-Deng revisionist faction, Mao argued that: “the socialist society is a rather long historical period. Within the historical period of socialism, classes, class contradictions, and class struggles continue to exist. There is the struggle between the socialist road and the capitalist road. There is the danger of capitalist restoration” (Talk given at the Beidaihe Central Committee Working Conference and the Tenth Plenum of the Eighth Central Committee of the Communist Party of China, August and September 1962).

In 1964, after reading an on-site report on the “Socialist Education Movement” in a tractor factory, Mao made the following comments: “The bureaucratic class on the one hand, and the working class and the poor and lower middle peasants on the other hand, are two sharply antagonistic classes. They are becoming or have become the bourgeois elements who suck the workers’ blood. How can they recognise [the necessity of socialist revolution]? They are the objects of struggle, the objects of revolution” (Comments on Chen Zhengren’s Report on Socialist Education Movement at Luoyang Tractor Factory, 12 December 1964 and 15 January 1965).

After several attempts to re-revolutionise the party from within had failed, Mao made a direct appeal to the ordinary workers, peasants, and students, calling on them to rebel against the “capitalist roaders who are in authority in the party”. That became the Great Proletarian Cultural Revolution.

Several historical factors contributed to the failure of the Cultural Revolution. First, China remained a part of the capitalist world system and intense interstate competition was a constant constraint. In the absence of a swift political victory for the Maoists, China could not remain in conditions of political chaos for long without seriously undermining its position in the world system and its ability to prevent unfavourable external intervention. After 1969, the Maoists were forced to retreat from the fights for provincial and local powers, to re-establish domestic political and economic stability. The “old cadres” were rehabilitated and again in control of much of the party and state bureaucracy as well as the military.

Second, despite Mao’s personal charisma and seemingly unquestioned authority, the Maoists did not have effective control over the army. The “old cadres” were often able to receive support from local army units and repress the rebels by force. Mao made a tactical pact with Lin Biao to secure the army’s neutrality. After Lin Biao attempted an abortive coup and was killed in an air crash, Deng Xiaoping (who had led a large field army during the civil war) became the most influential among the remaining army leaders.

The unique Maoist theoretical contribution to the international communist movement was that there would have to be “continuing revolution under the dictatorship of the proletariat”. However, in the 1950s, Mao and his comrades could benefit from no or very little historical experience. The Soviet Union was regarded as the leader of the world socialist revolution and the successful example of “socialist industrialisation”. It was not until the early 1960s that Mao had reached a better and deeper understanding of the class contradictions and class struggles in the new “socialist society”. By then the privileged bureaucrats and technocrats had already to a large extent consolidated their power.

Finally, the ordinary Chinese workers and peasants were politically inexperienced and unprepared. Despite the Maoist warning of the danger of capitalist restoration, the Marxist-Maoist theoretical reasoning did not seem to fully conform with the daily experience of many ordinary workers and peasants. While there were pervasive resentments among the workers and peasants against corruption and bureaucratic material privileges, to the ordinary Chinese workers and peasants in the 1970s, it must have seemed a quite remote and extremely unlikely possibility that the capitalist property relations would one day return with full vengeance and that the workers and peasants would have lost all of their socialist rights and be reduced to working slaves subjected to the most ruthless capitalist exploitation.

Exhausted by the inconclusive power struggles, the urban working class became politically passive and was caught off guard by the 1976 counter-revolutionary coup. With the defeat of the Maoists, the working class lost ideological and organisational leadership. Confused and de-politicised, the Chinese working class was to be taken advantage of by both the ruling elites and the opportunistic middle class “democratic movement”, paving the way for their tragic defeat in the 1990s.

The Triumph of Chinese Capitalism

Mao died in September 1976. The new Chairman Hua Guofeng, a political opportunist, undertook a coup and arrested the radical Maoist leaders (the so-called “Gang of Four” led by Jiang Qing, Mao’s wife), with the backing of the “old cadres” and the implicit support of Deng Xiaoping. Hua soon proved to be politically useless and by 1979, Deng was effectively in charge of the party and started “economic reform”.

The early economic reform actually brought about immediate material benefits to nearly every social layer. In the rural areas, the “family contract system” was implemented which in effect privatised agriculture. In the early 1980s, as the use of chemical fertilisers and pesticides surged, and with the help of the infrastructure built under the collective era, agricultural production

expanded rapidly. Peasants' incomes also grew rapidly and in fact, more rapidly than the incomes of the urban households in this period. As the availability of food and other agricultural goods improved, the urban working class also enjoyed rapid improvement in living standards and began to have access to various modern durable consumer goods.

With these temporary concessions made to the workers and peasants, Deng Xiaoping and the "reformers" were able to consolidate their political power. By the mid-1980s, the "reformers" were in firm control of the CPC and state. They began to push for market reforms in the state-owned enterprises, the stronghold of China's urban working class. The 1988 "Enterprise Law" provided that the state-owned enterprise managers had the full authority to dictate everything within an enterprise, including the power to fire or lay off the workers. The development of market relations also provided ample opportunities for sections of the privileged bureaucrats to enrich themselves through corruption and speculation. A new bureaucratic capitalist class emerged.

The urban working class was politically passive and disoriented. But it remained quite powerful at the factory level. Despite the provisions of the 1988 Enterprise Law, the power to fire workers was rarely exercised by the management in the late 1980s. On the contrary, with the "iron rice bowl" still intact, the state sector management was forced to use generous material incentives to motivate the workers to increase productivity. The second half of the 1980s saw rapid increases in urban workers' wages. To maintain profitability, the state-owned enterprises raised prices trying to pass the rising costs to the consumers, leading to rampant inflation.

To meet the growing demand for durable consumer goods from the urban elites and the urban working class, China's imports of durable consumer goods as well as capital goods to be invested in the "import substitution" industries surged. In the late 1980s, China was running large trade deficits. The overall economic situation was not unlike Latin America or eastern Europe in the years before the debt crisis, and had become increasingly unsustainable.

Back in the 1980s, the word "intellectuals" broadly referred to any one that had a higher education in China, including university teachers, engineers, doctors, writers, artists, and even university students, who were to become China's emerging urban middle class.

The intellectuals were traditionally a privileged social group in China. Their material privileges were significantly reduced (but not completely eliminated) under Revolutionary China. Most of the Chinese intellectuals in the 1980s were from families that were capitalists or landlords before the revolution. Their resentments against the revolution (especially the Cultural Revolution) were strong and they often did not hide their contempt and hatred of ordinary workers and peasants.

The intellectuals were in favour of the growth of market relations. They hoped to have greater material privileges with greater degrees of social and economic inequality. They also hoped that through greater integration into the global capitalist market, they would have greater opportunities to immigrate to the core states or to earn higher incomes by working for transnational corporations, so that their incomes and living standards could approach

their counterparts in the core states. Towards the late 1980s, many of them openly called for full-scale privatisation and free market capitalist system.

While the intellectuals and the ruling elites shared the broad objective of transition to capitalism, there was no agreement on how political power and the economic benefits of capitalist transition were to be divided between them. The intellectuals were dissatisfied with the fact that as wealth started to be concentrated in the hands of bureaucratic capitalists and private entrepreneurs, they did not have a share of this newly accumulated capitalist wealth. Many of them complained that their income did not grow more rapidly than that for the urban workers.

All of these were behind the intellectuals' call for "freedom and democracy". In effect, the Chinese urban middle class was asking for a bigger share of power and wealth as China moved towards capitalism. Some of the intellectuals explicitly called for "neo-authoritarianism", taking Japan, Taiwan, Singapore and South Korea as the model, advocating a capitalist model that would be repressive towards the working class but could secure "property rights" for the capitalists and "civil liberty" for the intellectuals.

Throughout the 1980s, there were several waves of intellectual criticisms of the CPC (sometimes backed by university student demonstrations) followed by official movements against "bourgeois liberalisation". The intellectuals and the ruling elites were testing their forces before a dramatic showdown that would settle the terms under which they would unite in a general offensive against the urban working class.

Once the privileged bureaucrats and technocrats took over and managed to consolidate their political power, it was just a matter of time before the capitalist relations of production were to be established as the dominant relations of production in China. With growing economic and social inequality, it was inevitable that the Chinese workers were increasingly alienated and would no longer consider themselves as the "masters" of the state and society. In that case, the use of material incentives became the only available technique for the ruling elites to extract surplus from the workers without breaking the socialist social compact.

However, with the socialist social compact remaining intact, the urban workers tended to have "excessively" strong bargaining power from the capitalist point of view. The workers' power at the factory level allowed them to push up wages, undermining profitability as well as China's competitiveness in the world market. For Chinese capitalism to survive and prosper, the remaining economic power of the Chinese working class had to be broken. Moreover, a large cheap labour force had to be created that would in turn allow Chinese capitalism to exploit its

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Much to the surprise of the leading “democratic” intellectuals, the spontaneous student protests in the spring of 1989 were joined by the urban workers and developed into a general social movement. The situation eventually became a political showdown between the ruling elites and the “democratic” intellectuals. The intellectuals, however, were neither able nor willing to really mobilise the urban working class to make a fight for political power. But without the political mobilisation of the working class, the intellectuals proved to be completely powerless. Many leading intellectuals and students managed to flee the country. It was the workers who paid the highest price in term of blood and imprisonment.

After teaching the intellectuals a lesson, the ruling elites were ready to build a pro-capitalist alliance with the intellectuals under the banner of “reform and openness”. The ruling elites were sure that they could count on the intellectuals to provide the necessary political and ideological support for a full-front attack on the urban working class. On the other hand, after 1989, the ruling elites had broken the backbone of the politically active “democratic” intellectuals. It was no longer possible for the intellectuals or the urban middle class to capitalise on the resentments of the working class to secure major concessions from the ruling elites.

In January 1992, after securing the army’s support for “reform and openness”, Deng Xiaoping embarked on a five-week journey throughout southern China. Deng explicitly called for transformation in the direction of “socialist market economy”, which was, in the Chinese political context, a euphemism for capitalism. The 14th Congress of the CPC officially recognised Deng’s victory by abolishing the Central Advisory Committee chaired by Chen Yun. The Congress confirmed the goal of “socialist market economy” and for the first time, made the commitment to “property right reform”, thus legitimising the privatisation of state and collective owned enterprises.

Throughout the 1990s, most of the state and collective owned enterprises were privatised. Tens of millions of workers were laid off. The urban working class was deprived of its remaining socialist rights. Moreover, the dismantling of the rural collective economy and basic public services had forced hundreds of millions of peasants into the cities to become “migrant workers”. An enormous cheap labour force was created that would work for the transnational corporations and the Chinese capitalists at the lowest possible wages under the most demeaning conditions.

The massive inflows of foreign capital contributed to a huge export boom. The Chinese capitalist economy was ready to rise to the global stage.

The Chinese Revolution was one of the greatest historical events in the 20th century. It not only fundamentally changed the historical course of modern China, but also made one of the most significant contributions to the worldwide anti-systemic movements in the second half of the 20th century. For about a quarter of a century, the Chinese workers and peasants made unprecedented gains in material living standards and enjoyed a political and social status unparalleled by their counterparts in most of the states in the world system. Under the leadership of Mao Zedong and the revolutionary elements in the CPC, the Chinese working people made a glorious effort to fight back the “capitalist roaders who are in authority in the party”, to defend the accomplishments of the socialist revolution. While this effort failed, the Chinese working people have learned the experiences and lessons, and will no doubt benefit from these experiences and lessons in their future revolutionary struggle.

The Crisis of Global Capitalism

Like all other social systems, the existence and operation of capitalism depend on certain historical conditions. As the underlying historical conditions inevitably tend to change, it is inevitable that beyond a certain point, the underlying conditions will have changed so much that capitalism is no longer historically viable. Immanuel Wallerstein (1998), the leading world system theorist, has argued that after centuries of relentless accumulation, the underlying economic, political, and ecological contradictions have grown to the point that they can no longer be resolved within the historical framework of capitalism. Capitalism has by now entered into its structural crisis and is unlikely to survive the mid-21st century.

The future of humanity depends on the global class struggle, which will determine what social system or systems will emerge and prevail after the demise of the existing system. The historical task of the world’s oppressed and exploited is to take this historical opportunity and build a new society based on democracy, egalitarianism, and ecological sustainability. This author is confident that the Chinese working class will join the oppressed and the exploited people throughout the world in the coming global revolutionary struggle and make the world history of the 21st century.

NOTES

- 1 Data for international comparison of GDP from 1820 to 2000 are from Angus Maddison (2003).
- 2 The differences between Maddison’s and the Chinese official growth rates primarily result from different weights assigned to agriculture and industry. Maddison assigned the agriculture with a higher weight, resulting in lower growth estimates.

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