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China:

From bureaucratic counter-revolution to bourgeois counter-revolution

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In April 2013, the International Consortium of Investigative Journalists (ICIJ) benefitted from a “monumental leak”: 2.5 million documents on operations carried out by two major suppliers of offshore services – Portcullis TrustNet, based in Singapore, and Commonwealth Trust Limited, based in the British Virgin Isles (in the Caribbean). This provided the opportunity for a large scale investigation known as “Offshore-Leaks” on the importance of the role played by tax havens in the world economy. Following these revelations, numerous scandals have broken out, involving politicians and political parties, the wealthy (such as the Rothschilds), banks like Crédit agricole and BNP-Paribas in France, intimates of the Kremlin in Russia and so on.

Surprisingly, these documents also concerned nearly 22,000 residents in continental China or in Hong Kong. It took a team of journalists (some of them Chinese) to identify the latter. Thirty newspapers are linked internationally in the ICIJ. In January 2014, these investigations were made public. *Le Monde*, in its issues of January 23-25, 2014, thus published a dossier of 12 pages in France. The editors noted that the results of the investigation “took the breath away” both in terms of the wealth amassed and the involvement of the economy, surpassing predictions: “There is not one Chinese sector, from oil to renewable energy, from mining operations to the arms trade, which does not appear in the documents possessed by the ICIJ and its partner.”

Via TrustNet, a consultancy now known as PricewaterhouseCoopers has contributed to the constitution of more than 400 offshore companies for clients in continental China, Hong Kong and Taiwan. The Swiss bank UBS helped create more than a thousand “offshore entities”. It isn’t just private wealth which, legally or otherwise, uses tax havens like the Virgin Isles, Caymans or Bermudas: state enterprises do so also, in particular the national giants of the oil industry. Shadow wars are waged on this terrain in which the CCP can brutally intervene by incarcerating business lawyers or disgraced company directors. The highly capitalist offshore world now forms part of the economic and political life of the post –Maoist regime.

At the heart of the ICIJ investigation were the “red princes” – “linked by blood or marriage” to the top leaders of party and state – who have benefited from banking secrecy to create offshore companies or invest their ill gotten goods: cronies of the current president Xi Jinping, his predecessor Hu Jintao, ex-Prime ministers Wen Jiabao or Li Peng, but also at least fifteen of the wealthiest people in the country, members of the National Assembly, generals and so on. Tax havens allow the creation of enterprises which escape the control of the authorities, operate outside of the control of the authorities, hide true ownership of a company, operate in the greatest opacity and launder capital, are quoted on foreign stock exchanges so as to avoid legal obstacles to stock market flotation, falsify the prices of commodities exported or imported, dissolve an “entity” quasi-instantaneously to escape legal proceedings, and so on. These so called havens thus shelter the fruits of corruption, bribes and massive diversion of money, sheltering “fabulous fortunes” (for now) from justice or settlements of accounts inside the party.

The sums involved are gigantic. The ICIJ investigation sheds light on the role of Western financial institutions in the functioning of the system, with a very prominent place for UBS – the biggest European bank for wealth management – and Crédit suisse. They favour the secret or illicit movement of capital, in return for which the “red princes” open to them the doors of the political regime. In short, the current Chinese élite behaves like any other bourgeois élite!

Everybody recognises that capitalism is flourishing in China, but some still believe (on the right and left) that the state and party remain “Communist”, inasmuch as the CCP keeps control of economic policy. The ICIJ investigation confirms however to what point the regime and capitalism now maintain incestuous relations.

Before the economic reforms initiated from the 1980s onwards by Deng Xiaoping, the boost given to capitalist opening in 1992, then the return in 1997 of the former British colony Hong Kong to Continental China, this accession of the “son of” or “daughter of” (like Li Xiaolin, daughter of Li Peng) to the world of business would not have been possible. Between a bureaucrat and a bourgeois, there is then no Chinese wall. How to understand this great Chinese transformation?

From whence did the new Chinese capitalism emerge, what has allowed its blossoming and what are its specificities? What basic questions does this contemporary experience raise? The present contribution will try to address these questions.

Revolution and counter-revolutions

There was a social revolution in China under the Maoist regime; then a social counter-revolution initiated under the post-Maoist regime by the reforms of Deng Xiaoping. This does not amount to an opinion and a debatable reading of texts or official proclamations, but of historic data: the transformation of the Chinese class structure has twice been so radical that it is impossible to ignore. It is all the more visible since it has been accompanied by spectacular renewals of the composition of the basic classes, the proletariat or the bourgeoisie, of an upheaval of the situation of women or the peasantry, as well as cultural, legal and ideological reversals.

To sum up, in the time of Maoism, the dominant classes of the old regime (the rural gentry and the urban bourgeoisie) disintegrated. A new proletariat developed, politically subordinated, but benefiting in the state sector from a privileged social status. Agrarian reform overthrew the village order. Whatever its limits, a profound movement of equalisation of rights benefited ordinary women. The Confucian ideology was assaulted and egalitarian aspirations were officially promoted. A state bureaucracy which was privileged, but different from that of before [1], progressively crystallized, occupying a nodal place within society [2].

In the 1980s and 90s, a new bourgeoisie was constituted; it was above all the product of an evolution internal to the society and not to the return of the exiled rich, its composition reflecting the specific history of the country. The bureaucracy transformed itself, becoming the pillar of a specific “bureaucratic capitalism”. A new proletariat appeared, fed by a massive rural exodus and made up of “internal migrants” without papers or rights, replacing the working class of the Maoist era. The peasantry is now threatened by a legal and general privatisation of plots on which it has usufruct. The super-exploited worker of the industrial free trade zones has become the symbol of the condition of ordinary women.

Certainly, any analysis of contemporary Chinese history should integrate these caesuras, these discontinuities. It should also offer an interpretation of what the “Cultural Revolution” of the late 1960s was; which relates to the formation and role of the state bureaucracy in a transitional society, to the manner in which it appropriates the monopoly of power.

The difficult restoration of control by the party and the administration after the chaos of 1966-69 marks in this perspective the completion of a bureaucratic counter-revolution and raises a significant question: the relationship between the latter and the bourgeois counter-revolution which began decisively 15-20 years later.

In contrast to Russia, the CCP steered the process of capitalist restoration from beginning to end: while this institutional continuity explains on the one hand the fairly remarkable success of the enterprise, it does not in the least hide the profound ruptures, political and social crises, and wide ranging social conflicts which have accompanied this counter-revolution.

This discontinuity is not expressed only in the repeated upheavals of the overall structure and social hierarchy, in the repeated transformation of the condition of the peasantry or ordinary women, but also in the meteoric trajectory of a new actor (a bureaucracy of a very specific type) and in what could be called the recreation of the basic classes (bourgeoisie, proletariat).

A “bureaucratic capitalism

The term capitalist restoration should not imply a return to the old bourgeoisie and the capitalism of the past, even if, under the dictatorship of the Kuomintang, a party-state already framed economic activity. The revolution has taken place, reshuffling the cards. Neoliberal globalisation has significantly changed the mode of imperialist domination. China has imposed itself in the international arena as an “emergent power” – in fact already largely emerged – a status which shows to what point the current situation differs from the 1920s in the “golden age” of Chinese capitalism, or 1930 and 1940 under Chiang Kai-shek.

From one bourgeoisie to the other

The rural gentry and the urban, industrial and trading bourgeoisie massively took the road of exile both before and at the time of the CCP victory in 1949, fleeing to Hong Kong (a movement which in fact began from 1945 onwards), invading Taiwan with the armies of the Kuomintang, strengthening its bridgeheads in south east Asia or in the Western countries. Agrarian reform, the movement of repression of “counter-revolutionaries” during the Korean War (1950-53) then the economic nationalisations disintegrated the dominant classes of the old regime in the People’s Republic.

Members of the old rural and bourgeois elite remained, collaborating with the CCP but on an individual basis and contributing in some way to the social erasure of their own classes.

The history of the Chinese bourgeoisie continued, but overseas. One of the unexpected results of the victory of the Maoist revolution is to have, in reaction, accelerated the development of a transnational Chinese capital which – today – plays an important role in the links between the capitalism of continental China and the world market – to the point where the South Koreans have created the acronym “Chiwán” (China-Taiwan) to refer to this alliance between the best of enemies.

Yesterday, capitalist restoration in continental China would have taken the form of a military or economic reconquest under the flag of the Kuomintang and under the aegis of Washington. Today an uncontrolled capitalist development would have loosened the grip of the party over society and led to an open crisis of the regime. The rapidity with which Western-Japanese and Chinese transnational capital established themselves in the People’s Republic after the political bureau had appealed for foreign investment indicates that this possibility was not only theoretical. The conditions of admission of China to the World Trade Organisation were very much more favourable to foreign capital than in the case of India. At the beginning of the 2000s, its weight became predominant in a growing number of sectors. But the CCP recovered its grip in 2003, with the 17th party congress and the election of a new leadership, reaffirming that there was no question of it losing control of the economy: capitalist restoration should above all benefit the regime and the new bourgeoisie born inside the People’s Republic. Thanks notably to the breadth of the internal market, the development of domestic capital allowed it to keep its position in relation to foreign investors.

An alliance was built with Chinese overseas capital, but under the hegemony of the CCP and the state bureaucracy. A new class of private entrepreneurs was constituted in China itself; the place of multinationals in the economy became very significant; but the regime kept control of the sectors considered strategic and still dictates the rules of

the game.

Bureaucratic capitalism

China fits in with the model of “state capitalisms” which, from India to South Korea, have played a major role in the development of various Asian economies between the Second World War and the neoliberal wave. It is also often classified in the vast category of “authoritarian capitalisms” where a despotic state guarantees capital its liberty. But this authoritarian state capitalism is of a very specific type, the product of too original a history to be easily labelled. To define it more precisely, Au Loong Yu, taking up an analysis by Maurice Meisner [3], calls it “bureaucratic capitalism”. This term indicates both the central place occupied by the party-state bureaucracy inside the new dominant class, and the interpenetration of the various components of the current Chinese bourgeoisie.

Much more than in the “classic” bourgeois regimes, bureaucratic capitalism goes very far in the fusion between power and money. The politicians are not merely the clerks of big capital. The highest sphere of the bureaucracy, at the head of the party-state, includes billionaires and business people. This fusion is found at all levels of the institutions and administration. Bureaucrats of a certain rank use their position to accumulate capital. Nepotism reigns at all levels, the best placed leaders placing their children in posts of responsibility.

Thus, the capitalist bureaucrats benefit both from their wages and a share of capitalist surplus value. Bureaucratic capitalism keeps control of the most profitable sectors of the economy [4]. They constitute the central kernel of the new bourgeoisie. A notable number of entrepreneurs and business people have family links with the bureaucracy; others occupy a more marginal position.

The term bureaucratic capital specifically concerns the capital possessed or controlled by bureaucrats thanks to their exercise of power.

– *Possessed*: in the first case, members of the bureaucracy have, by abuse of power, created for themselves or their families private enterprises; or have profited from the privatisation of numerous small or medium enterprises in the mid 90s; or again have individually joined the ranks of the bourgeoisie through corruption, receiving shares from private capitalists.

* *Controlled*: in the second case, the enterprises officially belong to the state, but their “use” is under the effective control of party cadres. Or they have been transformed into public limited companies which seek to make a profit rather than produce public goods. Their branches can obtain the status of mixed enterprises. Political cadres have the means to impose their cronies at the head of these entities. Without legally owning these enterprises, they can massively privatise profits and build fortunes. This process is obviously not specific to China, but it takes on a special dimension here.

Administration and enterprises

Also, each administrative department can, in its area of competence, create enterprises which have the sole objective of making a profit. The Department of Labour will create an enterprise providing labour; the fire service a fire safety equipment factory; the police a security agency and so on. The privatisation of urban land allows municipalities to carry out profitable operations – they are also offered shares in building enterprises. The army finally constitutes a powerful military-industrial complex which can today operate in a market economy.

Again, these practices are not specific to China. From Pakistan to Egypt, for example, the army also owns enterprises and land. Individually and collectively, the higher officers form a major component part of the national bourgeoisie. But in China, the phenomenon is of a rare scope, involving the whole of the party-state bureaucracy of a certain rank.

Above all, all this shows how concretely a bureaucracy monopolising power in a society where the bourgeoisie has been eradicated can transform itself into a new dominant class – by what means it “bourgeoisifies” itself.

The development of capitalism in China has not reduced the weight of the state apparatus, very much the contrary. Under the Kuomintang, before the revolution, there were already two million civil servants. After the revolution, there were 8 million in 1958, 21 million in 1978. The number is currently reckoned at between 50 and 70 million – much more than the regime officially acknowledges! This again witnesses to the power and centrality of the bureaucracy in capitalist China today.

The “necessary conditions” of the new Chinese capitalism

What has made possible the formation in China of a *new* bourgeoisie, a *new* capitalism, and the affirmation of a *new* power in the international arena?

Can China already be characterised as imperialist, in the Marxist sense of the term? The question is debated; for me, the process remains as yet unfinished, without any certain outcome, but it is certainly very much underway – it is the objective pursued by the leadership of the party-state. We have already seen the constitution of a new imperialism in Japan following the Meiji Revolution a century and a half ago. The Japanese precedent has shown that an imperialism can emerge elsewhere than the West, inasmuch as the class structure of the country allows it, but it had benefitted from a final breach in the domination of the world by the European and US powers. This chapter closed with the end of the 19th century.

China’s “emergence” is thus in no way banal. What has changed the situation to the point that a national bourgeoisie can now hope to compete with the greatest powers? The long term impact of the revolutions of the 20th century on the one hand, but also the victory of the bureaucratic counter-revolutions – then the areas opened to capital by neoliberal globalisation.

Revolution and independence

The revolutions of the 20th century have modified the traditional framework of inter-imperialist competition. Thus, after 1945, the USA in particular, although a superpower, had to accept the rehabilitation of its competitors in Europe (the Marshall plan) and in Asia (the reconstruction of Japan). To establish a cordon sanitaire around the People’s Republic of China, they used their military power: wars in Korea and Indochina; construction of bases in South Korea, Japan and Okinawa, the Philippines, Thailand and so on. They also had to accept an unexpected strengthening of national capital in South Korea and Taiwan; and allow India to lean towards Moscow to ensure a less dependent capitalist development.

The Chinese revolution ensured the independence of a country threatened with becoming a (neo)colony of Japan or, more likely, the USA. It ensured an independent base for development: cultural modernisation, industrialisation,

technological system, mass education, formation of a large and qualified working class and so on.

Alliance

The power of capitalist China obviously owes a lot to the geographical and demographic dimensions of the country and its internal market, but also to the quality of its access to the world market. An alliance yesterday deemed inconceivable has been created between the new élite born out of the bourgeoisification of the bureaucracy and transnational Chinese capital [5]. Independence and opening to the world have a posteriori been revealed as two elements essential to national capitalist renewal.

In 1997, Hong Kong was returned to the People's Republic. As a British colony, it became a Special Administrative Region (a status shared by Macao), preserving, under the principle of "one country, two systems", its role as financial centre and its opening to investment. Retaking possession of this territory without changing its international position was a deliberate choice of the CCP, which shows to what point capitalist reconstitution was thought through by the party leadership. A bridge between continental China and the world market, Hong Kong gave a kind of "organic" character to the alliance between the bureaucratic bourgeoisie and Chinese transnational capital.

On the one hand, the CCP has steered the bourgeois counter-revolution, on the other transnational Chinese capital has refrained from attacking the regime. It knows that only the party-state can ensure an ordered transition and avoid socio-geographical fractures which could threaten the unity of the country. China, a country-continent, is subject to an internal "combined and unequal development" liable to provoke violent tensions between regions.

Bureaucratic counter-revolution

For the new Chinese capitalism to take off, it was necessary that the dynamic of the revolution became exhausted and the working class and the people as a whole should suffer a historic defeat. This is the role played by the bureaucratic counter-revolution. It was not a bourgeois counter-revolution, but it was its essential precondition.

In essence, the new state bureaucracy was not the heir of the old regime. It emerged from inside the revolution. At the time of the conquest of power, it did not yet exist, properly speaking, even in an embryonic form. It represents very much more than a simple party apparatus. The pressure of revolutionary combat reduced, the cadres increased the privileges from which they benefited and thought of themselves as a "leading faction" of the new society. They became conscious that they had collective interests to defend and finally constituted – thanks to the monopoly of power they enjoyed – an autonomous, crystallised, dominant social layer.

The formation of this type of bureaucracy is a real social process with profound implications. It appropriates the party, the state. In China, as we have seen, this process was accompanied by successive crises (the Hundred Flowers, the Great Leap Forward and so on) which have increasingly dislocated or broken the links made during the revolutionary struggle between the CCP and sectors of society. At the price of a factional schism at the very summit of the party, it led to the crisis of crises: the so-called "Cultural Revolution" during which the party and the administration shattered into splinters, with the army alone ensuring the continuity of power.

At the political and ideological level (one might say psycho-sociological), the murderous chaos resulting from the Cultural Revolution, followed by the reign of the "Gang of Four" – a particularly intolerant bureaucratic dictatorship – created in reaction conditions favourable to the discourse of reform adopted by Deng Xiaoping following his

reconquest of undisputed power. It was seen as a return to reason: cultural relaxation, an avowed pragmatism, partial de-collectivisation in the countryside, workers' cooperatives and so on. The orientation advocated by Deng was all the more easily accepted inasmuch as the socio-economic reforms did not appear pro-capitalist.

At the social level, the actors in the egalitarian mobilisations of 1968-1969, abandoned by Mao, were massively repressed. The CCP was progressively rebuilt from above. Thus the completion of the bureaucratic counter-revolution sanctioned the abortion of the Cultural Revolution. Under Deng, the regime inflicted a succession of major defeats on the popular, democratic and student movements, centrally in 1989 with the crushing of the demonstrations at Tien An Men Square in Beijing – the repression extending also to the provinces. It was the depth of this defeat which allowed the regime to accelerate capitalist restoration from 1992 onwards.

Bureaucracy and bourgeois counter-revolution

By defeating social resistance, the bureaucracy created a relationship of forces favourable to the renaissance of a capitalist economy. In the past small private entrepreneurs were tolerated. They were now encouraged – and ceased to be small. But the essence was elsewhere: the state bureaucracy led its own bourgeois reconversion. Its privileges were no longer enough. They were closely dependent on the post occupied. They could not be privatised and did not allow a private accumulation of capital transmissible to the family.

The bureaucracy had become a dominant social layer, but it aspired to become a *possessing* class – a class of *proprietors*. The bureaucracy thus became a major actor in capitalist renewal. It substituted itself for a nascent but embryonic class of private entrepreneurs to impel the accumulation of capital.

Today, the party-state bureaucracy is not alongside the bourgeoisie, in support or in conflict with it: it *is* the bourgeoisie, or at least its core. It has transformed the state, yesterday radically hostile to capitalism, to make it an instrument at the service of capitalist development. A state in the service of the collective and specific interests of the capitalist bureaucracy. A state, one could say, privatised by this bureaucracy [\[6\]](#).

The party-state has ensured the construction of infrastructures appropriate to the requirements of capital (notably in the coastal regions); it has created free trade zones very favourable to foreign investors; it has piloted a new phase of industrialisation which has allowed China to become the “workshop of the world”; it has guaranteed profits by imposing on the working class a regime of permanent repression; it has intervened effectively to save “markets” and profits during the financial crisis of 2008.

Thus this state has created conditions favourable to capitalism in general, not only bureaucratic capital. The “Chinese model” implies moreover a close intertwining between the state, private enterprise, foreign investment, the world market and offshore capital.

Collectively, the bourgeoisified bureaucracy organised in the CCP still controls the core of the process of capital accumulation through its monopoly of power, its family networks, the links of dependency forged with entrepreneurs, joint-ventures with foreign capital and the place of the state sector in the economy. However many bureaucrats are also personally interested in private profit.

Although the big state enterprises still command a number of strategic sectors, their overall weight is considerably reduced. In 1979, they produced 80% of industrial goods as against only a third currently (albeit in an expanding

market). In around twenty years, starting from virtually nothing, the private sector (Chinese or foreign) has experienced a phenomenal expansion.

There exist however interdependency and tensions between the state and private sectors, as well as with foreign capital. The synergy which has characterised recent decades can seize up during a recession or a financial, social or international crisis. The “Chinese model” may not survive a rise in conflict between the various components of the new capitalism.

The fragility of the Chinese model also stems from generalised corruption which has become uncontrollable. It has grown incessantly since the 1980s: individual then “organisational” corruption (the leaders of the administrative sectors exchanging “money for power”), which has become specifically “institutional”: banalised, endemic inside the party-state, it is now a component of the system itself. Recurrent “anti-corruption campaigns” provide an opportunity for the settling of political or personal accounts, but they do not challenge its “systemic” character. How can rational policies be implemented in these conditions?

The scope of the assets invested by the “red princes” in tax havens reveals to what point the members of the bourgeoisified bureaucracy are involved in the private accumulation of capital [7]. The bureaucratic bourgeoisies can lose coherence and fissure from the inside – giving private capital the opportunity to gain a more central place in the economy.

Finally with the arrival on the labour market of the rural exodus, social resistance grows faced with the super-exploitation characteristic of a private accumulation of capital or a predatory transnational capitalism.

After 1949, the CCP benefitted from a formidable historic legitimacy given the role it had played in the liberation struggle and the foundation of the new regime. It no longer benefits from any such legitimacy whether historic, social, moral or democratic. It only has power.

To endure, the regime must reform. The élite is however unprepared for this. The transformation of the “Chinese model” is not completed. We are probably dealing with a transitional regime subject to internal contradictions whose future remains open.

The international conditions: new geopolitical situation and capitalist globalisation

National factors are not enough to explain the ease with which the new capitalist China has imposed itself as a power in the international arena. Certainly, in Asia most especially, the traditional imperialisms have had to accommodate the national bourgeoisies to contain the revolutionary wave following the Second World War. But this period is over: they could have benefited from this to reassert control and stifle the emergence of new imperialist candidates.

They have not in fact done so. The explanation can probably be found in the implications – not all anticipated! – of capitalist globalisation initiated in the 1990s and the consequences of the disintegration of the “Soviet bloc”.

The dismantling of the Soviet Union and globalisation are closely linked. The end of the geopolitics of blocs was an indispensable condition for the transformation of the world market in capital and commodities. Neoliberal policies were certainly imposed in certain countries (the USA, Britain and so on) before the demise of the USSR, but they

could only globalise when the geopolitical field opened. Symptomatically, the WTO was created (1994) in the wake of the fall of the Berlin Wall (1989).

The end of the “Eastern bloc” allowed a considerable expansion of the world capitalist market with the reintegration inside it of the former so-called “socialist” countries and the strengthening of economic interdependency: thus, the USA depends on capital inflows from China and China depends on the US market. By liberalising capital movements, the traditional financial powers have opened breaches through which newcomers have been able to pour. Convinced that they no longer faced adversaries of their own size, they emancipated themselves from politics, as if the “market” sufficed to regulate societies and ensure – with the aid of the repressive state and neoliberal ideology – their domination. At the national level, governments were forbidden to maintain the previous modes of domination, forged by history: state dirigisme in Asia, populism in Latin America, historic compromises in Europe and so on. At the geopolitical level, all alliances – previously frozen by the confrontation of blocs – became fluid and unstable. In Asia, the case of Pakistan illustrates the scope of the upheaval : the dominant classes could previously count on the assured support of the USA and China against India, itself backed by the USSR, while the India-Pakistan conflict strengthened the state’s control over society. Today, they are assured of nothing and the Afghan conflict fractures the state, destabilizing society.

We are no longer in a situation where, in many countries of the “South”, the national bourgeoisie or more generally the élites are organically subordinated to a given imperialism, as in the time of colonialism or again to a great extent after formal decolonisation. Inter-imperialist competition has again opened, for a new division of the market. The USA is certainly in a dominant position, but they are not capable of controlling the world alone. They seek to utilise for their benefit the “secondary” traditional imperialisms, but they cannot prevent the entry of new powers. Thus, in Africa, great manoeuvres are underway between the USA, Canada, France, UK, China, India, and South Africa. Of the “emergent powers”, China is the best placed to profit from the reigning geopolitical instability, the relaxing of the control exercised by the traditional imperialisms over the bourgeois elites of the South and the competition underway on the world market.

From one working class to another

It remained necessary that the new Chinese bourgeoisie had, at the internal level, the possibility of ensuring an extremely rapid primitive accumulation of capital – and thus break the social resistance of the working class inherited from the Maoist era. As has been said, it did so in an extremely radical manner – by replacing the latter by a new proletariat available at back and call - the undocumented workers originating from the rural exodus. Between the Maoist era and today, the structure of the Chinese proletariat (composition, social status, standard of living, type of consciousness and so on) has been profoundly modified. We are in the presence of a radically different working class.

It is the second time in less than a century that a new working class has emerged in China. The process is certainly different: the first time, in the 1950s, the old proletariat was not massively withdrawn from production to make room for another. But Chinese social history witnesses in spectacular fashion to the reality of the revolution of 1949 and the bourgeois counter-revolution initiated three decades later, as well as the specificity of the Maoist regime.

A century ago, China experienced its first waves of industrialisation. The industrial working class nonetheless remained very much in the minority, estimated at 1.5 million in the early 1920s as against at least 250 million peasants. It was concentrated in very large factories in certain regions only: coastal metropolises in the south, the Moyen-Yangzi river basin, Manchuria in the north, and so on. A good part of textile production still originated from the artisanal sector and the bulk of the urban semi-proletariat was made up of precarious workers, the “coolies” (unskilled labourers, journeymen, porters).

The young workers' movement played an important role in the revolution of 1925, but was crushed by the counter-revolution of 1927, then subject to Japanese occupation. Decimated in the towns, the Communist Party lost the essence of its initial implantation. After the Japanese defeat in 1945, the working class waged some big defensive strikes in reaction to hyper-inflation, but it no longer had its own specific organisations and political traditions.

After 1949: an envied status, but....

In essence it was a new working class which was formed in the People's Republic of China. From 3 to 8 million before 1949, thirty years later it was close to 100 million. The statutory employees of state firms constituted its big industrial battalions, the others working in collective enterprises in the town or countryside.

Recruited in the context of a massive policy of job creation ("low wages, many jobs"), the urban workers of the new state sector alone benefited from the high status of "worker and employee" with its social advantages: housing, tickets giving access to cereals, financing of education for children, health services, special stores, guarantees of lifetime employment, retirement pensions and so on. Each worker was allocated to an enterprise and a work unit as, in France, civil servants are assigned to a post. A worker reaching retirement age could frequently transmit their status to a family member.

Work rhythms were not intensive; in this area, compromises between directorate and workers were the rule. However, the political surveillance exerted by the party was nonetheless close, encroaching on personal life, the danger being avoiding using words deemed "counter-revolutionary". Urban workers were protected from the pressure that a rural exodus would have had on their employment, since peasants did not have the right to move to the towns. For some researchers, the condition of personnel employed in state firms could be characterised as "semi middle class". In any event, the situation of this working class, in the Maoist era, was very far from the super-exploitation characteristic of a period of primitive accumulation of capital!

Benefitting from significant privileges in relation to the rest of the population (not counting the cadres of the party-state), the working class for a long time supplied a solid social base for the Maoist regime, being sometimes mobilized against oppositionist intellectuals and students. It had a high social self-consciousness, but no political autonomy: it remained subordinate to the CCP in the absence of independent trade unions or political pluralism.

The working class of the state sector was the last to be impacted by the crisis of the Maoist regime, but it did not escape the tumult of the "Cultural Revolution" (1966-1968). During this major crisis deep democratic and social demands were expressed, but few radical movements were able to establish independence in relation to the power struggles inside the party-state. In the absence of perspectives, the social uprising fell into factional hyper-violence. With the support of the army, chaos gave way to a particularly intolerant bureaucratic dictatorship.

The renaissance of Chinese capitalism condemned the working class formed under the Maoist regime to disappearance. Ideologically, the enrichment (of some) and no longer labour was valued. A number of state enterprises were prepared for privatisation, the rhythms of production were accelerated, protections dismantled.

The working class in the state sector opposed a massive resistance (punctuated by violent explosions) to this programme of reforms. Many enterprise directors preferred to negotiate a compromise rather than confront their employees. The Chinese proletariat was incapable of offering a political alternative to the regime, but the regime was incapable of imposing its policy on wage earners. It thus decided to withdraw this restive working class from production en bloc, through early retirement, permanent halting of work or unemployment.

To camouflage the explosion of unemployment, the regime invented new terms supposed to express a “Chinese characteristic”: “not in post”, “awaiting a post” and so on. Some 40 million workers were thus withdrawn from production.

In 1995, employees of state enterprises were 112 million – with an additional 35.5 million in the cooperative sector. In 2003, it had fallen respectively to 69 and 9.5 million. The first to be affected, women represented 70% of those laid off.

China’s undocumented workers

In a country like France, civil servants are also replaced by employees with a “private” status – but more progressively and the so-called private sector already exists. In China, a layer of qualified workers, technicians and engineers originating from the state sector has been maintained in activity; for the bulk of employees, it has however been necessary to create a new working class for which the peasantry, once again, provided the battalions. This work force was available thanks to the unleashing of the rural exodus: some 250 million peasants (half of them women) moving illegally from the countryside in search of employment.

The peasants could not move at will in their own country; they needed a permit to move from their village of origin [8]. This has proved highly effective in the context of capitalist transition. Illegal, rural migrants were in the situation of “internal undocumented workers”. The regime has thus been able to abuse a workforce available at its beck and call.

A heritage of the Maoist period, this peasant workforce was much better educated than in many Third World countries and had benefited from a better access to health. These uprooted rurals had moreover no collective tradition of struggle, they were ignorant of all social rights and planned to return one day to the village. Good news for wildcat capitalism and the free trade zones and export industry which today employ more than 20 million workers – 70% of them women. Here is a working class corresponding to a period of primitive accumulation of Chinese capital – as well as the demands of the transnationals.

In the state enterprises in association with European and US capital, or in the factories of certain Western firms, the situation of workers is generally better, but they only represent a very narrow segment of the Chinese labour market. The Western “order givers” also often go through Asian intermediaries without monitoring the conditions of exploitation imposed by their subcontractors and suppliers.

Overall – and in particular in the Taiwanese or South Korean factories, working conditions are characterised by very long daily hours, exhausting rhythms, non-respect for rest times and days off, close surveillance (timing of toilet use and so on), very low wages, repressive discipline, non-existent safety standards (in relation to fire for example), frequent accidents, damage to health (toxic products) and so on. Or a situation typical to periods of intensive and primitive accumulation of capital; all with the active complicity of the local authorities.

The second generation of migrants is now arriving on the labour market. Unlike their parents, they do not expect to return to the village and are familiar with the social environment in which they were born. They are more able to defend their rights, but they have no organisation to help them and too often suicide continues to be a response to intolerable working conditions.

The upending of the social order

From bureaucratic counter-revolution to bourgeois counter-revolution

The dominant ideology does not necessarily express the reality of a regime. The invocation of democracy, for example, very often seeks to hide its absence. Great ideological or legal upheavals nevertheless reflect great social changes.

During the Maoist epoch, the working class was constitutionally elevated to the rank of “ruling class” and the peasantry the “semi-ruling” class. They are today symbolically marginalised and it is private ownership (in the capitalist sense, including of the means of production) that the Constitution must protect. Private wealth, including very large fortunes, and private enterprise are henceforth considered eminently legitimate and honourable. It is a radical legal and ideological reversal in relation to the Maoist regime.

The conditions of WTO entry in 2001 give capital (and foreign capital in particular) considerable rights. When the modification of laws is delayed in relation to the capitalist appetites of the bureaucracy, the regulations are ignored (in principle, for example, administrative departments do not have the right to create their own enterprises – which they nonetheless do).

In the cities, the workers under Maoism were paid according to a wage scale fixed at the level of the government ministries. Peasants often received work points in the context of the popular communes. Today, paid labour is again a commodity.

Because of the privatisation of urban and suburban land, property speculation, and the regrouping of the new wealthy into separate and protected neighbourhoods where they ostentatiously enjoy “nouveaux riches” lifestyles, town planning is remodelled according to profoundly inegalitarian standards.

The peasantry were initially favourable to the reforms introduced by Deng Xiaoping partially decollectivising agriculture. Families won the right to use a plot of land, in return for which they had to pay a tax and sell a part of the harvest to the state at prices lower than the market rates. But with time, the tax became increasingly heavy so as to finance the bureaucracy. Zones are arbitrarily declared ripe for urban development so as to facilitate speculative operations. Large scale construction works and pollution have increasingly serious consequences. Gangs impose the law of local potentates.

New differentiations appear inside the peasantry. A minority profits from the proximity of the urban markets. But pauperisation and precarity threaten a significant part of the rural population. Unemployment becomes structural and a vast “floating population” now lives in the margins of society.

The government supports a legal change in the status of agricultural land authorizing its privatisation – a modification of the law which would facilitate capitalist land grabbing.

Access to education became very inegalitarian with – from the end of the 1970s to the 1990s – the reintroduction of university entrance examinations, then the very selective possibility of studying abroad and the creation of a “trade in degrees” in higher education, not to mention increased registration fees.

In the Maoist era, intellectuals were officially allocated a very low ranking (ninth) in the social hierarchy. They supported Deng Xiaoping’s reforms and the promotion of science against the primacy of politics; however, as a whole they were not the beneficiaries of them on any lasting basis. A small minority joined the new élite bourgeoisie, providing its ideologues. “Experts” (engineers, lawyers, economists, journalists, researchers at the service of pro-capitalist think tanks and so on) acceded to significant posts of responsibility.

For Mao, society could only evolve under the pressure of its internal contradictions and through class struggle. While social contradictions explode, China, if one believes the current leadership of the CCP, lives in “harmony”: the ideological reversal is once again radical.

For a long time, the regime has tried to camouflage the scale of the ruptures by resorting to a succession of formulas reflecting the deepening of the reforms: this began with the “economy directed by planning with the support of the market”, then the “planned commodity economy” and later still the “market socialist economic system” : the decline of the public sector is apparent! In the early 1960s, debates inside the CCP leadership had opposed “radicals” to “moderates” in terms of economic orientation. Clearly, however, the stakes have changed between past and present. It is no longer about rendering the system “flexible” by liberalising the economy a little or seeking better equilibriums between town and country, or industry and agriculture – society has genuinely changed bases.

The role of the state is obviously not neutral in great transformations of the social order. After the conquest of power in 1949, it decisively served to break the power of the old dominant classes and to constitute a new working class in the state sector. From the 1980s and 1990s onward, it served equally decisively to ensure the reconstitution of new bourgeois élites, withdrawing from production the working class inherited from Maoism and forming another by drawing massively on undocumented rural migrants.

The current Chinese state is indubitably bourgeois, and is no longer then the same state as that of the Maoist era; it is difficult to “date” the bourgeois counter-revolution in the same way that one can date the victory of the Maoist revolution. What does such a dissymmetry imply?

An undateable counter-revolution?

Any social revolution is a process: there is a before and after to the “conquest” of power. Socio-economic transformations are never instantaneous. We can however date the (temporary) victory of the great revolutions of the 20th century: October 1917 in Russia and October 1949 in China, 1945 in Yugoslavia, 1959 in Cuba, 1954 and 1975 in Vietnam. These dates are not only symbolic – the proclamation of new regimes – they mark a substantial rupture: a state apparatus disintegrates at the national scale, another emerges; one army replaces another; the party (ies) incarnating the old order are defeated to the profit of a party emerging from the revolutionary struggle; an alternative political power takes form.

Everything can be complicated in the detail. According to the forms taken previously by the revolutionary combat (existence or not of significant liberated zones), social transformations can be begun or merely envisaged. The old order can still control a more or less significant part of social relations and bequeath an administration inherited from the past. The new order remains to be consolidated. But the “moment” of the “conquest of power” nonetheless remains a decisive turning point in relation to this.

It is much less obvious in relation to the counter-revolution which defeats what has been socially accomplished by the revolution, as shown in the Chinese case. One can certainly detect points of change in the process of capitalist restoration: it becomes conceivable at the end of the 1970s, starts during the 1980s, is openly affirmed in the 1990s, giving birth to a new power called “emergent”. But the whole seems the product of a gradual evolution in the context of the same state, under the leadership of the same party, framed by the same army. There are some major points of change, as with the new policy of reforms adopted in 1992, but there was no October 1949 of the bourgeois counter-revolution: a conquest of power – in 1992 indeed, power was already conquered.

For some, the fact that one cannot “date” the victory of the bourgeois counter-revolution shows simply that there was

no social revolution and that October 1949 was only a myth. For others it proves that the so called counter-revolution has not yet taken place. For the first, the CCP was already bourgeois at the time of its conquest of power; for the second, it remains guarantor of a non-capitalist road, of a market socialism “with Chinese characteristics”. A problem: there was certainly on two occasions a radical transformation of the class structure in China, in 1949 first, then following the “reforms” initiated by Deng Xiaoping.

The difficulty in “dating” the conquest of power by the Chinese bourgeoisie is nonetheless significant. It indicates that the process of counter-revolution is not the reverse image, as in a mirror, of the revolutionary process. It takes different paths, notably in a transitional society, and should be understood in its specificity – it is one of the basic questions that the history of contemporary China poses for us.

Transitional society

First element of response: the specificities of a transitional society where no mode of production imposes its law. Capitalism can no longer do it, but neither can socialism: it remains to be built and it is not won in advance!

When capitalism realises the conditions of its reproduction, the “agreements” [\[9\]](#) dominate. The dominant class, “hegemonic” social relations, the dominant ideology are bourgeois [\[10\]](#). In a transitional society, the “disagreements” [“discordance” in French] dominate. The change of political power takes place well before a socialist economy is created. The state can serve to develop new relations of production, but these relations are not yet “hegemonic” and a mode de production doe not dominate the state by the intermediary of a class endowed with social power. That is why the characterization of a state in a transitional society poses so many problems [\[11\]](#)

Even under a functioning socialist democracy (which was not the case in Maoist China), the proletariat would not be a consolidated dominant class in the same way the bourgeoisie is under capitalism. The relations between employees and peasantry are unstable whereas without this latter, the revolution would not have majority support. The “construction of socialism” is in no way automatic, in particular when the international environment is hostile. The “relative autonomy” of the state takes on a qualitatively more significant dimension than in a society where the domination of a mode of production is well established.

Bureaucracy and state

It is easy to understand, in these conditions, the incestuous relationship between state and bureaucracy. A sum of bureaucrats does not make a bureaucracy in the sense understood here, the outcome of a process underway from which it crystallizes and becomes conscious of its being, its collective interests.

The party-state is the context inside of which this social layer constitutes itself, by which it imposes its domination over society, with which it identifies itself, which it makes its own: “l'État, c'est nous”. Losing in the course of this process its popular roots, the party-state changes without for all that becoming bourgeois. But because it is already the state of the bureaucratic counter-revolution, it can become the instrument of the bourgeois counter-revolution.

Bourgeoisification at the summit

Capitalist transition does not, in the case studied here, require the overthrow of a dominant layer and its replacement by another. The proletariat and popular layers are excluded from a power which is monopolised by the bureaucracy. The new bourgeoisie is born from a transformation of the latter into a possessing class, in a world context eminently favorable to such a development.

The components of the Chinese bourgeoisie external to the state were not in a position to bid for power for themselves, to confront the bureaucracy on the road to bourgeoisification. The game is essentially decided at the summit. So far as China is concerned, this process had been nonetheless punctuated by crises (including the major one of 1989): this has not been a tranquil affair. But in principle, capitalist development has taken place in a still more insidious fashion: we can note one day that capitalism now dominates society without being able to “date” the qualitative point of change.

Once more on the theory of permanent revolution

The emergence of the Chinese capitalist power would imply according to some that the theory of “permanent revolution” (as well as similar conceptions of “uninterrupted revolution”) was unfounded – or at least has now been shown to be invalid.

The theme of “revolution in permanence” [12] goes back to the 19th century and is found among various Marxist authors, starting with Marx himself. It concerns the dynamic initiated by a revolutionary uprising in a country where capitalism has not yet consolidated its law: once in struggle, the popular layers tend to defend their own class objectives and to go beyond the limits assigned to the revolution by the initial bourgeois leaderships. Thus, the dynamic of social struggles could put on the agenda a socialist perspective even before the “capitalist stage” has been completed, or indeed seriously started.

At the beginning of the 20th century, Leon Trotsky in particular developed this approach, concluding that in the imperialist epoch the national bourgeoisies of the dominated countries had shown themselves incapable of fully realising the democratic tasks historically identified with the bourgeois revolutions of the previous century – a task which thus henceforth fell to the proletariat allied with the peasantry. These bourgeoisies could notably no longer free society from the grip of the great capitalist powers and resolve positively the national question.

In the 19th as in the 20th century the possibility of a “socialist growing over”, of a “democratic revolution” with a popular base, remained conditional. To consolidate itself, a revolutionary power should benefit from an international extension of the revolution, notably in the developed capitalist countries.

In essence, this analysis was historically confirmed. After Japan in the 19th century and before the early 21st century, no bourgeoisie of a dominated country has been able to free itself from imperialist domination. None of the great social revolutions of the 20th century, which broke this link of subordination, was led by the bourgeoisie ensuring the development of an independent capitalism.

It is particularly notable that no national bourgeoisie (in Latin America for example) profited from the world wars of the 20th century to make its international take off, whereas the belligerent powers could no longer exert their control with the same force. It was the revolutionary movements which poured through the breach: the Russian revolution in 1917, the Yugoslav, Chinese or Vietnamese revolutions in 1945.

Elsewhere there was certainly the international extension of the revolution, but not in the imperialist countries, which finally contributed to the exhaustion of the popular dynamic in the new transitional societies and to the bureaucratisation of their states.

A theory which was valid for more than a century was not erroneous! Is it however obsolete? Yes, but above all no. No because it remains indispensable for understanding how the world has changed in the past and changes in the present. If Japan was able to achieve its bourgeois revolution, it is because it had not yet passed under imperialist domination and the class structure of the country could incubate a capitalist development. If China can do the same today, it is, as we have seen, for similar reasons. The theory of permanent revolution (and more generally of “combined and unequal development”), helps us analyse why what was possible before yesterday (Japan) was no longer possible yesterday and becomes possible again today. A theory which allows assimilation of the new, of thinking through the transcendence of its previous conclusions, is not invalid!

Yes, the theory of permanent revolution as formulated a century ago is outdated, but in the sense that it should be rethought in the current world context as the theme of “revolution in permanence” of the 19th century had to be rethought according to the rise in power of the traditional imperialisms and the completion of the world market, as well as the upheavals induced in the social formations of the dominated countries.

And no, the theory of permanent revolution has not remained ossified for a century. The social formations of the dominated countries have always undergone differentiated development and for several decades there has been a discussion on this subject, for example on the notion of “semi-industrialised” countries or “sub-imperialisms”. The revolutions of the 20th century in the Third World considerably enriched our understanding of the social convergences which underlie a “permanent” or “uninterrupted” revolutionary process (see the peasant or indigenous question, or again the second wave of feminism). The experience of the bureaucratisation of these revolutions has given a new “density” to the key elements of socialist programme which are self-emancipation and a democracy conceived from the viewpoint of the people.

The updating continues (centring attention on the ecological issues, for example), but it is certainly necessary to work more systematically on all the consequences of the new mode of domination imposed through capitalist globalisation: sterilisation of bourgeois democracy, accelerated commodification of all spheres of social life and of living itself, reorganisation of work and new technologies, increased precariousness of entire layers of society even in the “North”, activation of multiple identity based conflicts with non-progressive dynamics, renewal of “inter-power” competition, global ecological crisis, incidence of extreme climatic phenomena and global warming and so on. What are then today the “appropriate” forms of internationalism?

Finally, the strategic conclusions of the theory of permanent revolution are not obsolete. There is no return backwards to the “glorious” times of the bourgeois revolutions of old. The time when, faced with the old order, they showed a democratic potential is long gone. In truth, bourgeois democracy is emptied of any content including in the Western countries where it was born: inside the European Union for example, treaties have withdrawn from elected assemblies the right to decide the socio-economic orientation of the country – no more choice, no more democracy! The advances of capitalism are at a very high price and plunge us into a catastrophic ecological crisis which can only be limited by breaking the commodity dictatorship. To speak of “bourgeois democratic revolution” has become much more than yesterday a contradiction in terms.

Only revolutions both anti-capitalist in their content and anti-bureaucratic in their dynamic can restore meaning to the word “democracy”. The question is important, because at the international level, left currents of Maoist origin (but not only them) judge as positive the emergence of the Chinese power, even when they recognise that it has become capitalist – if only because it contributes to “balancing” the world relationship of forces. We will consider Beijing’s geopolitical role, in particular in East Asia, in a future article. We will simply say to conclude that this role contributes

to making the peoples of the region hostages to powerful conflicts.

[1] The bureaucracy of which we speak here is that which is constituted inside a transitional society where the old dominant classes have been overthrown. It is neither the debris of the previous administration nor an improbable resurgence of the “celestial bureaucracy” when some 40,000 mandarins managed what was at the time the world’s biggest empire. However, the Chinese tradition of the centralised state – whose historic roots are much deeper than in Europe – and of administrative authority have conferred a certain cultural legitimacy to the new bureaucracy born after 1949

[2] Bureaucracy has an almost universal existence, but when we mention it in this chapter, it concerns specifically that which emerges in the wake of a revolution with an anti-capitalist character

[3] See Au Loong Yu, *China’s Rise: Strength and Stability*, Merlin Press, Resistance Books, IIRE, 2012, p. 13. The analysis of the structure of the new Chinese bourgeoisie and most of the data or examples provided here are taken from this book, in particular the chapter “On the rise of China and its inherent contradictions”, completed by the article by He Quinglian, “La structure sociale vacillante de la Chine” (2000), in the review *Agone* 52, 2013, originally published in Chinese in March 2000 and in English in the *New Left Review*

[4] The weight of the state remains preponderant in banking, the mines, cement, metallurgy, oil and petro-chemicals, aerospace, engineering, communication, the media and other areas

[5] Ironically as noted above, by expelling it from the country, the Maoist revolution also forced the Chinese bourgeoisie to “modernise” by transnationalising itself and freeing itself of its links with an outmoded rural gentry

[6] The privatisation of the state is not specific to bureaucratic capitalism. The Marcos clan, for example, privatised the Philippine state under the martial law regime

[7] More than Hong Kong, it is Macao – famous for its casinos – which is used for the laundering of money and the discreet export of capital

[8] This administrative measure has existed for a long time, but it has been used by the CPP to limit the rural exodus to the urban centres and coastal regions, as well as to strengthen its political control. It still exists but today it is more flexible in its application, and has partially fallen into disuse

[9] "concordance" in French

[10] Which obviously does not exclude the originality and complexity of each society (of each “social formation”) or each instance (the state and so on) which is the product of a specific history, or of social relations inherited from several epochs combining together, where the relations with the world order differ (colonial past or present, and so on)

[11] Alert readers will probably have noted that I have used the concept of bourgeois state, but that I have avoided using the term workers’ state. The proximity of the formulas seems to me to lead to confusion, implying that the relationship between state and (dominant) class would be similar, which is precisely not the case. Especially in transitional societies, it seems to me more useful to log the contradictions at work in the ruling party or state than to reflect by “definitions” (the “nature of...”).

[12] For simplicity, I use the formula “revolution in permanence” in referring to the texts of Marx on this question, “permanent revolution” for those of Trotsky and the Trotskyist tradition, and “uninterrupted revolution” for the Maoist tradition; but these terms should not be “fetishised”: the possible nuances of meaning between them not being necessarily reflected in their translation, especially into Chinese