Marxism and the social character of China

written by Fred Goldstein
April 2, 2020

A cultural presentation in Chongqing, China.

From a June 9, 2013, talk by Fred Goldstein at the Left Forum, a yearly event in New York City. The talk was focused on socialism and China in the wake of the Great Recession of 2008. Although the details of what is happening now are different, the social and economic forces have not changed. The conclusion is also unchanged: there must be a firm defense of China against every scheme by imperialism to undermine the socialist foundation that still exists there.

The issue of China is one of the most important questions of the 21st century for the working class and the oppressed peoples, as well as the hostile imperialist ruling classes of the world.

The progressive and revolutionary movements, especially in the U.S., have a great stake in arriving at a correct policy toward China.

First of all, China is a formerly oppressed country that achieved liberation from British, French, German, U.S. and Japanese imperialism in 1949 by making one of the greatest revolutions in history. At that time, one quarter of the human race was torn from the clutches of imperialism. As a formerly oppressed country struggling for national development, it must be defended against all varieties of imperialist military, economic and political aggression, regardless of what one thinks about its social character.

China today is a new, complex and contradictory phenomenon in history. It has fundamental socialist structures alongside capitalist development and imperialist penetration. The leadership calls it "market socialism" or socialism with Chinese characteristics.

Socialism is inscribed firmly as China's foundation in its constitution. The international capitalist class is profoundly hostile to China and never ceases to try to undermine its fundamental socialist structures.

Yet workers in Chinese private industry are subjected to capitalist exploitation and the workers in the state industries have lost much of the economic support that once attached to their workplaces. Horrendous industrial accidents take place and environmental problems are severe.

Dual character of China's economic foundation

Only Marxism enables us to approach an analysis of China.

Marxism has shown that the character of any society is determined by its economic foundation and that the superstructure of society, its politics, ideology, etc., are determined by the economic foundation.

How can such an analysis be applied to China and how can it help to clarify how to view China?

To begin with, the economic foundation of China is not homogeneous. It is partly socialist and partly capitalist. The question for us and for the world working class is: Which is dominant? — the socialist foundation, or the capitalist enterprises seeking private accumulation of profit through the exploitation of the working class?

Similarly, the superstructure is not homogeneous. On the one hand, there are the Communist Party, the People's Liberation Army and the ideological doctrine that declares socialism to be the foundation of China. On the other hand, there is the relentless promotion of opening up to imperialism and capitalist market reforms. And, above all, there is a struggle over political reform, meaning the right for the bourgeoisie and the petty bourgeoisie to organize politically, either inside the party, outside the party or both. There is a steady drumbeat for "political reform" from the imperialists and their class allies inside China.

Economic crisis of 2008-2009 was a critical test

How can we assess this situation? We should start by empirical examination of China, on the one hand, and the rest of the capitalist world on the other.

A critical test came when the Chinese leadership was forced to deal with the effects of the worst capitalist crisis since World War II.

When the crisis hit in 2008 to 2009, many tens of millions of workers in the U.S., Europe, Japan and across the capitalist world were plunged into unemployment.

China, which had dangerously allowed itself to become heavily dependent on exports to the capitalist West, suddenly was faced with the shutdown of thousands of factories, primarily in the eastern coastal provinces and the special economic zones.

More than 20 million Chinese workers lost their jobs in a very short time.

So what did the Chinese government do?

We described what happened in a pamphlet titled “The Suppression of Bo Xilai and the Capitalist Road — Can Socialism Be Revived in China?” in an article titled “Capitalist crisis versus planning.” The article, published on March 27, 2012, explained that plans drafted as far back as 2003, to go into effect in future years, were pushed forward and implemented.

We then quoted from Nicholas Lardy, a bourgeois China expert from the prestigious Peterson Institute for International Economics, who described how consumption in China actually grew during the crisis of 2008-2009, wages went up, and the government created enough jobs to compensate for the layoffs caused by the global crisis.

Said Lardy: “In a year in which GDP expansion [in China] was the slowest in almost a decade, how could consumption growth in 2009 have been so strong in relative terms? How could this happen at a time when employment in export-oriented industries was collapsing, with a survey conducted by the Ministry of Agriculture reporting the loss of 20 million jobs in export manufacturing centers along the southeast coast, notably in Guangdong Province? The relatively strong growth of consumption in 2009 is explained by several factors. First, the boom in investment, particularly in construction activities, appears to have generated additional employment sufficient to offset a very large portion of the job losses in the export sector. For the year as a whole, the Chinese economy created 11.02 million jobs in urban areas, very nearly matching the 11.13 million urban jobs created in 2008.

"Second, while the growth of employment slowed slightly, wages continued to rise. In nominal terms, wages in the formal sector rose 12 percent, a few percentage points below the average of the previous five years (National Bureau of Statistics of China 2010f, 131). In real terms the increase was almost 13 percent. Third, the government continued its programs of increasing payments to those drawing pensions and raising transfer payments to China's lowest-income residents. Monthly pension payments for enterprise retirees increased by RMB120, or 10 percent, in January 2009, substantially more than the 5.9 percent increase in consumer prices in 2008. This raised the total payments to retirees by about RMB75 billion. The Ministry of Civil Affairs raised transfer payments to about 70 million of China's lowest-income citizens by a third, for an increase of RMB20 billion in 2009 (Ministry of Civil Affairs 2010)."

He further explained that the Ministry of Railroads introduced eight specific plans, to be completed in 2020, to be implemented in the crisis. The World Bank called it "perhaps the biggest single planned program of passenger rail investment there has ever been in one country." In addition, ultrahigh-voltage grid projects were undertaken, among other advances.

The full article by Lardy can be found in "Sustaining China's Economic Growth after the Global Financial Crisis," Kindle Locations 664-666, Peterson Institute for International Economics.

Socialist structures reversed collapse

So income went up, consumption went up and unemployment was overcome in China — all while the capitalist world was still mired in mass unemployment, austerity, recession, stagnation, slow growth and increasing poverty.

The reversal of the effects of the crisis in China is the direct result of national planning, state-owned enterprises, state-owned banking and the policy decisions of the Chinese Communist Party.

There was a crisis in China, and it was caused by the world capitalist crisis. The question was which principle would prevail in the face of mass unemployment — the rational, humane principle of planning or the capitalist market. In China the planning principle, the conscious element, took precedence over the anarchy of production brought about by the laws of the market and the law of labor value.

But the institutions based on the remaining structures of Chinese socialism, which saved the masses from economic disaster, are the very institutions that the World Bank, the International Monetary Fund, Wall Street and London want to reduce and eventually destroy. They are the state-owned enterprises, government planning and the control by the Chinese Communist Party.

One might say that the Chinese leadership did this to avoid unrest. Surely the capitalists in Europe and the U.S. also want to avoid unrest. But that did not cause them to put tens of millions of workers back to work, raise pensions, and raise stipends and social welfare payments. It only caused them to institute austerity to secure the profits of the bankers.

Coming back to Marxist analysis, it is clear from the way the Chinese leadership handled this crisis that the socialist side of the economic foundation is still dominant in China. And the same can be said for the political superstructure.

The enemies of socialism claim that capitalism is responsible for the great successes in China.

But that is a falsehood. China has succeeded in its economic development because the socialist sector has broadly contained domestic capitalism and imperialist investment within the framework of the national economic goals of the leadership.

Without that, China would look like India — which also has planning but is a thoroughly capitalist country.

In India, poverty is so deep that people live on garbage dumps, wash their clothes in polluted water, and the urban slums in Kolkata and Mumbai rival rural poverty. The masses of India are desperately poor — living on $1 to $2 a day — even as the glittering high-tech industry develops alongside the abysmal economic conditions faced by hundreds of millions of Indians.

There is no comparison with China. But if the imperialists have their way, if they can destroy the socialist foundation and the Communist Party, they will turn China into another India. That is what is at stake in the struggle to stop the counterrevolution in China.

'Market socialism' a false and dangerous concept

This analysis should not be understood in any way as support for the doctrine of "market socialism." In our view the anarchy of the capitalist market is antagonistic to the planning of a socialist society and socialist construction. Capitalist private property is antagonistic to socialist property and production for private accumulation is antagonistic to production for social use and human need.

There are historical circumstances of extreme underdevelopment which compel a socialist government to employ both private and state capitalist methods to promote development of the productive forces and the creation of the working class from the rural population.

It is one thing, however, to use these methods as a temporary expedient, to make a retreat from socialism in order to make socialism triumphant in the struggle against capitalist methods. That was Lenin's idea behind the New Economic Policy. It began in 1921 in the USSR, during the direst times after the civil war left the country in ruins and the working class that survived was going back to the country to get food.

But Lenin always regarded this as a retreat and a crucial struggle. The question, as Lenin put it, was “Who will win?”

China long ago developed economically after the capitalist reforms instituted by Deng Xiaoping. But what should have been a temporary retreat has become an enshrined policy of treating capitalism as a partner with socialism. Private capital grows automatically and with it the economic strength and political influence of the capitalist class, its petty bourgeois hangers-on, as well as the petty bourgeois intelligentsia. This carries great long-term dangers for China.

The socialist component of the economic foundation is dominant at the present. But capitalism is continuing to erode that foundation and do damage to the workers. Furthermore, the new leadership of Xi Jinping and Li Kequang have sent signals that they want to move to the right in the economy. Expanding the opportunities for imperialist investment and moving more and more in the direction of bourgeois economic reforms is playing with fire.

Revive spirit of Mao, workers’ power

Bo Xilai, the former head of the party for Chongqing Province, is now languishing in detention. He has been held for over a year because he sought to revive the cultural and egalitarian spirit of Mao Zedong and because he had a program to retard the march down the capitalist road.

Bo represented a left resistance to the current policies at the level of top leadership. His defeat has paved the way for a further turn to the right.

What is really needed is a sharp turn to the left. The workers must reclaim the socialist rights first established by the Chinese revolution and deepened during the period of Mao. This is the only thing that can revive and secure Chinese socialism in the long run.

But in the meantime, there must be a firm defense of China against every scheme by imperialism and by the domestic capitalist class in China to undermine the socialist foundation that still exists there.