CHAPTER EIGHT

A CONSIDERATION OF CHINA’S INCOMPLETE RETREAT FROM STATE CAPITALISM*

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Introduction

In this chapter I examine China’s political economy since the 1949 revolution from a state capitalist perspective – that is, Mao Zedong’s avowed modelling of China on the state-owned, Soviet command economy – and the subsequent retreat from this in the post-Mao era. This approach accordingly downplays the view of those who maintain that China’s development path was grounded in its history, philosophy and culture. These introductory remarks summarize the definition of state capitalism I use in this chapter. The theoretical appeal of this perspective lies in how intense, military competition and concomitant development of the heavy industrial sectors dictate the path taken by the whole political economy. In section two I chart the gradual retreat of state control over the economy following the death of Mao in 1976, and the adoption of Deng Xiaoping’s Four Modernizations in 1978 that led to the ‘dual track’ approach. Section three concentrates on the factors that have led the Chinese economy to achieve unprecedented growth rates for more than a quarter of a century; that is, increases in trade, investment, and the setting up of Special Enterprise Zones in the coastal provinces. Section four examines some of the consequences of this economic boom, and I argue that there has been the creation of what can be generalized as ‘two Chinas’ – the booming coastal provinces, and the relatively backward Central and Western provinces. In section five and the concluding section, I attempt to gauge the political implications of the retreat of state capitalism and argue that that the profound restructuring of state and capital since 1978 has led to the

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reconfiguration of classes which, I argue, will have inevitable and significant political ramifications.

China presents an unusually awkward example to those who believe (or believed) it in some sense to be ‘socialist’ or ‘communist,’ as its leaders have proudly proclaimed since 1949. On the assumption that state-ownership equated with socialism, since the post-1978 reforms, China has indeed been shifting away from such a ‘socialism’ as it has increasingly resorted to the market mechanism and contemporaneously allowed increasing levels of private ownership. In such terms, China has relentlessly become more and more a ‘capitalist’ economy or, as its leaders see it ‘socialism with Chinese characteristics’ (or, more accurately, in their terms, ‘socialism with capitalist characteristics’). What is awkward for the erstwhile defenders of the Maoist state is that this shift has led to an astonishing surge in productivity, output, and growth – and in living standards. The pressure to make such a shift had been mounting as a result of the abject failure of the old system given that, under Mao, living standards had barely risen.¹ There is, however, a case for pointing out that, positively and negatively, the Mao period laid the basis for the reforms championed by Deng Xiaoping in 1978 and afterwards. On the one hand, better education and health among the Chinese people (agricultural and industrial working classes) and the building up of basic industry laid a foundation on which Deng’s reforms were built. On the other hand, fatigue incurred from forced participation in endless political campaigns certainly left many Chinese open to economic reform with less emphasis on political changes that required personal participation. Also, those managers and directors of state-owned enterprises who had suffered as political targets during the Cultural Revolution but who had physically survived, were, nonetheless, sufficiently demoralized as to be unable to defend ‘their’ state-owned enterprises against pressures for decentralization or against supervised privatization.

In this chapter I suggest a different perspective to understand China’s shift. The argument is that China, like the former Soviet Union, was a state capitalist economy operating a centralized, authoritarian command economy. As other chapters in this volume show, state capitalism can be defined in different ways – indeed this is perhaps why it remains

¹ Though the per capita income rose by 2.3 per cent p.a. between 1952–78 (Maddison 1998:66), much of this was allocated to the military industry complex, and not for improving welfare and living standards.