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China: Rise and Emergent Crisis

China's Rise: Strength and Fragility By Au Loong Yu

- Reviews section -

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The meteoric rise of Chinese capitalism over the past two decades has elicited myriad responses by mainstream and left commentators. From neoconservatives decrying the rise of the “red dragon” to leftists seeking to find socialist diamonds in the rough of “the sweatshop of the world,” enormous confusion has been sparked by the seeming contradiction of the world’s largest self-proclaimed “communist” party leading its nation in capitalist dynamism.

Many questions immediately come to mind: how socialist is the Chinese state? What kind of capitalism is driven primarily by a bureaucratic class? What is the source of China’s enormously successful system of class exploitation? And what, if any, truth is there to the fears and hopes that China will one day challenge the U.S. for hegemony of the global system?

These questions are addressed in Au Loong Yu’s *China’s Rise: Strength and Fragility*, a collaborative project which nonetheless is centered on Au’s analysis and work [1]. An editorial board member of *China Labor Net*, Au was a researcher at Hong Kong’s *Globalization Monitor* from 2004 to 2006. As an experienced activist from the People’s Alliance actions against the WTO’s 6th ministerial meeting in 2005, he brings a keen labor-based perspective to the table in his interrogation of the nature of Chinese capitalism.

The author does not revert to simplistic orientalisms which point to China’s “orderly” and “Confucian” social structure — itself a kind of self-orientalizing project of the Chinese Communist Party, designed in large part to fill the ideological vacuum caused by the repudiation of its Maoist past. Rather, Au analyzes the concrete historical structure of Chinese capitalism and its rise on the backs of a bureaucratic reaction following the disastrous Cultural Revolution.

In addition, this collaborative work features insightful contributions on issues as varied as the legacy of Maoism, the role of the All China Federation of Trade Unions, and China’s place in the global economy, by authors including Pierre Rousset, Bai Ruixue and Bruno Jetin. These provide meaningful context and explication of Au’s central thesis: that China is a bureaucratic capitalist power. That is to say, “the bureaucracy is the capitalist class.” (15)

Bureaucratic Capitalism

Identifying bureaucratic capitalism as a subset or “type” of state capitalism, Au’s thesis rejects the market socialist claims of such thinkers as Giovanni Arrighi. Au holds that state ownership in itself does not function as a kind of socialized property; on the contrary, state ownership allows for the bureaucracy to directly control the appropriation of surplus value.

Au’s claim is indebted to a chapter in Maurice Meisner’s book *The Deng Xiaoping Era*, defining bureaucratic capitalism as “a term that refers to the use of political power and official influence for private pecuniary gain through capitalistic or quasi-capitalist methods of economic activity.” (13)

The distinction of this kind of capitalism from state or “authoritarian” capitalism is in “the degree of the party’s privatization of the state, the extent of bourgeoisification of the bureaucracy, and the fact that it is this bureaucracy which constitutes the core of the bourgeoisie.” (15)

The advantages of this structure were on display during the 2008-09 financial crisis, as the Chinese state intervened with a barrage of investments and strategies perfected by its counter-cyclic actions of the previous decade. As Au says, "With a despotic state in its hands, the Chinese bureaucracy is more than capable of containing the economic cycle," and it did so by investing in what effectively were infrastructure projects leading to real estate bubbles, without a significant effect on employment.

That the state intervened to such a degree without much concern for mass unemployment is a testament to the success of this apparatus's position in the class struggle. Over the period following Deng Xiaoping's rise, the "iron rice bowl" system (guaranteed employment) was progressively dismantled, particularly after the ruthless crackdown on the 1989 Tiananmen Square protest movement.

Indeed, the crackdown itself only emerged after mass worker participation, the formation of an independent trade union federation, and rumblings of a potential alliance between a largely liberal student population and a grassroots socialist consciousness emerging from workers.

Nonetheless, the defeats imposed at that time continue today and have succeeded in creating a bifurcated working class: on the one hand, relatively well-off state workers with the privileges of hereditary urban residency, on the other hand a mass of rural residency migrant laborers who live and work in conditions of extreme precarity and regimentation.

The Legacy of Maoism

Pierre Rousset's chapter on the legacy of Maoism includes an insightful overview of the rise of Chinese Marxism and the unique construction of Maoism in the conditions of a peasant-based economy, protracted civil war, and the Japanese imperial invasion in the midst of the warlord state of the Kuomintang (KMT) led by Chiang Kai-shek.

The militarization of the Chinese Communist Party after the KMT's bloody crackdown from 1926-28, culminating in the Shanghai massacre of 1927, is an old story but one which deserves to be retold. Stalin's Communist International had forced the Chinese Communist Party to ally itself with the KMT up until its massacre at their hands, thereby forever creating an atmosphere of distrust between the CCP and the Soviet leadership.

The eventual success of the CCP in its "people's war" in 1949 led to the liquidation of the bourgeois merchant class, the warlord state, and the landed aristocracy. The new state constructed by the regime "structured itself nationally around the three pillars — the army, which intervened in production, the administration and the Communist Party, not forgetting the security services." (Rousset, 250)

Inasmuch as continuity exists between the Maoist revolutionary days and the current regime, it lies in the monopoly of political power enjoyed by the CCP and the state bureaucracy, which are effectively synonymous.

Indeed, the repudiation of the Maoist past in the Deng era centered around the transformation of the CCP's orientation. As Au explains:

"[I]n Mao's era even if the state served the interests of the bureaucracy in the first instance, both the legacy of the revolution and the kind of anti-capitalist regime following it put limits on the privileges of the bureaucracy; the bureaucrats could only appropriate social surplus in the form of use value, not exchange value, and this barred them from effectively accumulating capital. Moreover, they could not pass their privileges to their children. Their privileges

were further limited as the state had the responsibility of guaranteeing job security to workers and basic survival to peasants. Hence Mao's state, while not socialist, was not capitalist, nor was it a state whose sole purpose was to serve the interest of the bureaucracy." (15)

The protracted process of upending this old relationship effectively reached fever pitch following the 1989 Tiananmen crackdown. Obsessed with preventing the emergence of a combination of student-led demands for democracy with demands for social rights and power pushed by the organized working class, the CCP began to smash its opposition with a massive wave of privatization that carries on to this day.

From 1996 to 2006, over 60 million workers were laid off in a process of privatization that forever changed the Chinese economy, culminating in today's decidedly anti-Maoist structure.

That the "commanding heights" of industry remain in state hands is no surprise, given the CCP's desire to continue its domination of the despotic state. Relative diffusion of power to the local and regional level has even come under attack with the rise of Xi Jinping's "anti-corruption" drive, which is actually a factional struggle within the CCP and a struggle for greater centralization of power in the hands of Beijing.

The Ideological Map

The end of the era of charismatic leadership in the party has led to sharp succession struggles within the political apparatus.

Powerful princelings are dissatisfied with their relative lack of political efficacy in the face of their enormous economic power, especially after the various post-Deng reforms which have placed a ceiling on office-holders' terms. It is widely believed that the fall of Bo Xilai (the powerful and brutal party chief in Dalian) represents one of these great battles over succession, and also introduces the question of ideological struggle within the party.

Other than the fairly shallow introduction of the idea of "Capitalism with Chinese Characteristics" and vague discussions of Confucianism as the source of China's dynamism, the CCP and the sector of the population engaged in ideological struggle have more or less split between variants on nationalism and liberalism. Although a purported "New Left" exists, it is isolated to powerless intellectuals and both concretely and ideologically disconnected from actual social movements, particularly the all-important labor struggles.

The most poignant display of liberalism can be found in the case of 2010 Nobel Peace Prize winner Liu Xiaobo, who was imprisoned for his attempts to raise the cause of democratic rights in the Chinese legal system. Liu's Human Rights Charter effectively excludes workers, as does the general thrust of liberal thought in Chinese society. (For a critical assessment by Au Loong-Yu of the charter, see <http://drupal-6.12.solidarity-us.org/node/3134> ed.)

The fact is that student protest leaders in 1989 were suspicious and sometimes hostile to worker involvement and demands, and the crackdown seemed to confirm these suspicions. Indeed, the liberal factions seem to be able to agree on only one major issue: the need for further privatization of state assets. Western distinctions between neoliberals and left-liberals are meaningless in the Chinese context, as exemplified by notable intellectual Yu Jie's "enthusiasm towards privatization, the WTO, the sacking of SOE workers, the U.S. attack on Iraq" as well as his hostility to the very notion of a social safety net. (113)

On the other hand, various forms of nationalism which sometimes play on a nostalgia for the pre-Tiananmen but

post-Mao days plays a more important role among New Left thinkers. Though the term “New Left” conjures up images of 1960s and 1970s radicalism, in the Chinese context it is merely a means of distinguishing them from the pre-Deng era left. Their common ground is “a critique of globalization, the market, privatization, and liberal democracy.”

This very diverse group cannot really be considered a coherent ideological current, much less an organizational force for linking up with forces for social change. Inasmuch as it coalesces, it finds common ground in its support of the one-party state, “the value of collectivism, the importance of holding the multi-ethnic Chinese state together, a more autonomous path of economic development,” as well as vague reference to the value of the Maoist legacy. (116)

An assumption among many thinkers in this camp holds that China’s bureaucratic state represents the interests of the vast majority, and that without its monopoly on political power neoliberal reforms would savage the population. That the Party’s own reforms have savaged the population is apparently lost on those who hold this view, a view common enough among some sectors of the Western left who erroneously claim China to represent a kind of alternative to Western capitalism, rather than an example of non-liberal capitalism.

This nationalism is to be distinguished from the nationalism of the period spanning 1840 through the revolutionary years, which Au remarks “was to a great extent a legitimate response to foreign aggression and popular aspirations for national independence.” The new nationalism is being fomented from above rather than bubbling up from below:

“[T]his new Chinese nationalism is different. It is both a response by the ruling elite and some important intellectuals to internal and external problems, which have arisen during the course of re-integration with global capitalism, as well as a means of advocating the modernizing of China via the strengthening of the one-party state. The ultimate purpose of new Chinese nationalism is the re-building of the glory of the past great Chinese Empire, thus the propaganda on ‘the rise of China’ does not contain anything progressive.” (111)

Au cites Zheng Yongnian of the National University of Singapore, who argues that the revival of nationalism has emerged in order to fulfill the ideological needs of the CCP as it has shed its revolutionary past and working class base in favor of the bourgeoisified bureaucracy. Zheng claims that in “the post-Mao era, the search for political legitimacy has replaced the foreign threat and has become the primary factor underpinning the revival of Chinese nationalism.” (111)

This reactionary nationalism has recently been fanned in response to protest movements in Tibet as well as during Beijing’s maritime disputes with Vietnam and Japan, and has even involved the promotion of large-scale protests.

Class Struggle

The creation of a two-tiered labor system was facilitated by the hukou system, a fairly ancient residency system which predates the 1949 revolution in which individuals are marked as either “rural” or “urban” residents. In the early years of the Maoist regime the new working class in urban centers received certain job, housing and educational protections.

Au’s analysis of class struggle in the post-Tiananmen era centers on the continuing role of the hukou system in dividing the working class:

“The hukou system, or household registration, has a history of over two thousand years in China, and was

established during the imperial era as a means of social control. The hukou system allowed the state to collect, on a regular basis, statistics concerning the number of laborers among the households, and the area of land they owned, so that it could draft the exact number of soldiers or collect the exact amount of taxes and levies...The hukou regime divided citizens into urban and rural households, and it systematically discriminated against rural residents as second class citizens.” (187)

Despite reforms, the general features of the system involved tying individuals to their residential sectors in a hereditary fashion, barring rural residents from the social safety net, transferring status in a matrilineal manner (though this has been relaxed somewhat) thereby cementing rural women’s third-class status, enforcement by more or less officially-tolerated mafias employed by local officials, and reinforcement of patriarchal filial structures by way of giving parental control over marriage rights.

In short, it is a system that allows for the endless appropriation of surplus value from a young, precarious migrant population which can be shipped in for labor and shipped home to its rural sector at will.

As rural workers find themselves in barracks like conditions, they are afforded no social protections, abused by local officials and their not-so-officially employed *huijing* and *zhiandui*, the registration police and the infamous “public order teams.”

When the story of millions of layoffs after the 2008-09 financial crisis hit, many commentators expected unrest to follow across China, as they were unaware of the ways in which the hukou system has structured a labor force in a constant state of composition, decomposition and recomposition shaped by the business cycle.

The local structure of oppression wielded against migrant laborers has further cemented the trend in labor and other social struggles to appeal to Beijing for arbitration. A general ideological thread running through such struggles essentially presumes that if only the central government knew what its lackeys were doing, it would bring justice. Selective intervention and the 2010 fomenting of anti-Japanese protests following the Honda strike is demonstrative of the CCP’s cleverness and its ability to get ahead of social struggles.

Struggle in the Export Processing Zones (EPZs) is very common, with numerous strikes taking place on a daily basis. Strike activity throughout China has reached epidemic levels, yet no national labor movement has been constructed. There is some clandestine communication and travel of some self-taught legal representatives, but the machinery of repression and the balkanized effect of local governance has effectively hamstrung a coordinated labor movement.

Furthermore, the division between the rural and urban residential workers is somewhat cemented, as the natural leadership of a labor movement in the form of the more privileged urban residents remains wedded to the state. Indeed, the role of the All China Federation of Trade Unions, explored in Bai Ruixue’s chapter, is one of demobilization, cooptation, and sometimes outright repression against any form of independent organization, whether it be an NGO or a labor union. Strict registration requirements for NGOs after the Tiananmen crackdown are a further barrier.

China’s and Class Struggle

Au and Bai collaborated on the chapter centering on class struggle, concluding that there is a need for a “strong organizational drive and solidarity between the two sections of the working class to reverse their impoverishment.” (158) In general, the episodic and fragmented nature of class struggle is the central barrier to the emergence of a

working-class labor movement on a scale the world has never seen before.

In the Pearl River Delta alone there are on average 10,000 labor disputes per year. As the scale continues to rise, the emergence of a coordinated labor movement becomes more and more likely, and this will serve as the chief material challenge to the continuation of the status quo.

The other major issue explored in the book, primarily by Bruno Jetin, is the issue of China's rise in the world-system. Does it represent a fundamental threat to U.S. hegemony, or are its claims to "developing nation" status a signal of the Chinese state's ultimate "backwardness"?

For the sake of space and not to rehash an endless array of statistics, it is important to note that there are real barriers to the continuation of China's extreme GDP growth rates. For one, as the saturation of industrial production grows, the environmental costs eventually begin to eat into profit margins due to their severe disruption of ordinary life.

Pollution in China is on an unimaginable scale. All of the things which drive foreign investment — lax regulatory standards, low wage labor, and severe repression — have their own limitations on growth.

Politically, the state simply cannot engage in the kind of savage attack on a mass movement if one were to arise as it did in 1989. To do so would be to encourage a massive growth in dissent from better-off Chinese who have had some cultural exchange with the West.

Such economic barriers are familiar to any student of rapid industrial development. Massive growth is accomplished in the transition, but when the infrastructure of industry and the needs of a modern workforce are generalized, the costs of maintaining such a vast apparatus inevitably grow. Indeed, Au's first chapter is titled "On the Rise of China and Its Inherent Contradictions" (*italics mine*).

Simply by virtue of successfully developing its economy and avoiding cyclical downturns through state investment and a high savings rate, the bureaucracy has set up the conditions for large scale economic disruptions. Though a precipitous collapse of financial markets is unlikely for various reasons, a serious decline in employment, investment and profitability is inevitable over the next two decades.

Au's book represents a healthy dose of good scholarship and realism in the midst of a sea of celebratory and alarmist books on China's emergence on the global scene.

His thesis that China's capitalism represents a type of "bureaucratic capitalism" is both insightful and intriguing, and provides a useful tool for analysis of its limitations and contradictions. The contributions by other writers flesh out this thesis in meaningful and concrete ways, and also provide useful context for understanding the emergence of bureaucratic capitalism from the Maoist period.

[1] China's Rise: Strength and Fragility By Au Loong Yu, with contributions from Bai Ruixue, Bruno Jetin and Pierre Rousset Merlin Press in association with Resistance Books and IIRE, 2012, 326 pages, \$26 + shipping from www.iire.org/en/iire-shop.html.