

China: From Bureaucratic Communism to Bureaucratic Capitalism

November 20, 2012

The election last week of Xi Jinping to the chairmanship of the Chinese Communist Party (CCP), together with six others who with Xi constitute the Standing Committee of the Political Bureau of the party, represents entrenchment of what the Chinese Marxist intellectual Au Loong Yu has called “bureaucratic capitalism.”[1] The bureaucratic capitalists, many of them princelings, that is, sons of the founders of China’s Communist government, have through their control of the state and crony state-corporation relationships come to dominate the heart of the country’s capitalist economy and to form the core of the new bourgeoisie that rules the country. They are a group of families and clans connected by both party and business relationships that constitute the country’s ruling class. It is this use of the party and state to control capitalist enterprises, to exploit workers, and to make profits that, as Au argues, constitutes the unique character of Chinese capitalism today.

The emerging leadership of princelings will not seek fundamental change, but rather work to preserve and expand their class power and privileges. As Edward Wong wrote in the *New York Times*:

The princelings are not a coherent political faction, and their ranks are rife with personal and ideological rivalries. Their family connections may mean a greater confidence with wielding power and pressing for bolder changes. At the same time, that class has grown wealthy off China’s political economy, in which officials and state-owned enterprises work together to reap benefits, often at the expense of private entrepreneurship. Even those princelings who support liberalizing the economy or the political system still believe in the primacy of the party, and their push for various reforms is seen as an effort to ensure the party’s survival.[2]

Xi and the other new leaders are deeply committed to continuing the state-led capitalist development that has not only given them enormous power but also made many of them fabulously wealthy. The CCP, which now Xi heads, represents the guardian of the economic and political power of this new ruling class. The domination of this group for the next decade, barring unforeseen developments, means that either a turn to a more western model of capitalism, or democratic reforms, or a socialist transformation of the society from above are all off the agenda. Democracy and socialism will come to China from below, or they will not come at all.

How did China, a nominally Communist country, come to be a thoroughly capitalist country with this unique form of political power and governance?[3] The roots of the existing bureaucratic capitalist class are to be found in the bureaucratic Communist, or, more exactly, bureaucratic collectivist class, that emerged from the Chinese revolution. It was the experience of building the CCP and the People’s Liberation Army, leading the national revolution, and obliterating both foreign economic control and the old competitive capitalism that had existed in China that created the Chinese Communist one-party state. The CCP, always in control of the Communist revolution, also found it possible to keep control in the transition to capitalism.

From Working Class Party to Peasant Army

The CCP's unique character was formed in the 1920s and 1930s after the tragic events of Shanghai 1927. Throughout the nineteenth and early twentieth centuries, China was dominated by foreign powers, principally by Great Britain and other European powers, though Czarist Russia, the United States and Japan had also become involved in the dismemberment of imperial China. At the same time Chinese warlords, landlords and capitalists exploited the country's workers and peasants. A national and democratic revolution in 1912 created a Republic under president Sun Yat-sen, leading to the end of the Qing monarchy. The Chinese Republic struggled to impose a democratic order on China's fragmented authoritarian regions as the country fell into civil war.

The Russia Revolution of 1917 (1918) led to an alliance between the Soviet Union and the Kuo-min-tang (KMT), the principal party of the Chinese Republic, led by Chiang Kai-shek. Under orders from Joseph Stalin, Chinese Communists subordinated themselves to the KMT and hesitated to create an independent organization. In April 1927 in the industrial city of Shanghai, which was a Communist stronghold, the KMT turned on the CCP, executing thousands of its members.[4] The Chinese Communists, following Stalin's new left turn in what is called the "Third Period" of the Communist movement, then attempted in December 1927 to organize revolutionary insurrections in several cities, most famously the so-called Canton Commune, all of which were crushed leading to the deaths of thousands more Communists.

The Army as Party

After those devastating defeats, Mao Tse-tung and other Chinese Communist leaders retreated to the countryside where they reconstructed the party and built the Chinese People's Liberation Army. The CCP's leaders—some intellectuals, some workers—became completely uprooted from urban Chinese society, their ties to the working class broken; they were now proletarian in name only. These deracinated party cadres became the leaders of the party, the officers of the army, and the core of a new revolutionary sort of movement. This was a party leadership and its staff, that is to say, a revolutionary bureaucracy, in search of a social base that could provide the revolutionary force necessary to overthrow the ruling landlords, warlords, capitalists and the KMT of Chiang Kai-shek.

Moving through the Chinese countryside, generally opposing the wealthy landowners, but allying themselves in different places and at different moments with various strata of the Chinese peasantry, the surviving Communist cadres of the 1920s recruited peasants to the People's Liberation Army. While the People's Liberation Army was made up of peasants (like most other armies until the late twentieth century) and while it was they who provided the force that eventually fought and won the Chinese Revolution, this could not be called a peasant army or a peasant revolution in any meaningful political sense; the peasants did not write its program, they did not provide its leadership, and they exerted no democratic control over the party or the army. Everywhere the People's Liberation Army went, it was a body of armed men better organized, much better armed, and more powerful than the peasant communities it encountered, able to impose its political will on the countryside through its political program and a combination of political maneuvering and military power. The remarkable Long March (or marches) of 1934-35 by the People's Liberation Army (really three armies) from the South and the East to the West of China represented the consolidation of this Communist party-army, the army as party.

The Communists Lead a National Revolution

With the Japanese invasion of China in mid-1937 and the outbreak of the Second Sino-Japanese War, The Communists found themselves fighting not only the KMT, but also the Japanese. While both the KMT Army and the People's Liberation Army were supposedly both battling the Japanese, in reality there was a three-cornered struggle to control China that continued until the wars end in 1945.

Chiang Kai-shek and the KMT, more concerned to defend the landlords and capitalists against the Communists than to fight the Japanese. After the defeat of the Japanese, the Chinese Communist strategy was to continue to expand its control over the countryside and only at the end to take control of the cities. When they arrived in the cities, the Chinese Communist authorities distributed literature to the workers and the urban masses telling them not to strike or seize their factories, but rather to obey orders from the CCP. The Communists' greatest concern was to win the confidence and support of the capitalist class and to restore industrial production. The Communists saw no role for the working class in the final steps of taking the Chinese cities between 1945 and 1949.[5]

The Rise of the Communist State

The CCP and the People's Liberation Army having contributed to the struggle against the Japanese and having then defeated the KMT succeeded in 1949 in taking control of all of China with the exception of the island of Taiwan to which Chiang Kai-shek and the KMT retreated. The CCP had led a nationalist revolution to victory, establishing a new state that was soon completely controlled by the Communists. The Communist leadership in the patriotic struggle against the Japanese and then in the revolutionary civil war against the KMT had won the party enormous credibility and the support of the majority of the Chinese people. The Communist program of agrarian reform, taking land from the landlords and distributing it to the peasants, stood at the center of its revolutionary program. By 1952, the land reform was complete, land had been distributed to the peasants, and the landlord class eliminated. By 1956, fifteen years ahead of schedule, 97% of all land had been collectivized.

While the CCP had initially attempted to win over the capitalist class, once in power, beginning in 1952 it moved with determination and speed to eliminate virtually all privately owned companies. By 1956, the capitalist class had to all intents and purposes ceased to exist.[6] Given that the Communists already controlled the state by 1949, the cost of these campaigns to end landlordism and capitalism was tremendous in terms of human lives. It is believed that more than one million died between 1949 and 1953 in the campaigns against "rightists" and landlords.

In 1952, all other parties were banned, giving the CCP a monopoly of political power. The Chinese Communist leadership, supported by the Soviet Union (with which it had signed a pact in 1950), created a state that resembled Stalin's regime: the CCP in control of the state, and the state in control of industry and agriculture. The CCP also took control of the labor unions and all social organizations; the new one-party state did not permit independent organizations of any sort. While the government enjoyed popular support and while there was a high degree of participation in the institutions and activities organized by the CCP, nowhere was there democracy. The society had been collectivized by the state which was controlled by the bureaucracy. Like the Soviet Union, China was neither capitalist nor socialist; it was a bureaucratic collectivist society, hostile to both capitalism and socialism.[7]

Mao's Policies

With the landlord and capitalist classes eliminated, and the working class and peasantry subordinated to the party, Mao and the Communist leadership could now use the state to implement policies to achieve their goals of increasing productivity and raising the standard of living. Like any ruling class, China's bureaucratic ruling class believed that it knew what was best for the country, best for itself as a class and best for the rest. Mao, whose policies dominated China throughout much of the post-revolutionary period, imposed his policies on the country from above, sometimes without consultation with the entire party leadership and always without consultation with the party's members or the population in general. The essence of Maoism was voluntarism, the notion that the CCP bureaucracy through sheer will power could overcome objective conditions, pushing

the society toward socialism and eventually arrive at communism.

The first Five Year Plan of 1953-1958 proved successful as China's economy expanded, but the pace was not rapid enough for Mao. As he prepared to push even harder, Mao, who had become president of the People's Republic of China in 1954, worked to eliminate any opposition. The Hundred Flowers Campaign of 1956-57, supposedly to encourage the creativity and to hear the criticism of Chinese intellectuals, proved to be an ambush. Many of those intellectuals suggested that the CCP had developed into "a new ruling class which monopolized power and privilege and alienated itself from the masses." Others suggested that the party officials had privileges and received preferential treatment and that they treated the population as "obedient subjects, or to use a harsh word, slaves." [8] The dissidents, having exposed themselves, were suppressed.

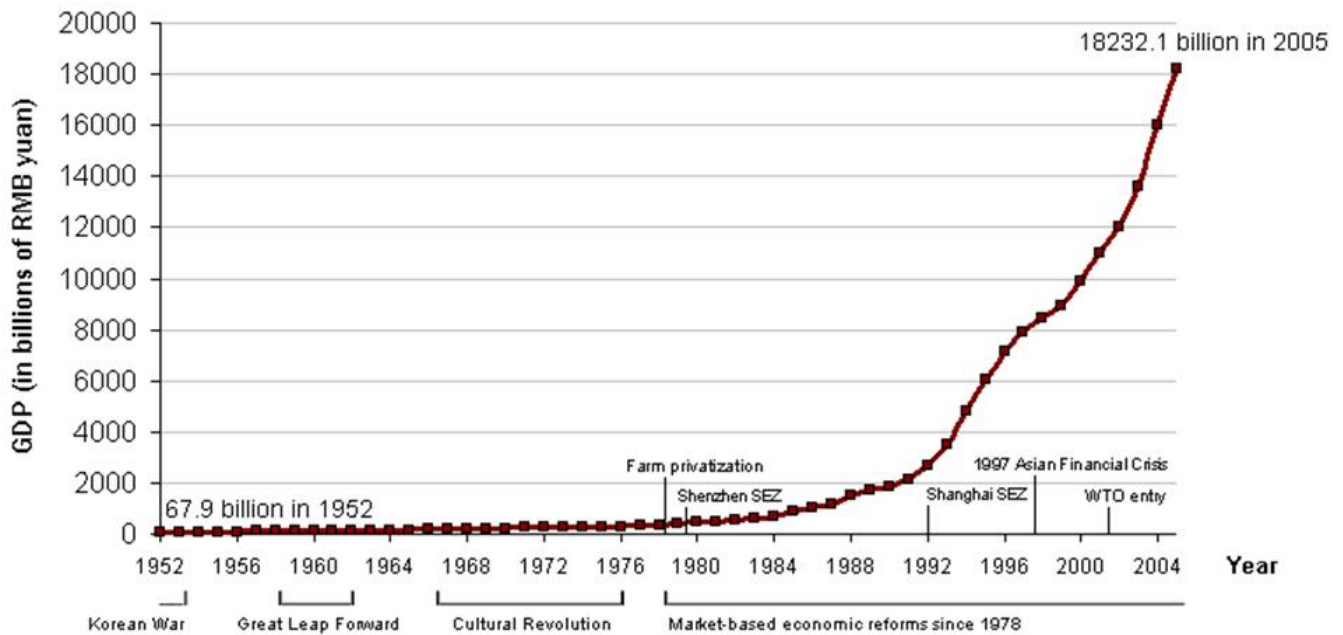
Now fully in charge of the state, Mao launched his Great Leap Forward in 1958. The Great Leap, or the "rash advance" as it was also called, was intended to transform China rapidly from an agricultural to an industrial society. New agricultural techniques were introduced on the collective farms, while communes throughout the countryside were also to engage in decentralized industrial production. Throughout the country there would be backyard steel mills with the idea of overtaking the production of Great Britain and the United States respectively in seven and fifteen years. The Great Leap proved to be a disaster of unprecedented proportions, leading to starvation and the deaths of at least 30 and possibly 45 million. [9]

Following the debacle of the Great Leap, Mao was succeeded in the presidency by Liu Shiao-chi, unleashing a protracted struggle for leadership of the CCP between the Maoist voluntarists and Liu's policies modeled on industrialization in the Soviet Union. In 1966, Mao initiated the Great Proletarian Cultural Revolution, ostensibly a struggle against traditional Chinese culture, against capitalist elements in Chinese society, and against corruption and bureaucracy in the CCP, though principally an attempt to retake control of the party and the state. An extremely complex series of events involving the party faction fight, class struggles, as well as ethnic and religious persecution, the Cultural Revolution eventually took approximately 500,000 lives. Mao became the center of a cult of personality that was practically a religion as he returned to power.

Deng Xiaopeng's Market Reforms

From 1949 to 1969, Mao's emphasis on ideology and voluntarist politics had kept China churning, overturning first all of the old prerevolutionary relationships and then turning even the new revolutionary order upside down. The turmoil of those twenty years swept away much of the old order and made possible the development of a new political economy. Two years after Mao's death in 1976, Deng Xiaoping, a political pragmatist became China's "paramount leader," introducing the slogan "Socialism with Chinese Characteristics" and the economic reforms that laid the basis for the transition to capitalism. It was with the 1978 reforms that the Chinese economy first began to take off. Deng introduced market mechanisms and emphasized industrial products for export, leading China to enter into trading relationships with other nations. While China remained something of a hybrid system, with the Communist state still dominating both economic planning and many major industries and plants, a qualitative shift had taken place. Deng's policies set China on the path of capitalist economic development, beginning the transition from bureaucratic Communism to bureaucratic capitalism.

People's Republic of China's Nominal Gross Domestic Product (GDP) Between 1952 to 2005



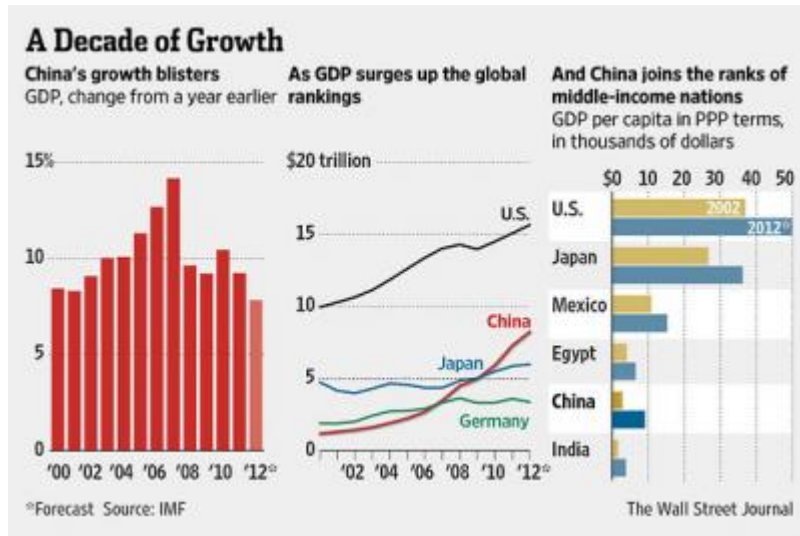
Graph above from Wikicommons

The Chinese transition from bureaucratic communism to bureaucratic capitalism was the work of both the early CCP leaders and their children, the princelings, who used the state-owned and mixed enterprises to enrich themselves, created their own privately-owned firms, engaged in crony capitalism, and used their political power to extort both party leaders and private business.[10] The introduction of market mechanisms and private property, together with the continuing exploitation of wage labor, created an economy now driven by the profit motive and the accumulation of capital. The new bureaucratic capitalist class accrued wealth, which they displayed conspicuously, and arrogantly exercised their privileges, while at the same time the uneven development of the new economy failed to meet the needs of peasants, workers, and students. The Tiananmen Square demonstration in 1989 involved mostly student protestors demanded transparency and democracy. When the protestors began to number into the hundreds of thousands, the new bureaucratic capitalist class summoned the Army which crushed the movement, killing hundreds and perhaps thousands of protestors.

Deng Xiaoping was succeeded first by Jian Zemin in 1989, who took over following the crushing of the Tiananmen protests, and he in turn in 1997 by Hu Jintao. Both of them continued to carry out the market reforms as they also expanded industrial production and exports. At the same time they opened up China to foreign direct investment, taking advantage of others' capital to propel Chinese industrialization. The development of urban, industrial and rural real estate that took place was made possible by CCP capitalists using their power and privilege to grab the land of peasants and the urban poor, leading to tens of thousands of conflicts throughout China each year.

During Hu's administration in 2007 China passed the private property law which sanctioned private ownership of the means of production, which had already emerged in fact. In these years China constructed, still something of a hybrid system but now predominantly capitalist, constructed a modern industrial infrastructure of railroads, highways, harbors and airports; industry expanded enormously in the Pearl River, Yellow River, and Beijing regions, while skyscrapers rose in Shanghai. By 2010 China surpassed Japan to become the second largest economy on earth, second

only to the United States. The growth of China in the Hu years was nothing less than spectacular.[11] China is expected to catch up with the United States in GDP by 2025.[12]



Growth of China's economy during the Hu years

The Chinese Labor Movement

The creation of bureaucratic capitalism necessarily meant the creation of a bureaucratically constrained working class. Until the 1980s, the Chinese government agencies had directed workers to enterprises where they would find employment. The establishment of market mechanisms and private property led to greater mobility for workers who now sought jobs not only in the state-owned and mixed enterprises, but also in the private companies. Hundreds of millions of peasants left the farm to find work in the cities, while some 150 million migrant workers traveled from the provinces for temporary work in industry. The state-owned, mixed-, and foreign and domestic privately-owned firms employed workers in manufacturing and services. Industrial barracks housed workers in enormous plants and industrial complexes such as Foxconn City with as many as 270,000 workers in one facility.

Chinese workers were forbidden from organizing independent labor unions and from engaging in strikes. The CCP in both its bureaucratic Communist and bureaucratic capitalist periods controlled the All China Federation of Trade Unions (ACFTU) which in turn controlled the workforce. A 1992 law required all unions to be affiliated with the ACFTU. The new Labor Law of 1994 did away with the "iron rice bowl," the system of jobs security that generally protected workers from dismissal. Following the passage of the new law some 40 million workers lost their jobs.

Nevertheless, by 2007 workers had carried out tens of thousands of protests and strikes each year in the 2000s. The Honda strikes of 2010 won some of those workers the right to choose representatives at their own factory, a small first step to a greater worker role in the union and workplace. At the same time, under the pressure of the strikes, the Communist state permitted the ACFTU to engage in collective bargaining throughout much of industrialized China. But the Chinese bureaucratic capitalists would not permit the creation of independent labor unions and are not likely to do so in the near future. Still as China urbanized, industrialized and as workers' joined the many strikes, their wages rose.

China's Foreign Policy from Mao to Deng and Beyond

We should say a word about China's foreign policy during the Mao years. As the Cold War opened,

the People's Republic of China, then allied with the Soviet Union, took advantage of the unsettled post-war situation to reassert its control over Tibet. During the Korean War, China, with the backing of the Soviet Union, entered on the side of North Korea, sending over two million troops to fight against South Korean and U.S. forces. When the Hungarian Revolution occurred in 1956, China supported the Soviet Union's suppression of the workers' rebellion there.

Things began to change in the 1960s as China moved away from the Soviet Union. By 1964 China had developed and tested a nuclear bomb, joining the United States, the Soviet Union, the UK, and France in the nuclear club. By the 1960s, however, the Soviet Union and China had fallen out, and there was even a small border war in 1969. Finding himself facing both the internal conflict of the Cultural Revolution and threats from the Soviet Union in 1972, Mao embraced Richard Nixon's suggestion that China ally itself with the United States.

The Sino-American alliance involved American and Chinese cooperation in Asia and Africa against various nationalist and leftist governments and movements allied with the Soviet Union. (Though there were exceptions to this rule, as in the case of the Philippines where the pro-Soviet CP made a deal with Marcos and the pro-Beijing CP went into revolutionary opposition.) So, for example, while the Soviet Union materially supported liberation movements in Southern Africa, the United States and China opposed them, providing material aid to white power regimes, for example, in Angola.

After the Deng reforms of 1978, the U.S.-China political and military alliance became transformed into what was primarily an economic relationship, with China opening its doors to U.S. capital, producing products for the U.S. market, and purchasing U.S. Treasury bills that funded the U.S. debt. Today China has become a global economic power with investments around the world, especially in extractive industries such as mining.[13]

The New Leadership

The new leadership of Xi Jinping confronts the challenge of continuing to expand China's bureaucratic capitalist economy while keeping both peasant and worker protests from becoming a challenge to its rule. At the same time, it will have to deal with the continuing tensions with the United States as it gradually first pulls even and then overtakes it economically, at least in terms of GDP. China's economic power has been accompanied by an increase in its political influence around the world and will also be attended by a rise in military power as it continues to develop its capacity for everything from cyber war to traditional military, naval and air power. While some have suggested that the new China may be capable of pursuing a peaceful foreign policy, no capitalist nation before has ever done so, and China is not likely to be the first.[14]

China has become a great capitalist power with its own unique system of bureaucratic capitalism, and while it may see reforms intended to keep the new ruling class in power, like other capitalist states it will only be fundamentally changed by a mass movement from below. While there have been an extraordinary 100,000 riots, strikes and other protests per year involved hundreds of thousands of workers, peasants, and others, they have not yet been able to win independent unions or other independent organizations. The struggle for democracy in China is likely to be a long one, but as democracy is fought for that will simultaneously open a struggle for socialism, as some Chinese intellectuals and workers now understand. The democratic socialist society that they envision will be the work not of the Communist Party but of people like themselves.

Notes

1. Au Loong Yu, *China's Rise: Strength and Fragility* (London: Merlin Press, 2012). See an interview with Au Loong Yu, "China: bureaucratic capitalist?" at the Europe Solidaire site. See

also Au Loong Yu, "China: End of a Model...Or the Birth of a New One?" *New Politics*, Vol. XII, 3 (Summer 2009). For a discussion of the current leadership group see: "A look at China's new leaders who will rule alongside Xi Jinping in the apex political body," *Washington Post*, Nov. 15, 2012. For thumbnail sketches of the new leaders see: "China's New Leadership Team," *Washington Post*.

2. Edward Wong, "Ending Congress, China Presents New Leadership Headed by Xi Jinping," *New York Times*, Nov. 15, 2012.
3. While CCP rule today is unique, it shares some similarities with the one-party states that have ruled other countries, particularly in the developing world. Typically these were countries where a revolutionary upheaval was either led by or gave rise to a party that then created a one-party state; then after decades of bureaucratic rule and party control of the economy, there arose political party competition and a more open capitalist market. Take, for example, Turkey as described in Kerem Öktem's *Angry Nation: Turkey since 1989* (New York: Zed, 2011). The same could be said for Mexico.
4. The classic history of this event is Harold Isaacs, *The Tragedy of the Chinese Revolution* originally published in 1938 and issued in a revised edition in 1951. The book is now available from Haymarket Books. A more recent book, Alexander Pantsov's *The Bolsheviks and the Chinese Revolution, 1919-1927* (Honolulu: University of Hawai'i Press, 2000) discusses and analyzes the relationships between the Soviet Union, the Communist International, its various factions and the Chinese Revolution. The French writer André Malraux fictionalized these events in his novels *The Conquerors* and *Man's Fate*, the second of which is set in Shanghai in 1927.
5. The events described here are narrated and explained in greater depth in Jacques Guillermaz, *A History of the Chinese Communist Party, 1921-1949*, translated by Anne Destenay (New York: Random House, 1972 [1968]) and Jean Chesneaux, Françoise Le Barbier, and Marie-Claire Bergère, *China: From the 1911 Revolution to Liberation* (New York: Pantheon, 1977).
6. Nigel Harris gives an account of these developments in his book *The Mandate of Heaven: Marx and Mao in Modern China* (New York: Quartet Books, 1978). Harris holds the view that in the 1950s China became a state capitalist regime, arguing that though there was no market competition, the state became the sole capitalist. See pp. 261-69.
7. The theory of bureaucratic collectivism was developed by Max Shachtman in the late 1930s and early 1940s in debates with Leon Trotsky. His essays were later collected in his book *Bureaucratic Revolution: The Rise of the Stalinist State* (New York: The Donald Press, 1962).
8. Philip Short, *Mao: A Life* (New York: Henry Holt and Company, 1999). The first quotation comes from Short and the second from a Chinese critic of the regime during the era, both are found on page 465.
9. The famine has been documented using Chinese sources by Yang Jisheng in *Tombstone: The Great Chinese Famine, 1958-1962* (New York: Farrar, Straus and Giroux, 2012). The story is also told in Frank Dittkötter's *Mao's Great Famine: The History of China's Most Devastating Catastrophe, 1958-1962* (New York: Walker and Company, 2011). Xun Zhou's *The Great Famine in China, 1958-1962* (New Haven: Yale University Press, 2012) is a documentary history of the events. See Ian Johnson's review of all three books in "Worse Than You Ever Imagined" in the *New York Review of Books*, Nov. 22, 2012.
10. Au Loong Yu gives this description in *China's Rise*.
11. For a handy timeline of China's leaders see: "The Politburo's Growing Number of Influential Leaders" in the *New York Times*.
12. Martin Jacques, *When China Rules the World* (London: Penguin, 2012 [2009]), p. 5, citing a Goldman Sachs study of 2007.
13. Jacques, *When China Rules the World*, Chapter 10, "China as a Rising Global Power," pp. 406-88.
14. Giovanni Arrighi suggested this in *Adam Smith in Beijing: Lineages of the Twenty-First*

Century (New York: Verso, 2007) and it has also been raised as a possibility by Jacques in *When China Rules the World*.