Assessing China’s Reforms

Contrary to much conventional opinion, the “reforms” in China have not contributed to an improvement in people’s well-being. What the reforms have targeted is China’s democratic tradition. The criterion for appraising China’s reforms should be: Is economic development in the country contributing to democracy and equality in Chinese society?

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Contrary to prevalent thinking, China’s “reform and opening” did not begin in the 1980s. China’s profound transformation took place against a broad international background which can be traced to at least to the early 1970s, when the world scenario began to undergo a major shift. An important subtext for Richard Nixon’s 1972 visit to China was the US plan to withdraw from Vietnam. What drove Nixon to Beijing was not only the Soviet “threat” but also the Vietnamese people’s impending victory, domestic political pressure in the US and China’s long-term support for the Vietnamese people’s struggle. From China’s perspective, the Vietnamese victory was extremely significant – it meant breaking through the “New Crescent Containment” (composed of the South-East Asian Treaty, the Baghdad Treaty and the Japan-US Security Accord) which had hemmed in China all the way from Baghdad in the west to Japan and South Korea in the east. While India and Indonesia were advocating a “Bandung Spirit”, new China was still in a state of siege.

Looking back, it seems that the first result of the rupture of the “New Crescent” was the revival of the “Chinese civilisation sphere”, which had earlier been split up by east Asia’s cold war order. This meant that overseas Chinese capital could begin to enter south-eastern coastal China via Hong Kong by the end of the 1970s. The second result was that Japan and Taiwan could build up an important industrial relationship with China.

Another important factor that drove the US to withdraw from the Vietnamese quagmire was the 1973 Arab-Israeli war, and especially the heavy blow that the oil crisis dealt to the west. Unlike today’s George Bush, Nixon felt that it would be impractical for the US to try to fight on several fronts at the same time. The so-called “opening of China’s lock” was, thus, foremost a result of struggles by the Asian people. As Zhou Enlai said at the second Asian-African Congress in Algeria, China’s every step forward depended on the solidarity and mutual support among the people of the third world.

From another angle, the factors leading to China’s transformation can also be traced back to the Sino-Soviet conflict and the world socialist bloc’s dissolution in the early 1960s. It was from that time that China began to reject the Soviet model of unilaterally developing heavy industry and, began instead, to emphasise coordination and exchange among agriculture, light industry, heavy industry and other economic sectors – the paradigm best captured in Zhou Enlai’s “Four Modernisations” of 1975 (agriculture, industry, defence and science and technology) – which, it should be recalled, put “agriculture” in the first place.

When Deng Xiaoping, with the support of Mao and Zhou, undertook the first round of industrial reforms in 1975, he drew especially on the management experience of that “renegade” against the Soviet model – Yugoslavia – in the form of granting more independence to enterprises. At the same time, due to Mao’s constant pestering, Deng did not forget to emphasise the importance of labourers’ participation in enterprise management (in contrast to his simplistically rigid attitude toward Poland’s Solidarity movement a few years later).

Most important is that from 1949 until the 1980s China put “socialism” before “modernisation”, or, in other words, “social development” before “economic development”. This is really what “Chinese characteristics” should mean. Although by 1972 China had achieved major advances in spaceflight, life sciences, and nuclear technology, and had established a basic system of modern industry and transportation, what really made the Chinese people proud was not the average annual economic growth of 6 per cent, but the 74 per cent decline in infant mortality, the tripling of average life expectancy, the universalisation of education, the establishment of cooperative rural healthcare, the heroic status of labourers and the overall social equality. As Fei Zhengqing observed in 1972, China’s development was based on equality, a high level of solidarity throughout society, and the people’s “new morality”. Its basis was solidarity, cooperation, diligence and frugality, rather than the external plundering of the world’s resources. An important characteristic of China’s industrialisation was its promotion of local, small-scale industrial production in coordination with agriculture. This not only allowed for a more balanced development of the countryside but also prevented some of the serious problems associated with dramatic urbanisation. In contrast with China he had known 40 years earlier, Fei Zhengqing optimistically described this transformation as a “miracle” and “the greatest revolution in history”.

The reforms of the latter 1970s – including the “adjustments” made by the Deng government in 1975 – were entirely in line with these Chinese characteristics. There is a theory that summarises the rural production miracle that began in the latter 1970s as the establishment of household subjects (output-related contracting) within a “market” and the monetisation of rural production. But that theory has been increasingly called into question, mainly because it puts undue emphasis on Deng’s “epoch-making” policies of “de-Maoification”. In reality, the rise in agricultural productivity should be attributed primarily to the state’s long-term investment in fertilisers, seeds, agricultural machinery, and basic rural infrastructure. The rise in peasants’ income was due mainly to the state increasing grain prices. Labour power, moreover, had already undergone monetisation through the
people’s commune system of “work points”. (Contrary to prevalent representations, rural labour during the Mao era was not a simplistic “big pot of rice” egalitarianism.) Since the monetary value of rural labour power depended on grain prices, as grain prices were unilaterally lowered over time, even household-based farming could not raise peasants’ income. In this sense, it seems unconvincing to trumpet decollectivisation (as was done with Xiao Gang, the model village of Fengyang, Anhui) and to ignore the long-term state policies of development and investment that treated “agriculture as the foundation”.

Another achievement of the early reform era was the fruit of the sustained rural industrialisation that Fei Zhengqing observed – what in the 1980s became known as “the TVE [township and village enterprise] path”. Strictly speaking, however, the commencement of rural industrialisation was the Great Leap Forward campaign of 1958. Its aim was to open a path of development different from that of the Soviet Union. The Soviet Union had developed heavy industry by squeezing the rural population and carried out urban industrialisation entirely by extracting value from the countryside. China proposed an opposite model called rural industrialisation – that is, transferring power to local levels and encouraging the establishment of medium and small-scale industrial enterprises in rural areas. In 1958 the central committee and the state council advanced the slogan, “People’s Communes should also undertake industrial production”, and by the end of 1959 there were 700,000 commune enterprises throughout the country with a workforce of 18 million and an output value of over 10 billion Reminbi (RMB). This was what some scholars have called “the first wave of China’s rural industrialisation”. (Most of the TVEs set up in the 1980s actually built their foundation on these earlier enterprises.) Also in 1958, Mao published On the Ten Relationships, one of whose main points was to develop the rural economy and decrease the urban-rural disparity by countering (“dui”) the cities’ “industrial superiority” with the countryside’s “organisational superiority”. Again, in 1970, the state council’s northern agriculture session proposed a “Ten-Year Plan” to mechanise agriculture – this was the second wave of China’s rural industrialisation. It was these two waves that laid the foundation for the third wave – the 1980s TVE model that Fei Xiaotong called “leaving the soil without leaving the village, entering the factory without entering the city”. These three waves, along with the construction of rural infrastructure, significantly narrowed the disparity between city and countryside, so that by 1986 this disparity was the smallest it had been in China’s history. This achievement is really inseparable from Mao’s policy efforts.

What really marked the beginning of a new epoch, however, took place after 1985 – China’s urban reforms. The reform of China’s urban economic system developed under extremely different international conditions, which influenced this special historical period of China’s reforms. By convincing the Saudi ruling elite to peg the Saudi Arabian oil to the US dollar, for example, the US had frustrated OPEC’s challenge to the developed world – the challenge of using oil resources as a weapon. At the same time, as early as 1979, Deng’s China went to war with Vietnam, an unjust war that destroyed the bond between these two nations (including its physical manifestations in the Sino-Vietnamese highway and the Sino-Vietnamese railroad). In order to establish this bond, thousands of sons and daughters of China and Vietnam had given their lives and blood during the Vietnam war, and even US modern weapons could not sever this “Sino-Vietnamese lifeline”. It was through this bond that a steady stream of resources for life, construction and warfare had flowed from China into Vietnam, including direct monetary aid that by 1976 amounted to over one billion RMB. As soon as Deng’s “reform and opening” began, however, this bond was brutally severed. The Sino-Vietnamese war’s extremely bitter price was the dissolution of solidarity among developing nations and another serious blow to the socialist bloc’s reputation.

Similarly, due to the oil price increase, the debt crisis began in Latin America. At the same time, the Reagan and Thatcher regimes came to power in the US and Europe, bringing to an end the era of “organised, gentle capitalism” associated with Keynesianism, and heralding the neoliberal age of economic, political and military competition, which doubly welcomed the theories of Friedrich Hayek (who had just won the Nobel Prize) because they both opposed Keynesianism and regarded any type of economic organisation as the “road to serfdom”.

The first step of China’s urban reform strategy was to merge the south-eastern coastal cities into “the great international economic cycles” by setting up special economic zones that opened these cities to capital from Hong Kong, Australia, Taiwan, and east and south-east Asia. Looking back, what this changed foremost was China’s developmental path and its relationship with the world. For example, as a continental Asian country, for many centuries China had maintained a close relationship with India and Indo-China. Beginning in the Han dynasty, China’s relationship with Europe was mediated through the western lands, that is, through the Arabian regions and south Asia. This was the famous Silk Road. And throughout the 20th century, China’s closest relationships were with Russia, Vietnam, Myanmar, North Korea and Kampuchea. This pattern was thoroughly transformed after 1986, a change whose internal manifestation was the increasingly serious economic imbalance between China’s south-eastern coast and its western regions. As an important cultural imagining, the televised political documentary that swept China in 1988, “Deathsong of the River” (“He Shang”), described continental Chinese civilisation as a backward “Yellow Civilisation” in contrast to an advanced “Blue Civilisation”, i.e., “overseas (‘haiyang’, i.e. western) civilisation”. This seems to have been the first time that the word ‘wenming’ (civilisation) was inscribed within a discriminatory hierarchy. This discourse of “turning towards the world” by parting with a “backward continental civilisation” and “embracing the advanced overseas civilisation” remarkably resembled the “shedding Asia and entering Europe” strategy proposed in 1898 Japan. And just as Japan’s historical path proved to involve a brutal militarism, so has China’s recent path of rushing toward the Blue Civilisation gone hand in hand with neo-authoritarianism.

The aftermath of this developmental strategy is not limited to the serious regional imbalance between eastern and western or coastal and interior China. It has also rapidly produced the first batch of special interest groups, the nouveau-riche stratum or plutocrats. A good example is the enclosure movement in coastal urban development. This has consisted of development enterprises acquiring use rights to land through official channels, making a fictitious appraisal of the land’s value, and then, according to these appraisals, mortgaging the land to state banks.
for immense sums of capital. Here it is not that the state has been tricked but that it has committed a ridiculous error: the state forgot that it owned the land in the first place, that the bank and its wealth belonged to the people, and yet it transferred this wealth to private individuals – the developers. In this way a so-called big business stratum has been produced overnight. And it needs to be remembered that this is the origin of the debt problem now faced by China’s state banks – even if the problem is now being simplistically (and with ulterior motives) blamed on the poor management of state-owned enterprises (SoEs).

Secondly, under the encouragement of such a “policy of leaning to one side”, a horde of foreign enterprises established a beachhead on China’s south-eastern coast, their first target being the TVEs. Today some people are accustomed to explaining that these capitalist enterprises help to mitigate China’s labour surplus, although in fact China’s earlier path of rural industrialisation had already offered a much better solution. From 1987, however, as China’s TVEs began to sink into a serious policy predicament (exacerbated by the post-1989 fiscal retrenchment policies), what followed was the collapse of rural industrialisation, the decline of rural income, and the sudden re-widening of the rural-urban gap. The ensuing large-scale flooding of cities with rural surplus labour exacerbated the effects of urban reform.

The second characteristic of China’s urban reform is something that we should explore in more depth – namely, its acceptance, without exception, of the “market first” policies pursued by other “reform states”. This type of policy emphasises not economic development, to say nothing of social development, but rather the simplistic superstition that liberalising exchange rates and prices will lead to a win-win situation as the rise of market prices stimulates entrepreneurs to increase production and the rise of supply leads back to a fall in prices. It is said that the only birth pangs here are that we must first let the economy go into shock and then wait for a spontaneous recovery; first let society fall apart and then wait for it to “return to its natural order” (Hayek). When Milton Friedman visited China in 1988, he advised China’s leaders to continue with their price liberalisation programme on the ground that it was best to “cut off the snake’s tail once and for all”, or in Chinese terms, “a short pain is better than a long pain”.

The debates surrounding these market-oriented “price reforms” beginning in 1986 especially illustrate the character of China’s reforms during that period. These debates led to a serious split in Chinese intellectual circles, which ultimately spread to central government policy-makers. On the one hand, a minority of dogmatic Marxists argued that to affirm price deregulation was flat-out capitalistic. On the other hand, a majority of metaphysical reformists argued that only a price-regulated economy was a “true, complete market economy”. The only qualified, insightful scholars in this debate turned out to be the ultra-rightists who pointed out that if the price reforms were not aimed at protecting vested interests, then vested interests would not support the reforms and the reforms would fail. This was not mere alarmism. In fact, only these ultra-rightists were able to perceive some of the basic factors that later led to the social crisis of 1989.

Of course, they saw this from an ultra-right perspective aimed at protecting vested interests. What is most remarkable is that almost no one in China’s intellectual circles at the time pointed out what price reforms actually meant with respect to the interests of China’s ordinary people, or how, by defending their interests one could make the masses strive for the correct path of market reform. This elite path that ignored the masses had immediate repercussions. No sooner had the Chinese government’s intention to rush through a price reform become known than panic-buying and hoarding for speculation ensued, and the urban masses, by voting with their feet, made a mockery of Friedman’s fantasy of public “rational prediction”, and forced the Chinese government immediately and “rationally” to discontinue this shock therapy, and instead switch to implementing the dual-track price system of gradual reform. Abstract price reform divorced from analysis of concrete social interests, however, met with the coercion and cajolery of vested interest groups and failed to gain support from the broad masses, whose response finally led to the serious social crisis of 1989.

To be fair, the impact of price liberalisation on ordinary people’s lives in 1989 was much less profound than its long-term effect on China’s economy. The former was psychological; the latter a matter of economic structure. China’s experience of price reform demonstrated that because the contemporary rural and agricultural economic foundation was relatively secure, once the prices of agricultural products and small commodities had been deregulated, prices actually rose for a short period and then quickly stabilised, and agricultural products and small commodities rapidly proliferated. When the prices of industrial products were deregulated, however, it took much longer for them to stabilise since the division of labour and cooperative relations in industrial production was much more complex than in small-scale agriculture. Indeed, it was precisely this rapid price liberalisation of raw and processed materials, and to the predicament that urban liberalisation caused for state banks, which led to the crisis of China’s urban SoEs – to say nothing of TVEs – with respect to material prices and turnover; the crises among various enterprises being inter-related. China’s urban SoEs have since been unable to recover from the setback.

The story after this point (1989) is well known. Around the world the plot has been the same – published, as it were, in different editions. When the Chinese government could no longer ignore the SoE crisis, it invariably took one of two measures to acquire funds to support SoEs and state banks. One, beginning in 1990, was the large-scale cutting of public expenditures, including the privatisation of healthcare, education and urban housing. The second was the new tax division system, which set quotas of taxes and fees for localities to hand over to the central government. These measures are what is meant by “cutting expenses” and “increasing earnings” in fiscal policy.

The costs of reform, therefore – especially the costs of radical price marketisation – have been transferred to ordinary urban people and underdeveloped provinces and regions, especially agricultural provinces and peasants. This also led to the dissolution of the consensus on reform that had taken shape during the latter 1970s, and it was this loss of popular support, especially among workers and peasants, that drove Deng to support his reforms with “the barrel of a gun” in 1989.

After completing the liberalisation of prices, in 1992 Deng made his famous southern tour, whether out of foresight or putting all his eggs in one basket, in order to realise his next political aspiration: to let China’s coastal economy be completely subsumed within the world market dominated by the advanced capitalist states. China’s economy thus stepped onto the export-oriented path led by processing industries. In order to give play to its “cheap labour power”, China’s inflation reached 24 per cent that year, something unheard since New China’s founding. The RMB’s rate of exchange with the US dollar...
fell by a large margin, but, at the same time, China’s economy fell into a period of seriously insufficient domestic demand. Due to the fall in wages, unemployment and collapse of the social welfare system, the Chinese masses were forced by the market reforms in housing, healthcare, education and retirement into a consumptive dead end. The serious domestic insufficiency in consumption, moreover, made China’s economy more and more dependent on the narrow world market, so the government could not help “increasing the intensity of reform”, undertaking brutal structural adjustment of those economic vestiges that were not “export-oriented”.

It must be pointed out that, as opposed to the former USSR, eastern Europe or the Latin American states which adopted the world capitalist elites’ “structural adjust-ment” programmes only after their monetary systems had collapsed, China took the initiative in its own structural adjustment. The main reason here is that the so-called export-oriented economy actually helped China accumulate a large volume of US dollars. Since 1990, China’s foreign exchange reserves has grown exponentially, and this is widely regarded as the greatest accomplishment of China’s export-oriented economy. For a time, there was the mantra of the “Chinese experience” that went, “if only we take an active role in market reform, we can not only avoid all sorts of collapse but also make the economy develop rapidly”.

At that point China began to experiment with stock markets in Shanghai and Shenzhen, the tide of RMB “marketisation” rolled on with full force, and all that remained was the RMB’s so-called “internationalisation”. Everything looked as if it were inexorable. At just this key moment, however, the four Asian dragons which China had declared its role models of development, went through their monetary systems had collapsed, China took the initiative in its own structural adjustment. The main reason here is that the so-called export-oriented economy actually helped China accumulate a large volume of US dollars. Since 1990, China’s foreign exchange reserves has grown exponentially, and this is widely regarded as the greatest accomplishment of China’s export-oriented economy. For a time, there was the mantra of the “Chinese experience” that went, “if only we take an active role in market reform, we can not only avoid all sorts of collapse but also make the economy develop rapidly”.

The Asian financial crisis of 1997 nightmarishly demonstrated how those export-oriented economies were exposed to attack from the front and the rear as soon as international capital could easily purchase large quantities of Asian currencies. On the one hand, central banks had no choice but to sell their reserves and buy back their own currencies, so that in the blink of an eye they had exhausted their foreign exchange reserves. On the other hand, after exhausting their reserves, their national currencies collapsed anyway. In one day, the Asian export-oriented economic model that China had imitated for 20 years went up in a puff of smoke, and, in the face of this cruel tragedy, the Chinese government was flabbergasted.

It was from that moment that the death knell of neoliberalism began to toll in China. In the face of a grave crisis, the Chinese government immediately discontinued discussion of opening RMB accounts to foreign capital or any plan to internationalise the RMB, and it began serious macroeconom-ic regulations – at a key moment announcing that it would prevent the RMB from devaluing. In contrast with Deng’s two southern tours, which had touted the south-eastern coastal areas as national models for liberalisation, for the first time this government began seriously to crack down on the south-eastern local powers, a typical example being the smuggling ring associated with Lai Changxing. (The ring’s large-scale smuggling of petroleum had directly caused over 10,000 Daqing oil fieldworkers to lose their jobs.)

This awakening came a little late, however, to say nothing of fantasies that still prevail. Due to long-term restrictions on domestic consumption and investment, RMB continued to leave China through channels such as black market moneylenders and this severely compromised all efforts to control capital accounts; so financial risk continued to exist in hidden forms. Due to a long-term relaxation of agricultural investment, by 1992 the Chinese countryside had already fallen into the severe economic depression that would later be articulated as “the agrarian question (‘sannong wenti’).” The heavy flooding disasters of 1998 revealed serious problems with China’s public water conservancy infrastructure. Many urban SoEs had already gone bankrupt, and bank investments that had been spent through cutting social welfare had also basically become bad loans.

In such a multifaceted crisis, entering the WTO may have been China’s last fantasy and effort regarding the so-called world market. As China pulled out all the stops to realise this great Dengian ideal, the US bombed China’s embassy in Yugoslavia with guided missiles, and then an American spy plane essentially attacked a Chinese navy plane during its regular patrol and forced it into the South China Sea. The most ironic thing was that the US government repeatedly announced dollar devaluations, so the large volumes of US dollar reserves and bonds that China had accumulated – the export-oriented economy’s greatest accomplishment – also began to sink toward the cold floor of the sea.

What collapsed, moreover, was not only the rural water conservancy and administrative infrastructure, nor even the urban SoEs or the public health infrastructure. In 2002, in Guangdong, that vanguard of China’s reform and opening, when the SARS epidemic broke out and rapidly spread throughout China, as the Chinese people witnessed their new generation of leaders, Hu Jintao and Wen Jiabao, stand night and day on the front lines of the “struggle against SARS”. Many finally understood: the Chinese people had again arrived at that “most perilous moment”.¹

This is also why today, when Hu and Wen, as representatives of China’s new generation of leaders, say things like “the masses’ interests first”, “scientific development perspective”, “the five balanced aspects”, or “rejuvenate the western regions”, and especially when they talk about a “socialist harmonious society”, almost all Chinese people already understand that China has arrived at a point at which it must begin some serious reflection on the past 30 years of reform experience and lessons. “Socialist harmonious society” – this is not at all an esoteric ideal; it points to an eminently realistic, rational decision that China must face.

It was widely regarded as an important turn when the new central leaders under Hu’s direction chose to begin their terms by visiting West Cypress Ridge (Xi Bai Po). This northern village in Pingshan county, Hebei, was the Chinese Communist Party’s (CCP) last rural revolutionary headquar ters. Like those greatest empires of Chinese history, the CCP was able to win China only through the strong support of its inland, northern and western bases. At an important meeting at West Cypress Ridge in 1949, Mao had admonished the party: “Be sure to maintain the fine tradition and style of bitter struggle”. This may have been the first time that these words were mentioned in over 30 years.

Of course there have been both successes and failures in the reform of China’s urban economy, but if we reflect theoretically on these failures, one obvious lesson is the superstition of neoliberal economics.
Neoclassical macroeconomic theory of rational calculation claims, for instance, that the public can accurately gauge macroeconomic tendencies, and that a government should avoid all macro-regulation unless it aims to deceive the masses. China’s practical experience, however, says exactly the opposite, that the public often reacts to economic fluctuations by panicking, which creates a domino effect and if the government does not respond immediately, what ensues is not only a sustained malignant inflation, but also the sort of serious social unrest that occurred in 1989.

So-called linear supply-demand theory, as another example, believes superstitiously in the equilibrium of economic cycles, claiming that inflation will spontaneously lead to a fall in consumer demand, a subsequent rise in product supply, and, finally, a balanced market. China’s reality, however, has been that as soon as enterprises close down due to a rise in material prices, the rise in unemployment leads to a fall in aggregate demand, which leads to a vicious cycle as banks go into crisis, state finances go into the red, and the currency falls even lower. In 1992, China’s inflation had already reached 24 per cent – the highest since the state’s founding. At that point, drawing from state banks to “salvage” the SoEs not only involved great social costs, but was also unlikely even to succeed.

Under these conditions, property rights theory overlooks the role of the state economy and non-profit sectors in maintaining social stability, ignores the impact of unequal distribution of wealth on economic development, and, moreover, worsens social unrest as it calls for total privatisation. Since entering the 1990s, China’s capacity for social harmony and solidarity has plummeted, civic morality has become seriously imbalanced, social instability factors have reached their highest peak since the founding of New China – the main social contradiction deriving from the grim plight of laid-off and unemployed personnel and the urban floating population.

As for the conservative fiscal policy of tight budget restriction, this even more betrays the historical experience that Keynesian economics gained through the Great Depression. During a depression in which a state faces serious unemployment to further tighten government spending is to force the masses to shoulder heavy burdens for healthcare, education and housing at a time when their income is already compromised, like adding frost to snow, and moreover to undermine ordinary people’s faith in the market economy and the government’s ability to govern. The popular consensus regarding reform during the latter 1970s had, in fact, already disintegrated by the early 1990s, when it began to seem that reform had already turned into its opposite.

In today’s China, however, neoliberalism remains not only a trend of economic thought, but also a profound cultural trend whose social impact is even greater than the former. Cultural neoliberalism especially takes the form of conservative liberalism and its concomitant discourse of “saying goodbye to revolution (‘gaobie geming’)”. Most representative of this trend, which spread throughout the mainland from China’s south-east coast, is a speech that Princeton University’s professor of East Asia Studies, Yu Yingshi, gave at the Chinese University of Hong Kong in 1988. Not only did the speech, titled ‘Radical and Conservative in the History of Modern Chinese Thought’, call for a “conservative liberalism”, it also, in one fell swoop, as it were, renounced the whole of modern Chinese history, including Sun Yat-sen, the May Fourth Movement, and land reform, as “radicalist” mob politics. The only affirmation was given to the “voices of reason”, such as Ding Wenjiang and Qian Duansheng who had sought to strengthen the Guomindang’s dictatorial rule during the 1930s. The reason that conservatism was the contemporary world’s “proper way” was that, for one, in the US, the old Bush government was doing it, so conservatism had become a world trend; and, two, Taiwan had already completed the transition to modernity even without granting its citizens any rights to political participation. Yu Yingshi compared the three perspectives of modern Chinese history, contemporary American politics, and the Guomindang regime in Taiwan, and concluded that conservatism, or the politics of conservative liberalism, was the ideal form of politics. His description of this “end of history thesis”, derived from the experience of US conservatism and Guomindang rule, made a decisive impact on the neoliberal thought and neo-authoritarian politics that took shape in China throughout the 1990s. Shortly thereafter, in 1990, Li Zehou, who has been called a “leader of mainland Chinese thought”, declared that the core of Marxist materialism was really just about economic development, and that the theories of social democracy and class struggle had already been disproved. This was the source of the trope about “saying goodbye to revolution”.

“Revolution”, however, in modern China refers to those political changes, system renovations and social practices aimed at social democracy and equality. Equality even more has all along been a basic means of social mobilisation and organisation, and the most basic lever giving shape to society, the state, and communities, the basic motive force and aspiration for all of modern China’s transformational movements and social activism. Even if economic reform wants to present itself as a social movement, it must from the start appeal for legitimacy to this legacy and this aspiration (“universal wealth”, “reform is a revolution”, etc).

Identification with a “revolutionary” modernity, therefore, has been modern China’s basic means of self-definition all along, and, moreover, the people’s basic means of identifying with modern history, modern culture and modern politics, and, at the same time, of articulating themselves historically, cultural and ideologically. “Saying goodbye to revolution”, then, implies a negation of equality as a modern value, and it means that economic development is the spread of neoliberal ideology with inequality as its “normal cost”.

The negation of “revolutionary” modernity, moreover, not only negates a main axis of Marxism modernity. It also renders equivocal or impossible the articulation of China’s modern history, including the Taiping Rebellion, the 1898 Reform Movement, Sun Yat-sen and the republican revolution, the May Fourth Movement, or the people’s revolution led by the CCP that sought to cast off feudal and colonial rule. These movements all defined themselves in terms of revolution. As soon as “Chinese revolution” becomes unintelligible, the “contribution” of the Yu Yingshis only negates modern Chinese history. Its heavy cost is that a synonym for “Chinese revolution”, namely, “revolutionary China”, or socialist China, itself is also negated from history, culture, thought – indeed, from the Chinese language.

Secondly, what accompanies the conservative and authoritarian argument that negates democracy by equating it with mob politics or “radicalism” is an abstract negation of “the state” – that is, the state retreats from discourse. In Chinese academia, the 1990s expression “zoom in on academia, fade out from thought” complemented the politico-economic call for the market to advance and the state to
retreat. Negation of the state is actually a long trend of thought in Chinese cultural circles since the 1980s, and Hayek’s thought has played an important, concentrated role in this discursive mélange. Similar to Yu Yingshi, Hayek’s appraisal of modernity is also quite low, but as opposed to Yu’s cultural conservatism, what Hayek represents is a method and tradition for observing the world, what he calls “the natural order”. As for modernity, he affirms the rationality of the capitalist system and the capitalist market framework, but he negates the framework of the state and democratic politics. He claims that the former is natural and spontaneous, and that the latter is artificial. Hayek’s theory has had a profound impact on the reform of China’s political system, not only with regard to the economic. Because Hayek naively understands the state as a government’s behaviour, which, through legislation, acts as the market’s “night watchman”, one of the results is that the Chinese National People’s Congress, under the guidance of Hayekian economists, has passed many laws that benefit vested interests, and legislation concerning social insurance and national security has been pitifully neglected. This melodrama of “reforming the political system” has only begun to be corrected with the most recent People’s Congress.

As the likes of Yu and Hayek take the place of Mao, Lu Xun, Marx and Lenin as the “Mt Tai and North Star” of China’s cultural circles, this ideology that opposes both the state and mass democracy has formed the main current of the cultural nihilism that has plagued China for over two decades. This current gives impetus to the total negation of the modern tradition and path that China has followed for over a century at the same time also negating the accomplishments of over two centuries of European and American social democracy movements since the French Revolution, not to mention the 20th century anti-colonial movements for national liberation around the world. Instead, this current affirms the “end of human history” preached by the Reagan, Bush and Thatcher governments. This symbolises the formation of the cultural right’s rule in China under the banner of liberalisation, and the thorough transformation of the Chinese “thought liberation movement” that began in the latter 1970s into its own opposite. At the same time as they lose their capacity for independent thought, China’s cultural and intellectual circles follow, apelike, the Euro-American intellectual elites in their neoliberalism, finally joining the world in their eyes – i.e., “getting on track with the advanced culture of the UK, the US and Japan”. One example is that as China’s cultural right imitates Edmund Burke’s distinction between British aristocratic liberalism and French mob democracy, in which he praised the former and censured the latter, what these worshippers of Euro-American advanced culture forget is that American civilisation itself is to a large degree a product of the same French revolutionary tradition that they so despise.

Thirdly, the “Blue Civilisation discourses” that have accompanied the reform and opening, such as “Pacific century”, “East Asian Confucian capitalism” and “globalisation”, also symbolise the so-called “colour-coded revolutions” so praised by George Bush Jr. They demonstrate that the new Chinese world view formed over the past three decades is not only a geographical concept but also a cultural, economic and political concept. In this reform and opening world view, the world’s great power is the “Blue Civilisation”, i.e., the developmental path marked by western capitalist trade. China’s cultural circles rarely consider, however, that the east Asia, Pacific century or global era formed in this world view are not some hot new items invented by Deathsong of the River, nor are they some advanced culture. In recent history, if these constructions of east Asia were not by-products of American cold war discourse, then they were the so-called modern perspective or east Asian perspective that early modern Japan constructed and which ultimately caused great suffering to the peoples of Asia. This so-called “Blue Civilisation” is inseparable from the two world wars and the brutal politics of imperialism and colonial plunder.

Under the guidance of such a world view, it was hard for China’s economy to avoid stumbling onto a lopsided developmental path marked by the exclusion of domestic needs, of the domestic economy, and by sacrificing people’s lives and condoning regional disparities. This “overseas capitalist” worldview also influenced China’s foreign relations by neglecting to maintain friendly relations with other continental civilisations, for many years failing even to mention the significance of the Bandung Spirit for the modern world. None of this has contributed to a harmonious development of the world or even China’s own international image.

Just as we cannot deny the accomplishments of China’s reforms, the social crises and lessons they have brought with them are also profound. Reflecting on the origins of these crises takes us back to Marx’s teachings, namely that real economic activities can only be a sort of structural arrangement, that particular economic activities require particular social relations and structural arrangements. When we say, for instance, that “reform must benefit some people and sacrifice others”, this sacrifice and this benefit cannot be simplistically understood as a natural arrangement by the market’s invisible hand, for this is actually the arrangement of a particular structure. Price reforms are not a simple question of distributing resources through the market, but rather a question of what sort of reform, reform in what direction – a question concerning social relations of production.

Today, one reason that neoliberal thought still has a following in China is that, on the one hand, defending monopoly capital in the name of economic development and efficiency first and justice second, are representative figures who are mainly economists able to describe exploitation and oppression as necessary economic laws, as a sort of natural order, or, at best, a “natural process”. On the other hand, there are also profound structural, political and cultural factors underlying these economic activities. The building up of a neoliberalist cultural hegemony, for instance, has cleared the path for some of these politico-economic policies. In this regard, Chinese academia’s voluntary colonialisation (“getting on track with the world”) has provided discursive legitimacy for structural transformations.

Marx pointed out that economics, like all academic disciplines, emerged from class struggle and the productive activities of modern society. Similarly, some people are beginning to ask fashionable Chinese economists, “Are you economists of the Chinese people, or are you economists in the service of monopoly capital?” This sort of doubt demands, however, that we return to a concrete analysis of productive relations. Economics, as a description of the real relations of productive activity, must include the two aspects of economic activity and structural arrangement, for in the complex social relations internal to economic activity we cannot postulate an abstract market determining social relations or creating a “just and rational structural arrangement”. On the contrary, we must look at the mutual relations between “economic activity” and “structural
arrangement” in order to find the deeper social factors that underlie macroeconomic equilibrium and aggregate supply and demand. In the same way, precisely because social relations of production include, at the very least, the two interrelated aspects of economic activity and sociostructural arrangement, marketisation does not at all equal or replace social democratisation. The market does not automatically bring democracy, just as naively appealing to the economy does not automatically lead to beneficent structural or social relations of production. Democratisation of social relations must include the democratisation of economic activity, structural arrangement, and state functions.

Perhaps what needs especially to be pointed out is that, in this sense, so-called democracy is always relative to the modern state. Democracy, that is, does not require abolishing the state, but rather expanding its democratic functioning. This is because economic activity is always embedded within social conditions, because independent economic forms divorced from social relations and conditions do not actually exist. So even if one strives for economic freedom, this cannot be simplistically understood as the casting off of a political structure or other cultural constraints. It is a question, rather, of how these structures are transformed, limited or expanded in order to create the conditions for free competition and equal exchange. Even if the aim is a free market, this cannot be equated with simple opposition to state intervention, but should be more deeply understood as opposition to the state’s defence of monopoly, and as a transference of the state’s democratic functions through various social struggles, and as forcing the state to defend true market competition and the majority’s basic interests through such factors as price regulation. It was precisely by failing to recognise or apply this knowledge that the Chinese state, in its 1989 price reforms, lost its chance to unite with the masses, lost its opportunity to bypass many of the reform’s social costs, and instead gave the green light to neoauthoritarian and neoliberal elements, leading in the end to a serious social crisis.

For all these reasons, we must distinguish between two approaches to reform or development. Neoliberal approaches aim to defend the minority’s vested interests in the form of capital, market and social monopoly. Socialist approaches, on the other hand, aim to defend the democratic aspirations and basic interests of the masses by striving for balance and coordination between economy and society, production and exchange, development and social welfare. The pressing task of China’s reforms today is to undertake a relentless struggle against the former tendency by continuously expanding the latter. The right wing, neo-authoritarian equation of people’s democracy with mob politics and the neoliberal call for a “retreat of the state” are inseparable from the ideology of “getting on track” with the world capitalist market. What they target is precisely China’s democratic revolutionary tradition and the state, which they spare no effort to repudiate, is the very socialist state that has been forged through this tradition. Will China’s economic development contribute to democracy and equality of Chinese society, or of the world? This should be the criterion for appraising China’s reforms.

Mao once said:

A revolutionary party, a revolutionary people, must repeatedly undergo education in both what is right and what is wrong, must compare the two, before the party or the people can mature, before they can be sure of victory. If we learn only what is right but not what is wrong, the Chinese revolution is sure to fail.

Indeed, it is only through a critique of neoliberalism that China’s socialist reforms and socialist market economy will develop healthily, and it is only through a relentless struggle against neoliberalism that more and more of Mao’s successors will understand that the fundamental choice we must face today is still the choice between socialism and barbarism. 

Notes

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1 “The most perilous moment” – a reference to the PRC national anthem: “When the Chinese people have arrived/ At the most perilous moment/ Each oppressed person belts out a final cry: / ‘Arise, arise, arise!’ / We, ten thousand masses with one heart, charge impetuously into the enemy’s cannon fire…” [Trans.]

2 “Colour-coded revolutions (yanse geming)” – a reference to the recent nationalist movements among the former Soviet and Yugoslavian republics, which American and Western European “NGOs” played a significant role in fomenting and supporting [Trans].