Over three decades after China ventured down the path of capitalist marketization, it is high time to take a hard look and ask some tough questions. Set against the bleak reality of increasing socioeconomic disparity and misery, the intellectual consensus with regard to the direction and rationality of post-Mao reforms—a rather fragile one from the very beginning—has begun to unravel. Many critics—both Chinese and Western—have argued that the Chinese state’s program of “market reforms,” which was to allegedly invigorate socialism, has instead fundamentally subverted Chinese socialism, and led the country on a path of increasingly capitalist development. These critics contend that the considerable costs of economic liberalization reflect the inherent antagonisms of the imposed capitalist system. Furthermore, market socialism—or “socialist market reforms,” as in the official Chinese parlance—is, at best a contradiction in terms, an unstable formation awaiting collapse. Chinese reforms have resulted in increased poverty and have intensified exploitation, integral components of capitalist marketization. The vital issue of class antagonism is not to be glossed over by the neoliberal myth of “transition.”

1 An earlier version of this article was published in Monthly Review 57, no. 6 (November 2005), 44–63. The author wishes to thank Judith Farquhar, Saul Thomas, Matthew Hale, Mingyu Zheng, and David Schweickart for helpful discussions and suggestions.

I. Market Socialism: Utopian or Historical?

The problem of post-socialist market transition extends far beyond the example of China. Market socialism has become a major field of interest among sociologists, political theorists, and economists on the left. Its proponents have devised many ways in which socialist values may be combined with market mechanisms, yet critics have expressed doubts as to whether such models can be coherent, and whether they are in fact desirable. In a well-known exchange between Ernest Mandel and Alec Nove, Mandel—a key critic of market socialism—insisted that the debate was centered neither on reform strategies nor on the malfunctions which the market is meant to fix; rather:

Our controversy turns only around two questions: whether socialism as conceived by Marx—i.e. a society ruled by freely associated producers, in which commodity production (market economy), social classes, and the state have withered away—is feasible, and whether it is desirable.3

The left generally view the market negatively. Even for those who might sympathize with the promise of market socialism, the market is often viewed with ambivalence, as at best a necessary evil, only to be tolerated if accompanied by very vigilant regulation. Market relations are viewed as contradicting and undermining the ideal of socialism. An unbridgeable gulf exists between socialism and the market—the system of commodity relations upon which capitalism has historically and structurally rested. That brings us back to the question: for reforming and reinvigorating socialism, why the market road after all?

According to Martin Hart-Landsberg and Paul Burkett’s recent book China and Socialism: Market Reforms and Class Struggle, for example, it was the Chinese government’s policy—and in particular that of Deng Xiaoping, the “Grand Architect” of China’s market reforms—that engineered the ideological reversal that has led the country down the path of what has been essentially a capitalist counter-revolution:

The party… argued that solving China’s economic problems required raising the country’s productive forces and not further experimentation with new socialist relations of production. And, according to Deng, the best way to enhance these productive forces was through greater use of markets.4

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4 Hart-Landsberg and Burkett, China and Socialism, 2005, 39.