The revival of Marxism in China

Could it herald a Communist Reformation?

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Introduction

Since 1979, the Communist Party of China (CPC) has presided over a system that generated the most dramatic economic development and improvement in living standards in history. The CPC uses state planning through its command over publicly owned enterprises and banks to attain its objectives. However, capitalist exploitation and grotesque levels of inequality coexist with the Party’s exclusive rule. Recently, the CPC general secretary and China’s president, Xi Jinping, reemphasised the critical role of socialist, Marxist and communist ideas to the party’s policies, projects and perspectives.

In this chapter, I will use two influential theories of socialism to examine China’s system – first, that of the Soviet economist Evgeny Preobrazhensky; and second, that of the Hungarian economist János Kornai.

My own definition of socialism conforms to Preobrazhensky’s, which is based on classical Marxist theory. This holds that a socialist economy will be more advanced, and its political system will be more democratic, than any capitalist system. Public ownership will dominate the economy and the management, administration and planning system will operate under the democratic control of the workforce and wider society. I also accept Leon Trotsky’s Marxist critique of the Soviet Union, which offers a coherent and logical explanation as to why the Soviet system became bureaucratic and dictatorial.

According to this theoretical tradition, those states which self-identified as socialist never were. Rather they were systems undergoing transition from backward capitalism to socialism. This approach to the transition to a socialist economy underpinned Preobrazhensky’s analysis
of the Soviet Union under the New Economic Policy (NEP) in the 1920s. He envisaged a prolonged period in which a socialist government, through its monopolistic command over the largest and most important state enterprises and banks, gradually accumulates resources from the private sector economy and lays the material basis for a socialist economy. Preobrazhensky called this process *original socialist accumulation*. His theoretical framework also considered how class conflicts help to shape the direction in which society moves. This long view of socialist transformation allows for the possibility that either capitalism or socialism will eventually triumph. I believe that this perspective can be used to capture the fundamental features of China’s state-led development and explains how it incorporates and exploits capitalist features.

However, both Trotsky and Preobrazhensky were killed, yet the bureaucratic and dictatorial system in the Soviet Union remained firmly in command and acquired new features, which they never observed. Furthermore, after 1945, similar regimes took power in China, Eastern Europe and some other countries. These governments self-defined as socialist and were also identified as socialist in mainstream Western thought.

The second definition of socialism that I use is that developed by János Kornai. His comprehensive analysis of ‘real-existing socialist’ states studies the basic characteristics of those systems and their variants, and it includes all those states which appeared in the twentieth century. This provides a range of invaluable tools with which to interpret and forecast events in contemporary China. Indeed, in the 1980s, Kornai’s influence towered above that of any other contemporary foreign economist in Chinese debates about economic reform. Chinese economists and senior leaders keenly studied his analysis of the relationship between shortage, investment hunger, and soft budget constraints. He proposed that the eradication of shortage would follow from expanding market competition. His policy suggestions sought to facilitate moves towards a more efficient economic system.²

However, when Kornai’s magnum opus *The Socialist System*³ was first published in 1992, the drama of the fall of the Berlin Wall and the collapse of the socialist bloc overshadowed this sophisticated and comprehensive investigation into the causes of its failure. Hence, it was largely ignored despite being highly praised by experts in the field.⁴

I employ Kornai’s definitions of socialism in most of this chapter. This is despite my own inclination to define ‘real-existing socialist’ systems as ‘bureaucratic socialism’, as distinct from a possible democratic form of socialism. This is because by using Kornai’s definition of socialism to study
China, it is possible to identify common features and trends that appeared in other socialist states.

I reject Kornai’s recent contention that China no longer fits within his definition of socialism and that it is now a capitalist system. I argue instead that his neglected concepts of the ‘revolutionary transitional era’ and of ‘self-management’ under socialism should be used to understand the way that social unrest affects and influences the CPC and its ideological orientation.

During the New Economic Policy in the 1920s, Preobrazhensky developed his theory of original socialist accumulation. This provides a Marxist method with which to assess how systemic contradictions appear in conflicts between economic forms and social classes. I will use these insights to reflect on China today.

China’s rapid economic development is synonymous with the growth of the working class. I examine the research of Yu Jianrong, who studies outbursts of workers and peasants’ unrest, in order to consider how this might influence the balance of forces inside the CPC. I suggest that Xi Jinping’s anti-corruption campaign and his revival of the centrality of Marxist ideology is a manifestation of this process. Thus, in contrast to the assumption that Marxism is a zombie philosophy in China, I believe that the ossification of Marxist ideas and the corruption of power may eventually provoke something akin to a communist Reformation; and that the CPC leadership is dusting off its claim to Marxist credentials in order to avoid such an outcome.

Systems analysis and development economics

Joseph Stiglitz and Justin Yifu Lin both worked at the leadership level of the World Bank and engaged in detailed discussions with China’s top policymakers. They elevated growth, equitable development and government policies above neo-liberal economic prescriptions. They rejected the big-bang Soviet and East European transition, in which the rapid anchoring of property rights was regarded as the decisive benchmark for progress, in favour of the gradualist evolution of markets and incentives as the precondition for successful market transition.

For Yifu Lin, exploiting comparative advantage (in capital, labour and other resources) necessitates the promotion of corresponding policies. The typical pattern of investment in heavy industry by socialist states (where capital is scarce) is regarded as a wasteful and costly policy that, by defying comparative advantage, negatively distorts the entire econ-
Stiglitz and Yifu Lin tend to avoid explicitly employing socialist or capitalist labels to categorise China’s system. Instead, their emphasis is on policy measures designed to produce development. Stiglitz believes that China’s system reveals the significance of government policy, and indeed of fuzzy property relations in developmental economics, and in economic policy formulation more generally. Stiglitz says:

For me, the central questions posed by development are systemic: How can we change the organization of society (including the organization of the economy) in ways that increase its openness to new ideas and that facilitate the change leading to increases in the well-being of most citizens? And what can we, as developmental practitioners, do to promote the change in societal organization in that direction? These are questions of the kind that used to be asked by those engaged in the analysis of comparative economic systems. But that sub-discipline focused on comparing socialist, communist, and market economies, and with the fall of the Iron Curtain, interest in the sub-discipline waned. I am suggesting that key to understanding development is in fact an analysis of comparative economic systems, with particular focus on the development context of what kind of economic system(s), institutions, and policies most promote the societal change that leads to sustained and inclusive development.

Kornai and Preobrazhensky’s theories of socialism

I approach the study of China by utilising a comparative analysis focusing on socialism as a means to investigate its contemporary social system and developmental dynamics. I employ two theories of socialism, which I regard as relevant and complementary. The first is that of Janos Kornai – whose theory of socialism is highly respected in academia and has been deeply influential inside China. The second is Preobrazhensky’s Marxist development theory elaborated in the 1920s, which is concerned with economic development during the transition between capitalism and socialism.

Preobrazhensky’s ideas were closely aligned with Leon Trotsky’s. Both believed that the backwardness of the Soviet Union precluded the establishment of a socialist economy and society, unless there was an international socialist transformation. Thus, the Soviet Union was a treated as a society in transition between backward capitalism and socialism. Leon
Trotsky’s Marxist critique of the Soviet system under Stalin stands out as the earliest and most penetrating explanation of the contradictory relationship between Marxism and the ideology and practice of the ruling communist party and its bureaucratic state. Trotsky saw this ideology as a falsification of Marxism used to justify the dictatorial power of a bureaucratic caste ruling over the working class in the name of socialism.\(^8\)

Kornai is probably the most pre-eminent theorist and critic of real-existing socialist systems alive today. His definition of socialism begins where Trotsky’s theory ends. Thus, he views the bureaucratic system established in the Soviet Union under Stalin as the basic archetype of socialism which, after 1953, was supplemented by reform socialism. However, unlike Trotsky and Preobrazhensky, Kornai’s research examines the full life cycle of those socialist states that appeared in the twentieth century. So, whilst I concur with Trotsky’s challenge to the socialist definition of the Soviet system, nevertheless I employ Kornai’s concepts of socialism in this chapter, which differentiates between the dynamics of capitalism and socialism in the real systems that have held power in many countries over the last one hundred years.

Nowadays, Kornai regards socialism as a failed experiment and attributes the success of China’s system to its having become capitalist. I believe that his assessment of China as a capitalist system is inconsistent and incorrect, and that his general theory of socialism provides a far superior method for anyone trying to understand China today. Furthermore, I maintain that if Preobrazhensky’s theory of socialist development is combined with Kornai’s theory, this reinforces and expands on Kornai’s original analysis of the dynamics of socialist political economy. I also suggest that two of Kornai’s neglected socialist concepts – the ‘revolutionary transitional era’ and ‘self-management’ – hold contemporary vitality and relevance for understanding social unrest, class conflicts, and ideological contradictions in contemporary China.

Kornai’s pioneering method of analysis isolates the fundamental features of such socialist states and identifies how and why the existence of these core features automatically produces and reproduces the system.

Kornai isolates three primary features that distinguish capitalism from socialism.

Under socialism:

1. Rule of a communist state and ideology
2. The dominance of public ownership
3. The dominance of bureaucratic economic coordination
Under capitalism:

1. State and political power is not hostile to private property
2. Private ownership dominates
3. Market-mediated coordination of economic activity dominates

I argue that Kornai’s socialist theory still provides a powerful lens with which to examine China’s system, and that the image of China that emerges bears an uncanny resemblance to his core textbook examples of reform socialism. In addition, his neglected concepts of the *revolutionary-transitional era* and *self-management* merit close attention in this study.

Kornai’s method of contrasting the basic characteristics of socialism and capitalism is rooted in Karl Marx’s thought, and I argue that there are important similarities with the method employed by the Soviet economist Preobrazhensky. Both Kornai and Preobrazhensky analysed how contradictory pressures from both capitalist and socialist economic laws operate in a backward socialist economy.

**Karl Marx as Xi Jinping’s guide**

Xi Jinping’s speech to commemorate the 200th anniversary of Karl Marx’s birth was broadcast to the world on live television. In the speech, Xi claimed that Marxism is the guiding force of the CPC, which is the true inheritor of socialist, Marxist and communist thought, as adapted and implemented in a Chinese context. He provided multiple examples of how the study of Marxism should help Communists to propagate ideas and policies in line with China’s Two-Century Goals.9

In China’s system, what those at the top say is by no means an arbitrary cacophony of noise. Speeches by China’s leaders are prepared long in advance and are the product of an intense process of discussion, debate, argument and compromise. This is how the Politburo hammers out its common line, which tens of millions of party members are expected to study and propagate to the wider public. Ideas emanating from the top determine the ideology and shape the policy framework for government planning and implementation. Documents and speeches by the leadership affect the exercise of power in a way unknown in Western political systems. The party controls nearly every organisation that wields power and influence in society and guides the country’s bureaucratic system of administration and governance.
Before Xi Jinping became general secretary of the party in 2012 and president of the republic in 2013, the consensus view in Western sinology and economics was that China was moving towards the elimination of Marxism and socialism from party ideology. However, in his speech on Marx, President Xi boldly restated that Communists must be inspired and guided by the vision of communism – which is supposed to be a society where material abundance satisfies everyone’s needs; exploitation ends, the state begins to wither away, and money ceases to be the medium of economic coordination. Of course, you cannot judge someone by what they say about themselves, but it is nevertheless important to understand why they say it. Is this renewed focus on Marx merely a ritual, or does it tell us something about how the CPC’s ideology relates to class relations today?

The recent repression of Marxist-inspired students at Peking University for standing up for workers’ rights appears to confirm that the CPC is opposed to elementary Marxist beliefs, critical analysis and independent workers’ organisations. However, in all real-existing socialist states critical Marxists were repressed, as were those attempting to form independent organisations.

The CPC leadership responds to Marxist critics as if they constitute a direct challenge to official doctrines and practices; advocates of liberal democratic values are not treated as a similar threat to their authority. Thus, Martin Luther’s challenge to the Catholic Church comes to mind as an apposite comparison.

The dominant assumption in economics is that the dynamism of an economy comes overwhelmingly from its private sector. In relation to China, this means that socialised and publicly owned sectors are treated as if they are a drag on efficiency. Therefore, investigation into the positive contribution that comes from state intervention, public ownership, socialistic planning policies and coordination mechanisms has been sidelined or ignored.

The CPC leadership regards Marxism as an ideology whose socialist and communist objectives are broadly supported by party members, and by the poor and the working classes. Indeed, China’s rulers claim that only Marxism can guide the party and appease its most important constituency of discontents.

In China, party and state involvement in society is ubiquitous. Policy is made through long-term plans that structure the CPC’s relationship to the economy. The party dominates and controls every social organisation – from women’s groups, to youth groups, trade unions, the churches, and so forth, as well as the entire state apparatus. However,
private economic enterprises are permitted to function relatively independently.

When the CPC mobilises the bureaucracy to implement its policy and planning decisions, it draws on vast entities and networks in the economy and society to attain its objectives and goals. Private capitalists and party officials often collaborate through mutually beneficial nepotistic networks. But, whenever it is deemed expedient, the party curtails the freedom of private economic actors.

China’s economic stimulus programme after the 2008 financial crash stands out as a model of crisis containment. A massive investment programme was launched to overcome the negative impact of the world crisis of capitalism. The expanding influence of the state versus the private economy has been well documented over the last 10 years. It is manifest in two key factors. The first is the banking system, which channels the majority of corporate and individual savings into state investment to implement government policies. The second is the increased role for state enterprises and other public sector bodies. They draw on state funds to fulfil objectives defined in five-year plans and other state priorities.

China’s Belt and Road Initiative constitutes the largest international investment programme by any country since the Marshall Plan after World War II, which was a geopolitical strategic investment by the United States of America designed to contain the threat of communism. With Belt and Road, Xi Jinping has shifted Chinese foreign policy from a gradual rise without rocking the boat – promoted by Deng Xiaoping after 1979 – to a new stage, where China shows off its prowess, power and strength to the world.

Change towards a more democratic system, accompanied by the rule of law, constitutionalism, and a free-market economy, remains the endgame of most capitalist visions for China’s transition. However, 40 years since China’s reform began, Maoist remnants are still said to haunt the present. This idea, that socialist historical legacies are hindering China’s development is a rather weak argument, as the reform era (1979–2018) has lasted 10 years longer than the Maoist era (1949–78). Yet the Communist Party remains firmly in power, public ownership continues to predominate, and economic planning steers the macro-economy despite the widespread presence of capitalist economic and social relations.

In China, the term planned economy refers to Mao Zedong’s regime after the 1950s. However, surely a planned economy must be judged by the degree to which its macro-level economic and social development plans are actually realised? Encouraging private investment and foreign direct investment in joint ventures generated China’s present mix of
state-private ownership in large enterprises, as well as its macro-level plan-market relations. Moves away from ubiquitous state ownership did not result in the dominance of private ownership; and China’s new planning system actually became more effective under the new constellation of ownership forms and the liberalisation of most prices.

The inability to find close analogies that capture the dynamics of the Chinese economy has perplexed analysts from a wide spectrum of theoretical perspectives. Many who regard China as capitalist advocate more profound and accelerated pro-market changes. For example, the prominent US sinologist David Shambaugh argues that China must experience significant instability and decline before it can reboot and flourish, based on a much more open system. However, despite multiple predictions of the collapse of China, it failed to materialise either in 1989, or after the Great Recession of 2008–9.

Kornai’s theories of socialism and capitalism in relation to China

Kornai identifies socialism with two primary archetypes: classical and reform socialism. Classical socialism is based on a planned and nationalised economy combined with a totalitarian political regime – such as Stalin’s Russia from the 1930s until 1953. This kind of government brooks no dissent and severely restricts market-based activity and private ownership. Kornai’s second type is reform socialism, which is generally presented as a disintegrating system. It is the sort of regime that existed under Mikhail Gorbachev in the period from 1986 to 1991. There is greater intellectual and economic freedom and openness in political discourse. However, exclusive rule by the party, public ownership of the commanding heights of the economy, and bureaucratic coordination continue. Under reform socialism in Hungary and Poland from the 1960s to the 1980s, a significant private sector coexisted with the three foundations of the socialist system. Kornai shows that a loss of faith in Marxist-Leninist ideology under reform socialism eventually heralds the dissolution of communist parties and states, in advance of a revolutionary change of system to capitalism.

The revolutionary transitional era is a third type of socialism in Kornai’s schema, which he regards as a transient state. It is a period when enthusiasm for the revolution is at its peak. Sacrifice, commitment and faith help to mobilise the energy of the masses, and this enables the revolutionary government to establish its authority and forge a new society.
This is the type of system that existed in the first years of the Russian Revolution. At times it operates as ‘self-management’. However, after the revolutionary awakening and seizure of state power, emphasis shifts to the more mundane tasks of development, economic growth and technical progress. The need to resolve questions of everyday life leads to stabilisation and bureaucratisation as mass participation in revolutionary politics slackens off. The ossification and consolidation of bureaucratic power transforms the revolutionary transitional era into a system of reform socialism or classical socialism.

Nonetheless, Kornai’s sequencing of socialism does not follow a purely linear path from the revolutionary transitional era to a classical system, and then from reform socialism to systemic collapse. For example, Kornai regards the Cultural Revolution in China (1966–76) as a variant of the revolutionary transitional system. Mao Zedong unleashed this movement, which challenged bureaucratic authority and power, after the classical system was already consolidated.\(^{18}\)

It is Kornai’s current view that although the primary characteristic of socialism – communist party rule and Marxist-Leninist ideology – maintains its dominant position in China, the internal corruption of the party and its association and affinity with private business make it a de facto agent of capitalism.

In adopting this stance, Kornai modifies his proposition that exclusive communist party rule and Marxist ideology is the first structural precondition of socialism.\(^{19}\) He now argues that the two basic economic factors – the predominance of public ownership and bureaucratic planning – define socialism, provided the ruling power acts in a hostile way towards capitalism. Capitalism, by contrast, is based on private ownership and market coordination guided by price signals, where the ruling power is not hostile to capitalist property. Marxist ideology and the CPC’s dictatorship have therefore declined in importance in Kornai’s schema. The centrality of ideology is replaced by a more amorphous concept – the degree of hostility from the ruling political power towards capitalism.

Kornai attempts to extend his method of systemic analysis to study capitalism in his book *Dynamism, Rivalry, and the Surplus Economy: Two Essays on the Nature of Capitalism*.\(^{20}\) This book complements his work on socialism. He describes capitalism as a surplus economy, endowed with unique creative forces.\(^{21}\) However, Kornai’s closest Chinese colleague, Xu Chenggang, has carried out a systematic review of this book, using Kornai’s new arguments to analyse China today.\(^{22}\) But Xu is forced to conclude that although China has a surplus economy, the commanding heights remain in state hands; and society is still
dominated by a communist party-led system based on state ownership. Nevertheless, Xu believes that China operates a market economy with major distortions imposed by the state sector; for example, the state banking sector lends overwhelmingly to state entities rather than to the private sector.

Xu concludes that although China has a surplus economy, it is one that operates in a system of ‘state capitalism’, similar to that established by Lenin’s NEP in the 1920s. Indeed, Xu notes that in the late 1970s and early 1980s, Deng Xiaoping based his original concept of reform and opening on the Soviet NEP. However, Lenin’s concept of state capitalism during the NEP referred to the use of capitalist methods to revive the economy and strengthen the efficiency and quality of public sector enterprises. The NEP was designed to help overcome backwardness vis-à-vis world capitalism, and to establish genuine socialist enterprises on a higher technical foundation.

China, the Soviet NEP and Preobrazhensky’s theory of original socialist accumulation

Kornai defines the period of state capitalism during the NEP as the first prototype of socialism and not as a type of capitalism. During the NEP, state capitalism was not regarded as the restoration of capitalism but as a means to exploit capitalist methods to defend, foster, and advance the socialist economy. In the NEP, the state sector guided economic progress in order to sustain the alliance between the workers, the party, and the majority of peasants, whilst simultaneously stimulating economic activity through the market.

At the time of the NEP, the main problem identified by critical Marxists like Preobrazhensky, organised in the Left Opposition, was that the tiny urban working class would be swamped by the interests of rich peasants, market traders and middlemen. They skimmed off part of the surplus and operated as economic actors driven by profit-seeking activity. These activities spontaneously shaped and influenced the direction of investment in the economy. The Left Opposition feared that a counter-revolution serving capitalist interests would be supported by the right wing of the party.

Alongside the emergence of capitalist forces during the NEP, the particular interests of bureaucratic agencies of the party and state also grew in scope and influence. As Kornai explains, as a general rule, bureaucratic power constantly seeks its self-expansion, and where there is no
organic system of control over this expansion process, the phenomena of unconstrained ‘investment hunger’ in a planned economy appears, which eventually produces a shortage economy.  

Reflecting the pressure of such bureaucratic interests, Stalin brought an end to the NEP in 1928. Private capital and the peasantry were repressed and the economy and agriculture were socialised and subordinated to state planning.

Preobrazhensky, the leading economist of the Left Opposition, envisaged a long-term battle between two economic systems in a socialist state. In his view, advanced socialism should function according to universal planning principles. However, where the public economy is not developed or sophisticated enough to ensure that socialist planning is effective, planning principles must try to control and channel capitalist laws. Where the capitalist ‘law of value’ predominates, the economy is organised around the pursuit of profit, which spontaneously reproduces capitalist social relations. The state economy exploits its monopoly over the commanding heights of the economy and banking to unify the power of its industries and promote development according to plan. This requires the accumulation and transfer of resources from capitalist and petty capitalist entities into the hands of the state.

Preobrazhensky’s theory of original socialist accumulation elaborates a Marxist method to guide the economic transformation from backward capitalism to socialism. He defines the process of transition to socialism as the epoch of original socialist accumulation, which he expected to last for decades. In this period, planning must be used to carefully steer the economy and society to catch up with, and eventually overtake, capitalist ownership forms and market coordination. The state economy reveals its superiority and strength once a sufficient level of economic competence and development is attained. In the era of original socialist accumulation, the socialist state must ameliorate, amend and contain the impact of the law of value, to achieve party and state objectives. Successful economic policy enables the state to introduce socialist measures such as higher wages, better conditions, social services, healthcare provision, and so on.

‘Never forget the class struggle!’

Yu Jianrong is probably the most influential scholar monitoring social unrest in China today. He works at the Social Problems Research Centre of the Rural Development Research Institute of the Chinese Academy of
Social Sciences. His analysis, published in 2007, shows how protests in China affect the party and state.

The CPC’s historical ideology and legitimacy declares that the ‘workers are the ruling class’ and ‘peasants are allies’ (of the ruling class). Yet, the capitalists’ status has been raised far more in the past decades of reform. The nation is entering a stage of being a well-off society while hundreds of millions of peasants and workers cannot make ends meet. This gap between reality and professed ideology will inevitably shake the political root of the CPC’s ideology and stability of its rule. Avoiding the escalation of social conflict will require, at a minimum, a better protection of the fundamental rights and interests of all citizens, particularly workers and peasants.  

Yu’s research into social struggles in modern China has identified several features of mounting worker discontent: the sudden and spontaneous nature of disputes, disbelief in official responses, distrust of local authorities, and faith in the national government. Protests generally concentrate on rights specified in the law. Modern means of communication have enabled militancy to be energetically channelled into exposing discrepancies between the arbitrary exercise of local power and the positive legal rights of the poor. The subaltern classes have discovered powerful methods of unifying their actions and strengthening their morale, whilst avoiding the repressive measures traditionally associated with dissidence and rebellion.

Resistance to privatisation and the restructuring of state-owned enterprises came to a head in the late 1990s, when overt workers’ unrest by state employees often drew on Maoist ideology and slogans. These protests slowed down privatisation, ‘convincing the state to hold on to a significant number of large enterprises’.

Radical changes in labour contracts and welfare rights increased the power of employers and shifted welfare provision outside of factory walls by means of contributory insurance plans. New labour laws were largely ignored by private and foreign enterprises, which provided most of the new employment opportunities in urban areas. Labour unrest in the mid-1990s often took the form of ‘short-sit ins outside local labour offices aimed at provoking government officials into ordering capitalists to obey labour laws’.

Legal measures to address grievances have become a focal point for workers’ unrest. Claims and disputes taken to arbitration rose dramatically throughout the last 20 years, both for individual and collective
cases. This has been particularly evident in high-growth regions. Workers and state bodies treat arbitration seriously. In the event of local officials conspiring with employers, workers commonly resort to collective action to secure the active intervention of higher-level government agencies.

Yu reports that workers at the Tonghua Iron and Steel Company went on strike against a takeover bid by the privately owned Jianlong Steel Holding Company in 2009.

On July 24, 2009 Tonghua Iron and Steel had a strike [during which] the general manager was killed. Afterwards, [workers] in old state-owned enterprises in many places came up with slogans. One of them was ‘When the Tonghua Big Boss is doing [bad] things, what should one do about it?’ This scared a lot of bosses at state-owned factories that were being restructured so much that they didn’t show up for work. Why? They were afraid of being killed.

Surprisingly perhaps, popular opinion was not opposed to the killing of the boss. The incident was widely seen as indicative of proletarian anger and popular resentment. One consequence of the strike was that the Jilin State-owned Assets Supervision and Administration Commission (SASAC) cancelled the privatisation. Zhang Wangcheng, a professor of the China Labour Studies Centre at Beijing Normal University, blamed the trade union for the failure to pre-empt the unrest and reduce tensions. A month later the All-China Federation of Trade Unions (ACFTU) published a statement that privatisations are illegal unless agreed by the workers’ congress. The objective of expanding the presence of the ACFTU and the legal role of the Staff and Workers’ Representative Councils (SWRCs) as official organs of democratic management is to create pressure release valves to contain unrest within the existing system of power.

Yu Jianrong’s research reveals that it tends to be people with internal knowledge and experience of the system that act as the force galvanising and expressing social unrest:

The foundations for a mass social movement in China may already be laid as there are indications that workers, peasants and the lower class of intellectuals are forging a common identity. Up to this point, workers and peasants have not yet merged into one coherent social group, even though they share a common social status and interests. The formation of their common identity and
goals may require an outside group that can act as the bond to bring workers and peasants together. This group could be the 20 million demobilized and retired soldiers living in rural China, which possesses the social capital, organizational, networking and mobilization capabilities to be the bridge between workers and peasants.

They have already been prominently contributing to peasants’ movements to reduce tax burdens and protect land rights. In some southern regions, demobilized and retired soldiers have launched movements to mobilize both workers and peasants. For example, in some regions in Hunan Province, demobilized and retired soldiers built a 100,000-person ‘anti-corruption brigade’ that was mainly comprised of laid-off workers, poor peasants and lower class intellectuals. In fact, corruption may be the one factor that could bring workers and peasants together since both see this as the root cause of their current predicament and misery. In all past and current social conflicts that involve a combination of workers and peasants, their demands have universally held up anti-corruption [sic] as the common enemy.  

For his part, Kornai regards the corruption of China’s officials as a repugnant but positive factor, because the enrichment of cadres has helped to avert a direct conflict between capitalist interests and state bureaucrats, who might otherwise have provoked a civil war. The sweeping anti-corruption campaign initiated by Xi Jinping is a response to the type of pressure described above. In recent years, the wages of state-owned enterprise directors were slashed and they bear no relationship to the global standards of remuneration for the CEOs of comparable enterprises internationally, or to remuneration in private enterprises in China. By taking the initiative at the top, Xi seeks to neutralise the potential for militant struggles that might otherwise escalate into a broader revolutionary movement.

The social stratum that Yu regards as the key agent of change is mainly composed of disgruntled system insiders, rather than random angry people. And their focus is on defending the rights of the social classes that the party’s communist ideology claims to represent. I believe that this provides a coherent explanation for why Xi Jinping is dusting off the party’s Marxist ideology, as this serves to pre-empt and neutralise opposition forces that may be supported by broad layers of the urban and rural masses.
Self-management as a recurrent socialist tendency

Kornai rejects the very possibility of socialism existing in combination with democracy. And he claims that this conclusion is based entirely on a ‘positive’ analysis, which only evaluates real-existing socialist systems established in the twentieth century. However, when discussing the early history of the Soviet Union, he notes: ‘The revolutionaries really did elect representatives to the bodies of the revolutionary political movements. In many places and for some time after the revolution had been won, the bodies of the new state power were chosen in real elections . . .’ a process that Kornai dismisses because it ‘proved to be temporary’.

Despite the temporary nature of early Soviet systems of democratic control, the basic aspirations and impulses behind this assumed a more enduring form, which Kornai labels self-management. He defines self-management as a trend inspired by purely socialist ideologies that challenge bureaucratic and statist power.

According to Kornai, self-management held sway in Yugoslavia from 1949 until the early 1990s. He regards this as a sub-variant of reform socialism. Self-management modifies the two core economic mechanisms in Kornai’s theory of socialism: public ownership and bureaucratic coordination. Property rights that transfer power over enterprises from the managers to the workers replace public ownership; and the workers can dispose of the firm’s residual income. The coordination mechanisms of the economy are based on democratic self-governing principles rather than bureaucratic decisions.

This concept of self-management encompasses a diverse and broad historical trend. It can emerge where controls over the workers under classical or reform socialism weaken. The workforce is able to exercise considerable power over its managers. This tendency also appeared at the initial stage of socialist revolutions – for example, during the Paris Commune, the Russian Revolution, and movements based on workers’ councils. However, self-management tendencies can emerge at any stage in the life cycle of socialist systems and reappear even after socialism has disappeared.

As far as Kornai is concerned, self-management has a negative impact on socialist systems because it undermines economic efficiency. He distinguishes between market-driven decisions, which involve the hard budget constraint – where profit-seeking activity seeks to minimise costs; and the opposite tendency – the soft-budget constraint – where workers’
interests are elevated above profits. Under the soft-budget constraint, managers come under pressure to improve the conditions of the workforce and increase living standards. Labour discipline becomes lax and managers often champion the interests of their specific workplace, community and city. Part of the bureaucracy responds to this pressure by lobbying on behalf of the workers to secure concessions from their superiors, in order to maintain stability and social peace.

Kornai regards the soft-budget constraint as a general tendency in socialist countries, generated by the system-specific relation of forces inside the workplaces. Self-management, the state system in Yugoslavia, also appeared in a number of phases of social and political unrest in ways that challenged the leading role of the communist party itself; for example, Hungary in 1956. This does not gain sufficient attention in Kornai’s analysis of the socialist system. Nevertheless, he shows that there is no universal or linear process in relation to the emergence of socialist types. However, the tendency towards self-management, or to some form of mass participatory democracy in socialist systems, appeared and reappeared in many of the political and social movements that challenged the ruling parties or leading factions within them.

Indeed, given that social unrest within socialist systems has a tendency to appear as self-management, this concept sheds light on the character of workers’ struggles in China today and on the balance of forces in Chinese society. For example, in the process of reforming state enterprises during the 1980s and 1990s, lip service was paid to the democratic management rights of the workers as defined in the constitution. Under articles 16 and 17, state-owned and collective enterprises ‘practice democratic management through congresses of workers and staff and in other ways in accordance with the law’. During the restructuring of state-owned enterprises, conflicts often focused on staff and workers’ representative councils, which are legally entitled to veto and control management. These legal rights are not simply remnants from the past. For example, it was in 2010 that the Shanghai Municipal People’s Congress adopted comprehensive regulations seeking to extend the workers’ congress system throughout all Shanghai enterprises, regardless of ownership type.

Conclusion

China’s extraordinary rate of socio-economic development is almost universally attributed to the increasing influence of the private sector, whereas the state sector of the economy is seen as the main fetter on its
future development. I adopt an alternative theoretical stance, which holds that China’s success is based on exploiting the advantages of public ownership to harness national resources and channel private sector activity to achieve state planning objectives. The state sector of the economy operates under the political and bureaucratic command of the CPC. This permits the mobilisation of resources in ways that capitalism is unable to. I maintain that China’s system displays the main characteristics and many of the nuanced features of Kornai’s analysis of socialist systems, particularly reform socialism.

Kornai’s analysis of ‘real-existing’ socialist systems in the twentieth century provides a comprehensive and penetrating analysis that focuses on the contradictions and dynamics generated by the Soviet model. His model of classical socialism is synonymous with the system established under Stalin in the 1930s. Its basic features were emulated in many countries that took an indigenous path to socialism, but the longevity of Kornai’s analysis is undermined by excluding the very possibility of any other forms of socialism, or of new combinations of previous socialist types.

I maintain that the NEP-type policies pursued by the CPC over the last 40 years created a system where capitalist tendencies are contained by the bureaucracy whose main fear is mass unrest. And whilst China fits Kornai’s socialist models, as Xu Chenggang explains, the present balance of socialist and capitalist economic forces more closely resembles the Soviet NEP. This system was studied by Preobrazhensky, who elaborated the theory of original socialist accumulation in which socialist and capitalist economic and social forces engage in a long-term struggle for dominance in a post-revolutionary developing socialist economy.

Preobrazhensky regarded the conflict between ownership and coordination forms during the NEP as a manifestation of class struggle, in a period where the economic and social foundations of socialism were being established. In China today, the struggles of the workers and poor peasants revolve around issues that put the CPC under pressure to meet their demands. The party regards social unrest as a mortal danger, and the trend is for workers’ demands to be partially or fully met. The party adopts state plans that are designed to satisfy the growing wants of an ever-expanding urban working class, and it tries to contain unrest within official channels.

Simultaneously, Xi Jinping’s aggressive anti-corruption campaign seeks to pacify public anger at undeserved enrichment. Although growing inequality in wealth and power is mirrored inside the CPC and the state bureaucracy, this also means that the interests of lower level cadres are often aligned with the interests of the workers and peasants. By
drawing on the repertoire of Marxist ideology, Xi is reasserting the party’s claim to represent the interests of the working class and the peasants. However, if the conflicts generated by reform socialism give rise to mass social unrest, and this finds expression in self-management tendencies, the contradictions in Chinese society may spark the communist equivalent of the European Reformation.

Notes

1. Amongst economists specialising in China, the consensus view from the 1990s was that the market dominated and the plan had lost nearly all significance. This view has been convincingly countered in recent years. Particularly important is the study by Sebastian Heilmann and Oliver Melton, ‘The Reinvention of Development Planning in China, 1993–2012’, Modern China 39 (2013): 580–628.


9. The first is to ‘build a moderately prosperous society in all respects’ – that is, improving living standards for all and eradicating severe poverty by 2021 – the centenary of the party’s formation; and the second is to ‘build a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious’ by 2049 – one hundred years after the founding of the People’s Republic. ‘CPC Q&A: What Are China’s Two Centennial Goals and Why Do They Matter?’, accessed 30 October 2018, www.xinhuanet.com/english/2017-10/17/c_136686770.htm.

10. Kerry Brown and Una Aleksandra Bērziņa-Čerenkova’s study of Xi Jinping’s ideology notes that: In the era of Hu, China increasingly seemed to be a capitalist society in all but name, with the CPC behaving like a massive business operation, one which paid only lip service to the ideology it was meant to be serving. Under Xi, we have seen a return to more focused political commitments, based on an acknowledgement that the great prize of national rejuvenation is within sight and an awareness that the party must maintain organizational unity and discipline in order to achieve this. This future is already being mapped out with the talk of centennial goals. In this new context, ideology supplies a precious elite unity, a common language of power, while also promoting a particular vision of society.


11. ‘Full Video: Chinese President Xi Jinping Delivers Speech on Anniversary of Marx’s Birth’, accessed 1 November 2018, www.youtube.com/watch?v=ENS8CI35xQQ.

‘Real-existing socialism’ was the term used by the leaders in Eastern Europe and the Soviet Union to describe the mature and relatively stable system of power in the 1970s, when the goal of communism was no longer regarded as a short- or medium-term possibility.


Shambaugh says that China must go through a J-curve (a theory he takes from the risk analyst Ian Bremmer) of increasing instability; then, after it becomes more open, China will stabilise and grow on a more solid foundation. David Shambaugh, *China’s Future*.

Kornai, *Socialist System*.


A surplus economy is generated where competitive pressure between private companies in a market produces goods and services. The pursuit of high returns motivates competitors to produce more than the market can consume and to do so in conditions dominated by hard budget constraints.


Leon Trotsky formed the Left Opposition in 1923, to oppose bureaucratisation of the party, encourage democratic rejuvenation through workers’ democracy, and promote economic planning.


Preobrazhensky, *New Economics*.

This was a slogan first used by Mao Zedong in 1962. It was widely deployed during the Cultural Revolution by his supporters. See ‘Can China Ever Move on from Mao Zedong?’, accessed 23 October 2018, www.scmp.com/week-asia/politics/article/2018050/can-china-ever-move-mao-zedong.


The China Labour Bulletin reported that 520,000 labour arbitration cases were registered in 2008, 50 per cent more than 2007. See ‘Government Proposals to Speed up Labour


41 Kornai, From Socialism to Capitalism, 146–7.


44 Kornai, Socialist System, 104.

45 Kornai, Socialist System, 461–73.


47 Chapter 5, Article 52 of the Enterprise Law defines the rights of the SWRC

1. To be informed and to examine major strategic policies such as long-term plans, annual plans, basic investments, reinvestment plans, plans for leasing and subcontracting, and so on;
2. To examine, agree to, or veto policies related to wages, bonus and industrial safety issues, and regulations pertaining to penalties and merits.
3. To examine and decide on policies related to the staff and workers’ welfare, distribution of housing, and other important welfare matters.
4. To monitor and assess the performance of responsible cadres at each level and to make suggestions on how to reward, penalize, and dismiss them; and
5. To elect the factory manager according to the arrangement of the supervisory government bureaucracy, and to report the election results to the said bureaucracy for approval.


48 Stephen Philion, Workers’ Democracy in China’s Transition from State Socialism (New York: Routledge, 2009); Xiaoyang Zhu and Anita Chan ‘Staff and Workers’ Representative Congress’.

49 ‘Regulations of the Shanghai Municipality on the Workers Congress’, accessed 13 December 2017, gh.eastday.com/renda/node5902/node5908/node6573/u1a1729811.html.

Bibliography


