Is China Socialist Because It Reduced Poverty?

written by Michael Karadjis | August 11, 2022

Amid China's emergence as a major economic power and an increasingly tense U.S.-China rivalry, the debate over whether China is now a full-fledged capitalist state, some kind of socialist state, or something in-between has become a major issue within the global left, with important theoretical and political implications. Opinions, unsurprisingly, vary on this question, given the difficulty of establishing clear criteria on what constitutes a socialist or non-capitalist state.

In this essay, I engage with and critique the argument that China's momentous social and economic achievements can be adequately explained by viewing it is a partially socialist or non-capitalist country. I do so by challenging the key assumptions underlying this argument both on empirical and theoretical grounds, and placing China in historical and comparative perspectives to better understand both its real achievements and many shortfalls.

The Economic Success and Poverty Reduction Argument

Headlines in recent years that report China's achievement in lifting hundreds of millions out of extreme poverty seem to serve as evidence that China has a different, superior economic system. A relatively sophisticated argument along this line was recently advanced by Marxist economist Michael Roberts:

> If China were just another capitalist economy, how do we explain its phenomenal success in economic growth, taking 850m Chinese off the poverty line?; and avoiding any economic slumps that the major capitalist economies have suffered on a regular basis?[1]

While the current Evergrande crisis calls into question the idea that China can avoid capitalist crisis,[2] Roberts is correct that it has largely done so for decades. But the implication that China must be socialist because capitalism simply cannot deliver massive economic growth and poverty reduction is a reversal of materialist method.

To be fair to Roberts, his view is less crude than this. However, the conclusions he thinks we need to draw are highly exaggerated:

> If it has achieved this with a population of 1.4bn and yet it is capitalist, then it suggests that there can be *a new stage in capitalist expansion* based on some state-form of capitalism that is *way more successful than previous capitalisms* and certainly more than its peers in India, Brazil, Russia, Indonesia or South Africa. China would then be *a refutation of Marxist crisis theory and a justification for capitalism*.[3]

There is a kind of "clutching at straws" hopefulness about many leftist pro-China arguments: given few good stories about socialism in today's world, at least we can have one fifth of the world ruled by

a kind of socialism, whatever its faults, with more economic and social dynamism than Western-led capitalism.

If China is capitalist, and if it is this capitalism that has produced these levels of economic growth and poverty reduction, then we should acknowledge that fact and use it to inform our analysis of the dynamics of global capitalism. However, this can be done without needing to draw Roberts' wildly exaggerated conclusions. There are better ways to understand China's impressive achievements than arguing they prove that it is socialist, a view which mirrors the pro-capitalist response that China's achievements stem from adopting the "market economy."

It is questionable how unique China's achievements actually are, particularly when one takes a hard look at World Bank-led concepts of economic growth and poverty reduction, combined with the tendency to ignore inequality. This does not mean China's achievements are either unimportant or not highly impressive. They are. However, since many capitalist countries in the Global South have also achieved massive economic growth and poverty reduction, some dissection of these concepts, and of some of the claims about China's uniqueness, aids a more nuanced understanding.

Problematizing Poverty Reduction

"Economic growth" and "poverty reduction" have been the twin ideological slogans of the World Bank for decades. Many leftist critics of IMF-World Bank programs in the Global South criticize the monomaniacal focus on Gross Domestic Product (GDP) growth, for their disregard of how this wealth is distributed, whether or not it leads to human development, how it is created, and its environmental impacts. Yet when China does it, some 10 percent per year for decades, it becomes a plus.

Despite this lopsided obsession with growth at all costs, growth is not necessarily bad, and poorer countries in particular need growth to at least reach a certain level of industry and technology; socialism cannot be based on sharing underdevelopment. And despite the World Bank obsession with growth, its programs have often led to slow or even negative growth in many parts of the developing world. China's sustained growth for decades remains unique—even if it is not all good—something few capitalist developing countries have achieved, and its uniqueness must be explained.

But it is problematic to argue that being highly successful at what capitalism and its global agencies push for is evidence of non-capitalism. Doesn't this growth include pumping record amounts of coal into the atmosphere, helping destroy the planet and workers' lungs? Doesn't it include the proceeds from the super-exploitation of workers in massive numbers of sweatshops? This is without even touching the vexed question of the internal colony of Xinjiang and its exploitation by global capital in collaboration with the forced assimilation policy of the regime. All of this is part of China's "growth."

Pointing out that poverty reduction is a key World Bank ideological slogan, alongside economic growth, does not make it a bad thing. China is among the group of countries that has been by far the most successful in the Global South. Let us look at the raw data.

Between 1981 and 2008, China lifted 622 million people out of extreme poverty of under $1.25 a day. However, the global *net reduction* in $1.25 a day poverty was only 606 million, meaning that if we omit China from the calculations, there was a net increase in extreme poverty of 56 million. Even this does not tell the full story because a great many of those escaping $1.25 poverty remained in under $2-a-day poverty. So, while over the 1981-2008 period China lifted 577 million people above $2-a-day poverty, the global net reduction was only 68 million—meaning that leaving out the China

figures here results in a net increase in global $2 poverty of 509 million people![4]

We need to be careful, however. China accounts for one-fifth of the world's population, so its figures overwhelm; these "net" increases in poverty when omitting China do not mean that only China experienced poverty reduction. Many countries experienced significant poverty reduction, others little or none, and some went into reverse. The countries that have experienced rapid poverty reduction include[5]:

It is clear that China's poverty reduction stands out, especially when compared to other large populous countries like India and Indonesia, which, despite massive poverty reduction, still show very high levels of poverty—India contains about one third of the world's extreme poor within its borders.[6]

Vietnam's achievement is even more impressive than China's. While the scale of poverty reduction is similar, Vietnam in 1990 underwent full-scale systemic collapse, following decades of war and blockade and the collapse of its East bloc subsidy-based trading partners, whereas China had already experienced a decade of high economic growth. Given that Vietnam also boasts a China-style "market economy with a socialist orientation," this tends to back up claims about China and socialism.

At the same time, however, the table shows that income poverty reduction, often on a large scale, does take place under capitalism. Some of these figures seem hardly believable, for example the zero figures in Malaysia and Thailand, given what we know about the realities; likewise, Mexico's appear unrealistic given well-documented harsh realities. Nevertheless, these discrepancies point to the fact that measuring *income* poverty cannot tell us everything.

Country	Around 1990 $1.90/day %	2018 $1.90/day %	Around 1990 $3.20/day %	2018 $3.20/day %
China	66.3	0.3	90	2.9
Vietnam	61.3	1.9	84.7	6.8
Indonesia	54.9	3.6	85.4	21.5
India	49.1	8.7	82.7	41.4
Botswana	33.3	14.5	54.3	36.5
Brazil	21.5	4.4	38.3	9.1
Thailand	19.3	0	35.9	0.5
Mexico	7.9	1.7	21.1	6.5
Iran	6.7	0.5	20.9	3.5
Malaysia	1.6	0	11.7	0.3

This official "poverty reduction" is based on the World Bank's income poverty lines ($1.90-a-day for extreme poverty, $3.20-a-day for moderate poverty), the emphasis on which obscures the massive inequality that have risen everywhere, including China.

These lines were only recently updated from $1.25 and $2-a-day where they had remained almost unchanged since the World Bank adopted its $1-a-day line in 1985, based on the then national poverty lines in thirty-three of the least developed countries,[7] indicating the absurdity of applying them to the entire South for decades. Earning over $1.90 or $3.20-a-day tells us little about what needs to be spent on housing, health, education, power, and other necessities.

According to Prof. Peter Edwards, an "ethical poverty line," based on the income required to raise a country's average life expectancy to seventy should be set at $7.40-a-day.[8] Even the World Bank has come to see that its measures are absurdly low and has added a $5.50-a-day category for comparison.

Based on $5.50-a-day, in India, Botswana, and Indonesia, the numbers living under this figure in 2018 were a very high 77 percent, 59 percent, and 53 percent respectively; for China, Mexico, Vietnam, and Brazil, a middling 17 percent, 23 percent, 23 percent, and 20 percent respectively; in Thailand and Malaysia, a low 7 percent and 3 percent.[9]

While this gives us a more realistic picture of poverty, it is unclear what it tells us about China. It certainly shows that China (and Vietnam) have done far better than India and Indonesia; but it is unclear what being on a par with highly unequal capitalist states like Brazil and Mexico tells us, or why capitalist Malaysia and Thailand are far out in front.

As with economic growth, leftists have constantly criticized official "poverty reduction," yet when China excels in these measures, the criticisms are forgotten by pro-China leftists. Certainly, the fact that China has been phenomenally successful by global standards on the World Bank's own measures is an important contrast to most of the capitalist South. Guarded celebration is understandable, but it is hardly evidence of non-capitalism.

To be fair, China's success against poverty is not only about income poverty. According to the World Bank, only 3.9 percent of China's population are living in "multidimensional poverty," a measure covering ten health, education and living standard indicators, an excellent figure.[10]

However, looking around the world again at the social indicators of some of the more successful countries reveals surprises if we assume the entire capitalist Global South has not changed in half a century[11] (see table below).

Country	Multi-Dimensional Poverty	Life Expectancy (years)	Infant Mortality Rate (per 1000 live births)	Adult Literacy Rate (%)	Expected Years of Schooling
South Korea	-	83	2.7	98	16.5
Chile	-	80.2	6.2	96.4	16.4
Thailand	0.8	77.2	7.8	93.8	15
China	3.9	76.9	7.4	96.8	14
Argentina	-	76.7	8.8	99	17.7
Iran	-	76.7	12.4	85.5	14.8
Malaysia	-	76.2	6.7	94.9	13.7
Brazil	3.8	75.9	12.8	93.2	15.4
Mexico	6.6	75	11	95.4	14.8
Indonesia	3.6	71.7	21.1	95.7	13.6

Of course, many other capitalist countries in the Global South have much lower indicators, so China is in the league of the better off. However, we are still left with the reality that a range of capitalist countries outside the imperialist core boast relatively high social indicators, making this an insufficient reason to claim China could not possibly be a capitalist country.

In fact, even many of the poorer countries not listed here have seen steady progress over time on life expectancy, infant mortality and literacy rates under late imperialism. Virtually every country in the world has seen a sharp fall in infant and child mortality since 1990.[12] For the Least Developed Countries as a whole, child mortality (i.e., the number of children who die before their fifth birthday) has dropped from an average of 174.3 in 1990 to 62.7 today.[13] This is still very high, but dramatic progress is undeniable.

Does this mean "capitalism" is responsible for this? The neo-liberal world order? Hardly. Overwhelmingly, this has resulted from UN-led programs, i.e., global state intervention. Above all, mass childhood vaccination campaigns have dramatically cut infant and child mortality. This is easy for capitalism: it can continue hideously exploiting hundreds of millions in the South, but help fund this extremely cheap and effective campaign and demonstrate progress. In turn, reductions in infant and child mortality raise average life expectancy.

Indeed, 45 percent of child deaths have historically been caused by infectious diseases, so "the success of vaccination campaigns and antibiotic availability has done a great deal to reduce mortality." For example, the number of measles cases "has shrunk by 86 percent since 1990." WHO estimates that measles vaccination "prevented 21.1 million deaths across Africa" from 2000 to 2017.[14]

We also need to take into account simple capitalist "development" involving industrialization and urbanization. In 1960, two-thirds of the world lived in rural areas; following the cross-over point about a decade ago, the world's urban population is now 20 percent higher than the rural. Nearly all the increase has been in developing countries. While living conditions are often cramped and unsanitary and the industries are sweatshops where workers work in Victorian conditions, just living in urban areas means easier access to health clinics, schools, clean water, and so on, compared to the spartan situation in rural areas in the Global South.

Against Chinese Exceptionalism

The fact that capitalist countries have made significant achievements challenges the dogma that capitalism can *only* create absolute poverty and underdevelopment. Of course, it is widely understood that capitalism created the sharpest economic growth in history following the industrial revolution, and that the working classes in the West were later lifted out of the Dickensian stage of poverty. However, Western Marxists concluded that imperialism had decided who would and would not prosper in its world-system about one century ago.

Capitalism creates winners and losers, so the "developing world" of mostly former colonies would remain the super-exploited quarry for hegemonic Western capitalism, denied development under capitalism. There is much truth in this as a general contention; the map of highly developed versus poor and "developing" countries has barely changed over the last century. However, to see it as an iron rule defies materialism and implies that the law of uneven development under capitalism has ceased to apply.

While China's economic growth is significant, countless other countries in the Global South have experienced long periods of high economic growth; the depiction of the South as three continents of chronic underdevelopment is extraordinarily outdated. This imaginary stems from a left-binary view of the world as composed of the imperialist countries of developed capitalism, and the rest of the world, the underdeveloped capitalist countries that the former exploit and keep poor and backward.

This picture only remains valid in the most simplistic and general sense, and ignores the fundamental Marxist law of uneven development of capitalism. Lenin's assertion in 1920 that the world is now divided into a large number of oppressed nations and an insignificant number of oppressor nations[15] is mistakenly understood to mean that these oppressed nations remain forever underdeveloped under imperialist rule, and that the countries at top and bottom never change, whereas in reality he continually stressed the opposite.

For example, in *Imperialism*, Lenin writes that "the export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported," indeed "capitalism is growing with the greatest rapidity in the colonies and in overseas countries," and "is growing far more rapidly than before." However, under imperialism this growth is "becoming more and more uneven," to the point that some powerful imperialist countries, such as Britain, go into decline, while entirely new ones, such as Japan, arise. Lenin gave data showing that "the development of railways has been most rapid in the colonies and in the independent (and semi-independent) states of Asia and America."[16] Of course, these railways served the colonial master rather than the colony, but it would be absurd to deny that this constituted "economic growth."

While this uneven growth had brought about relatively little change by the 1960s, when the dependency theorists could claim, with some empirical support, that imperialism was actively "underdeveloping" the neo-colonial world, change in the fortunes of different developing countries has been far more dramatic in the half-century since.

From this perspective, China has been the biggest "winner" in this uneven and combined development of world capitalism. But let's consider some other experiences of rapid economic growth over the last few decades[17]:

We can exclude South Korea (and Taiwan), due to the gigantic level of U.S. support throughout the Cold War, as well as Singapore. These advantages cannot tell us everything, however; for example, the extremely high level of state regulation of the economy, and significant state-owned enterprises, in South Korea and Taiwan, mirrors the heavily state-led form of capitalism in China.

The others on this list have had both periods of extremely rapid growth and periods of slower growth; those chosen have achieved either close to 5 percent (or greater) growth during any one of these periods, or overall.

We can make a number of observations. First, none of these countries come near China in terms of either the sheer level or consistency of growth over so many decades; China's growth has been outstanding. Second, this short list is about it—almost no other country in the South meets the criteria of this list, an indictment of the "winners and losers" character of global capitalism. Third, however, we do need to recognize that significant periods of high economic growth are a feature of this uneven development of capitalism. It is problematic to argue that China's greater level and consistency of doing what capitalism aims to do is evidence of non-capitalism. Now, let us turn to the impacts of growth, principally "poverty reduction," held up as a major achievement of the Chinese system.

Average Annual Growth Percent

Country	1970-1980	1980-1990	1990-2000	2000-2010	2010-2018	1960-2018
China	4.29	7.72	9.27	9.92	6.89	**6.58**
Vietnam	-	-	5.85	6.06	6.22	**6.04**
S. Korea	5.41	7.48	5.21	3.75	3.43	**5.05**
Singapore	7.42	5.24	4.18	3.38	2.65	**4.97**
Botswana	10.9	7.4	2.53	2.51	2.8	**5.27**
Thailand	4.21	5.96	3.29	3.91	2.86	**4.24**
Myanmar	2.24	-0.88	5.79	11.05	6.1	**4.09**
Malaysia	5.23	3.17	4.45	2.61	3.31	**3.85**
India	0.64	3.26	3.58	5.85	5.56	**3.24**
Indonesia	4.78	3.33	2.3	3.8	4.15	**3.2**
Chile	1.19	1.27	4.76	3.11	2.1	**2.5**
Bangladesh	-1.45	1.29	2.46	4.05	5.55	**2.04**
Brazil	5.89	-0.43	0.95	2.49	-0.29	**2.04**

Deepening Inequality

If China were a socialist country, how do we explain its phenomenal success in producing 698 billionaires,[18] second in the world after the 724 the United States boasts? (In fact, according to China's Hurun Report, China already had 598 billionaires in 2016, surpassing the United States' 535;[19] and the 2021 report claims 1,185 Chinese billionaires, the first country to pass 1,000.[20]) If it has achieved this and yet it is socialist, China would then be a refutation of Marxist theory, because it means socialism creates billionaires among paupers.

Unlike capitalism, socialism is not a current reality, but a vision we strive for, of a system which abolishes capitalists. Marx did not call on workers in the *Communist Manifesto* to struggle to remain

exploited, make their exploiters richer, and create record numbers of capitalists.[21] By contrast, there is no iron law that says capitalism cannot create economic growth and reduce income poverty. It did this, after all, in the imperialist West.

In other words, the Chinese social formation, whatever one calls it, has both produced 698 (or 1,185) billionaire capitalists and lifted 850 million people above the income poverty line.

If China is neither capitalist nor socialist, then what is it? One argument is that China is *not yet* socialist, and the "elements of capitalism" in China are the compromises it must make on the road to future socialism; to co-exist in a capitalist world. As a country rising out of underdevelopment, the productive forces are not yet at a level to create socialism; there remains a role for market mechanisms and elements of capitalism within a semi-socialist system to boost the productive forces. Hence, progress towards socialism requires a significant period analogous to the Soviet "New Economic Policy" (NEP) introduced by Lenin in 1921.

If that is the argument, I agree completely. Yes, China needed some kind of NEP when it embarked on market reform in 1978 (especially following decades of Maoist bureaucratic adventurist economic policy); and Vietnam needed it even more when it did likewise in 1986, in conditions more similar to the USSR in 1921 than to China. Nevertheless, there is an inevitable question of where the line is drawn.

There will be disagreements about where we draw this line and declare "at this point the NEP has gone over to outright capitalism." However, we must be able to assess direction in the meantime: has China been taking anti-capitalist steps within this framework, empowering workers, reducing inequality and so on? What makes it a "socialist-oriented" mixed-market economy? Or has the capitalist class grown stronger? Is producing the second largest number of billionaires in the world a feature of a socialist-oriented NEP, or a product of the relentless march of capitalism, of the NEP going in the wrong direction?

Presumably, a socialist-oriented NEP would aim to see reduced levels of inequality compared to "normal" capitalism. China's Gini inequality score at 38.5 is relatively high, better than the United States (41.1) and much better than Brazil, South Africa, Philippines, Columbia, and Mexico; but higher than famously unequal countries like Russia, Indonesia, Thailand, and India (all 35-37) and much higher than anywhere in Europe, Japan, Canada, Australia, and the like.[22]

Gini cannot tell us everything though. In fact, one key reason that it is often higher in rapidly developing countries is that it measures the sharp differences between urban areas, where the development is taking place, and rural areas, which gets left behind. While the starkness of this urban-rural gap, caused by capitalism's lopsided allocation of resources to where profit can be made, is a bad thing, the gap itself is not all bad; to some extent a gap demonstrates that industrialization and urbanization are actually taking place.

There has been some decline in inequality in China over the last decade. The Gini score of 38.5 is down from 43.7 in 2010 (after having risen from 32.2 in 1990). Before we go celebrating a victory for socialism, however, we should note that Mexico's score fell to 45.4 in 2018 from 50.1 in 2005 (and 53.6 in 1996), and that of Thailand as of 2019 is down to 34.9 from 42.5 in 2004 (and 47.9 in 1992). India's, by contrast, has risen from 31.7 to 35.7 since the 1990s, but is still below China's.[23] It is therefore difficult to place too much significance on relatively small declines in Gini.

According to *The Economist*, this alleged decline in inequality is not apparent to many Chinese. The reason, quoting scholars Martin Ravallion and Shaohua Chen, is that "the decline in Chinese inequality since 2008 does not reflect softer divisions within cities" but "results instead from a

narrower gap between urban and rural China."[24]

Thus, while the decline in Chinese inequality in the last decade may have some positive aspects, on the whole it reflects a shift from the inevitable inequality of the "modernization process" to the straight-out inequality of capitalism, between worker and capitalist "within cities."

According to the China-based Hurun Report, "the net worth of the 153 members of China's Parliament and its advisory body that it deems 'super rich' amounts to $650 billion," which is "up by nearly a third from a year ago."[25] Indeed, the list of people with wealth of $310 million and over grew by 520 (22 percent) to 2,918, triple a decade ago, and 100 times more than 20 years ago, while their wealth rose 24 percent to $5.3 trillion, six times that of a decade ago.[26] In 2018, "China added 210 billionaires—about four a week—40 percent more than the United States."[27] This tells us more about real capitalist inequality than a slight decline in the Gini index.

Therefore, the Chinese social formation has produced a level of inequality similar to many highly unequal capitalist countries, the largest or second largest number of billionaires, and an explosive growth of the capitalist class. This looks a lot like capitalism. So let's now examine the claims and realities of economic growth and poverty reduction.

The Reality of Capitalist Exploitation

Playing up poverty reduction while ignoring increased inequality, whether in China by hopeful leftists or by World Bank influenced development agencies elsewhere, essentially equates to being apologists for capitalism.

Quite simply, it is not that difficult for monetary incomes to show improvement under capitalism; and it is incredibly difficult to really establish what people can buy with these rising wages. It tells little about the atrocious conditions hundreds of millions of the "non-poor" live and work in. Sweatshop wages may be just over the income poverty line, and their children may survive childhood due to mass vaccination. The living conditions of these "non-poor," however, are like night-and-day when compared to the gigantic middle-class in China,[28] not to mention the multi-million strong capitalist class, whose wealth is rising at a much faster rate than poverty incomes as demonstrated by rising inequality indicators. They live in entirely different worlds: decent social indicators do not indicate socialism.

Ignoring China's gigantic "floating population" of semi-rural, semi-urban migrant workers, estimated to number some 285 million people[29] or one-fifth of China's 1.4 billion population, demonstrates this graphically. It is on the backs of these poor rural workers who have little or no security and migrate to the cities to work as laborers in the informal sector or as factory workers in sweatshops, that China's "miracle" has been built.

Their lives remain fundamentally insecure; the household registration (*hukou*) system assigns them to their hometown for whatever social and welfare rights they are entitled to, meaning that many work for years or decades without even the minimum of social protection and access to health care and education that other workers get.[30] According to China's Ministry of Human Resources and Social Security, in 2017 "only 22 percent of migrant workers had a basic pension or medical insurance, 27 percent had work-related injury insurance, and just 17 percent had unemployment insurance," while only 14.3 percent had joined trade unions. On average, migrant workers in cities work eleven hours-a-day.[31] Their permanent insecurity was highlighted in 2017, when the government began uprooting tens of thousands of migrant workers from their homes on the outskirts of Beijing, destroying their "illegal" shanties with little notice.[32]

While the *hukou* system may have played an organizing role when China was still largely agricultural and the health and education infrastructure was being developed in the 1950s and 1960s, maintaining it decades into the market economy and following massive urbanisation simply makes the migrant workforce highly exploitable by Chinese capital, with little bargaining power, resulting in a kind of social apartheid.

There are some 100 million children of the migrant labor workforce, one third of whom live with their parents and hence suffer the lack of social security enshrined in the *hukou* system, with the other two-thirds remaining in the villages, suffering from greatly reduced quality of and access to educational and health facilities that characterize rural China, but without one or both parents.[33] Some 27 percent of rural children suffer from anemia and other health problems.[34] While China has expanded various kinds of medical insurance schemes in recent years, they are incomplete, patchy, often include some kind of payment, and do not cover the full cost. Only 22 percent of migrant workers had employee medical insurance in 2017, and cost of treatment can be prohibitive.[35] Meanwhile, the National Bureau of Statistics of China reported in 2016 that only 48.6 percent of toilets in rural areas were sanitary.[36]

Most rural children who graduate middle-school do not proceed to high school, while 90 percent of urban children do, and the school drop-out rate is 24 percent, compared to only 2 percent in urban China[37] (only in 2005 did China again make primary and junior high tuition free as it had been before "market reform," but still not high school[38]). A 2007 survey showed that middle-school drop-outs were the major source of child labor.[39] While the strong health and education network had been an inheritance of the 1949-1980 "socialist" period, between 2001 and 2009 300,000 village primary and middle schools were closed down, and "students were forced to either go to boarding schools or endure long, arduous journeys every day to attend school in the nearest town."[40] As of 2010, some 10 million primary school students, and half the rural secondary school students, were attending boarding schools far from home.[41]

Yet by migrating all over China for insecure, exploiting work and leaving behind children, migrant workers often earn enough to rise above the World Bank poverty lines. While not irrelevant in a developing country, these facts need to be taken into account when all focus is on reduction of "poverty" at the expense of inequality.

Despite all this, China's gains remain impressive for a developing country rising out of poverty by global standards; we cannot judge by Global North standards, as the inheritance of colonialism remains a dominant factor in world development. And this means that China, alongside a number of other developing countries, has either been doing something different, or has been on the lucky side of uneven global capitalist development, or both. And it is a useful point to make when apologists for capitalism point only at China's positives while managing to ignore the horrific health, educational, and social situation in most of the capitalist Global South, under governments carrying out neo-liberal advice from Western governments and financial institutions.

However, a system that relies on this highly exploited, informal, and insecure migrant workforce of one fifth of the population, and that leaves rural areas behind, with high costs for health care, while billionaires sprout like mushrooms, is called capitalism, not socialism.

This is not only about China; rather, this is a general point about the economic growth, "poverty reduction," and even rising social indicators in many parts of the South.

For example, Thailand's impressive poverty, health, and education indicators do not show us the significant role played by sex work over decades in that country's "development" strategy; sex work produces income. While estimates vary greatly, in 1999, "a study by a Thai university estimated the

sex sector at around $25 billion, or 12% of the country's gross domestic product."[42] While this has declined, it underlines how significant its role was from the Vietnam War era. While extreme poverty was 0.03 percent in 2017, this is based on an income equivalent to 26 baht/person per day, "which is inconceivable for many Thais to be sufficient for an acceptable life."[43] Using $5.50-a-day (75.7 baht), the poverty rate rises to 8 percent. Likewise, Philip Alston, the UN Special Rapporteur on extreme poverty and human rights, reported that even highly successful Malaysia's zero poverty level was the result of massive undercounting and did not represent that country's reality.[44]

The Fallacy of State Ownership

We need to ask, What are the socialist elements of the mixed-market economy in today's China? It is clear enough what the capitalist elements are: the multimillion strong, rapidly growing, Chinese national capitalist class, a great many of whom are members of the ruling Communist Party of China (CPC).[45] This fact, and the nexus between economic and political power, militates against the idea that the "Communist" name of the ruling party ensures some socialist element in the country's direction.

For Roberts, he does not need to claim capitalism can be enormously successful, thereby refuting Marxism because, "fortunately, we can put China's success down to its dominant state sector for investment and planning, not to capitalist production for profit and the market."

This is a valid argument; the state-owned economic sector is enormous and prominent—though whether or not it is "dominant" is debatable—and is an important instrument through which the state regulates the economy.

What, however, makes a state-owned economic sector socialist? After all, since Roberts rejects the idea that "some state-form of capitalism" can make these achievements, he is distinguishing between prominent state enterprises under capitalism, and state enterprises leading a mixed economy marching towards socialism.

Some forms of socialism require control of the state, the economy, and its surpluses by the working-class and greater community. The workers and community do not democratically control the state-owned enterprises (SOEs) in China. They are run by the CPC regime, which regularly carries out police repression against striking workers and other forms of popular protest,[46] complicating claims of "socialism."

Others call this a form of "state-capitalism" (which may well be superior to private capitalism, to the extent that such a thing exists). While the state can use SOEs for state and social goals—as do capitalist governments elsewhere to a lesser extent—these SOEs also strive to make profit in the market. What kind of anti-social activities do they engage in to make this profit? What kinds of market-driven salaries do its CEOs boast? To what extent do these trends effectively "privatize" the SOEs from within, both at a legal and an illegal level?

China is not the only country that has had a dominant state sector for a prolonged period. Despite neoliberal myths, the state has always played a prominent role in the development of capitalism. And in many post-colonial states in the Global South, from the 1950s onwards, there have been varying degrees of state regulation and intervention, and also state ownership of large parts of the economy, in capitalist countries.

Whether such prominent "state sectors" in market economies are a feature of non-capitalism or "socialism" are issues that can be debated. However, leftists extolling China's state sector as evidence of socialism tend not to see the same in the dominant state sectors in Ataturk's Turkey,

Nasser's Egypt, Ne Win's Burma, the PRI regime in Mexico, Brazil from the 1960s (including under the military dictatorship), the mullah regime in Iran, or countless other examples. In most cases, the primarily "modernizing" role of these state sectors gave way over time to a role as breeding ground for the new capitalist class, a reasonable description of what has been happening in China.[47]

Taiwan offers a particular challenge, given its image as the capitalist alternative to "socialist" China: SOEs dominated its economy for decades, as late as 1986 controlling some 60 percent of economic assets.[48] That is, state enterprises dominated during virtually its entire transition from poverty to Global North status.

This question of the state sector and "socialistic" elements connects to a further question: is it correct to see the entire post-1978 period as much the same? We need a position on when "NEP-reform" within non-capitalism became capitalism, because this relates to the question of whether most of China's heralded progress occurred before or after capitalism. Arguing that capitalist restoration took place around the mid-1990s, it will be shown that most of China's achievements took place before full-scale capitalism, which therefore eliminates labeling China today "socialist," even for those who believe that these achievements are impossible under capitalism.

In fact, many of China's achievements go back to before market reform began in 1978, to the "bureaucratic state-socialist" decades,[49] which are often written off as a period of stagnation. While the negatives of this period—particularly the catastrophic adventurist campaigns of the Mao regime—are also huge, the achievements can be attributed to the depth of the Chinese Revolution that culminated in 1949; the fact that capitalist China today was built on the inheritance of this immense social revolutionary process better explains its ongoing social achievements than imagining Chinese capitalism remains somehow socialist.

The Forgotten Poverty Reduction and Economic Growth Before Market Reforms

There is a more fundamental problem with the "China lifted 850 million people out of poverty since 1980" discourse. According to economist Martin Ravallion, in 1980, some 90 percent of China's population lived in absolute poverty of under $1.90-a-day.[50] The claim that China lifted 850 million out of poverty since 1980 is based on accepting that 30 years after the Chinese Revolution, 90 percent of the population still lived in absolute poverty, a higher proportion than in most countries in the Global South today. The Revolution, apparently, achieved little.

How true is this?

Before the onset of Deng's market reforms of 1978-81, while people were, generally speaking, poor, they did not pay for housing, health care, education, and social security, and prices of goods, including agricultural inputs for the peasantry, were highly subsidized. Cash incomes were less of a useful indicator of their quality of life. Can we compare its "poverty" to capitalist countries of the South based purely on income?

In one sense, the market reforms—including the introduction of small fees for health and education—began by making Chinese workers and peasants poorer, and those low incomes now began to mean something. However, because the agricultural reforms did boost the productivity of the small peasants who now had more control over the product of their labor, they made up much of the difference. Moreover, significant subsidies remained throughout the system, health and education costs remained low, much of the protective infrastructure of the socialist period remained and allowed these early market reforms to prosper within that protective shell.

Therefore, even after this limited "reform" began it still seems problematic to compare Chinese

workers or peasants on low monetary incomes to millions on similar incomes around the capitalist world. Yet, by accepting the claim that China has lifted more people out of poverty than the rest of the world combined since 1980, we are accepting the unlikely idea that 30 years of the Chinese Revolution and bureaucratic "state-socialism" bequeathed a country with the greatest number of poor in the world.

In fact, China's human development indicators in 1980 further militate against the idea that 90 percent of Chinese lived in extreme poverty by Global South standards. Life expectancy stood at 66, adult literacy at 65 percent (79 percent male), primary school enrolment at 93 percent and infant mortality at 44 per thousand live births. These were outstanding figures for the South at the time; consider, for example, that life expectancy in India today is only 69.

This raises the question of when these social advances, so crucial to understanding poverty, began; which in turn points to further questions: when did China's economic take-off begin? When did most of the post-1980 poverty reduction take place? And related to all this: when did China's NEP turn to capitalism? The answers lead to a more nuanced analysis than either that which says China's achievements are due to capitalism, or alternatively that its achievements mean it must be socialist.

Life expectancy in China today is a healthy 77, high by South standards. But most of the rise took place before "reform": it rose from 43 in 1950 to 68 by 1980,[51] i.e., it grew during the "socialist" period, "one of the most rapid sustained increases in documented global history."[52] It took only 50 years for China to raise its life expectancy from 40 years to 70 years, in comparison to a century in Western countries, almost all of it before 1980.[53] In the 40 years since "reform" began, it has risen only an extra 9 years.

Similarly, the infant mortality rate fell from 195 in 1950 to 55 in 1980;[54] since then it has dropped to 6.8, an impressively low level, but three quarters of this reduction took place before reform. In fact, China's 1980 figure of 55 is rather common throughout the South today (and lower than in many countries).

The literacy rate has surged from 65 percent in 1980 to 97 percent today,[55] certainly impressive; while 65 percent is not as high as other 1980 indicators (having been set back by the Maoists' "Great Proletarian Cultural Revolution" chaos of the 1960s), nevertheless, as literacy stood at some 20 percent in 1949, the majority of the rise again took place before "reform." Net primary school enrolment today stands at 99 percent, but was already 93 percent in 1980,[56] far higher than almost anywhere in the South, having risen from a mere 20 percent in 1950[57]: 90 percent of the rise took place pre-reform.

In other words, the bulk of China's impressive gains in social indicators took place as a result of the 1949 Revolution during the "socialist" period before the onset on "market reform" (and despite catastrophic Maoist campaigns). The more modest subsequent gains over the last 40 years have been built on that established base.

It is ironic that those arguing that the billionaire-producing regime is "socialist" because of the amount of human progress it presides over can only really make this argument if they ignore the fact that most of the human development gains were made before 1980 under state-socialism.

While most would understand that at least some social progress took place before 1980, it is almost a given that economic take-off only began after "market reforms," previous to which China was "stagnant." However, a closer look reveals a less marked demarcation. The standard view imagines

there was nothing between the Great Proletarian Cultural Revolution (GCPR) disaster and growth following market reforms, managing to omit the entire 1970s.

China's average annual GDP per capita growth rate in the 1970s was 4.29 percent,[58] which, while well below growth rates in the 1980s and beyond, was already high by world standards.

According to professors Ben Kerkvliet and Mark Selden,

> The gains may be traced back a decade to the 1970 North China Conference, which initiated a process of "conservative modernization" associated with Zhou Enlai. This led to accelerated rural industrialization and state investment in irrigation, and a comprehensive green revolution package that was implemented under collective auspices.[59]

In sharp contrast to Vietnam when it began its market reforms, facing systemic collapse, China "had a rate of accumulation as a share of total output of around 33-35 percent in 1978-79, compared with Vietnam's 12-13 percent … the Chinese economy was already generating large investible surpluses before the transition started."[60]

Some China experts, such as Susan Shirk, claim "it was by no means obvious that market reforms were the only solution. Economic performance and living standards could have been improved by upgrading the technical capacity of Chinese planning, raising agricultural prices and improving material incentives."[61]

We then come to the question of when the greatest post-reform gains were made. World Bank data,[62] shows the numbers living under $1.25-a-day between 1981 and 2011 dropped from 850 million to 150 million people, some 700 million people over 30 years. But more than one third of this drop, of some 250 million people, occurred in just the first 5 years, between 1981 and 1986. It took another 25 years for another 450 million to escape extreme poverty.

Indeed, the rise in agricultural incomes and productivity peaked between 1978 and 1984; per capita rural incomes rose two-and-a-half times within those six years, after which incomes and productivity levelled off or rose much more gradually.[63]

The point here is that the reforms of the 1978-84 period were very mild; other than those who already classified Maoist China as "state-capitalist," no-one suggests that China was plunged into capitalism at this stage. The initial reforms consisted of better state purchasing prices for peasant produce, allowing peasants to sell their above state-quota produce on the market, and the beginnings of de-collectivization, making the household the primary unit. According to Kerkvliet and Selden, "in most areas, decollectivization and a return to family farming were not widely implemented until 1982-83, suggesting that the prior gains in agricultural productivity and rural incomes were the product of a complex package of which household farming was only one component."[64]

This was largely tampering with the state-socialist model. As Joseph Fewsmith explains, when China's state price for compulsory deliveries in this period is combined with the higher price the state paid for above-quota produce (to compete with the market), the overall state price was higher than the market price. Thus the success of early Chinese reforms involved a six-fold rise in state subsidies to peasants from 1978 to 1984, indeed, "while agricultural subsidies had only been 4.5 percent of state revenues in 1978, they were a whopping 20 percent of state revenues in 1984."[65] Hardly the capitalist free market!

So, following this 1978-84 mild NEP stage, we can broadly divide China's "market reform" into two

further stages:

> From around 1984-85 foreign companies were invited into joint ventures with state companies, but only in Special Economic Zones; SOEs elsewhere gained more autonomy to partially operate on the market; and private capital was allowed to set up small enterprises. Therefore, the structure of the economy did not change fundamentally; while we should not underestimate the impacts the rising market economy had in practice, it would be a bold statement to declare China "capitalist" in the 1980s.
>
> The establishment of the stock exchange in 1991 heralds the third stage, followed by the rapid conversion ("equitization") of thousands of small and medium SOEs into share companies, open to private investors while keeping a "controlling" state share (which may be less than 50 percent). In 1997, massive "equitization" or sale of large and strategic SOEs began, and tens of millions of workers were retrenched. Size restrictions were removed on private enterprises and the national capitalist class began growing at a dizzying speed. Only at this stage can we begin talking of the restoration of capitalism in China.

This final stage relates to the above discussion on the nature of the dominant state enterprises; regardless of one's answer before equitization, how does a significant state share within a shareholding company still equal a socialist state enterprise?

To conclude, not only had the bulk of the increases in social indicators taken place before *any* market reform, but even record post-reform poverty reduction made its biggest gains in the first half of the 1980s, under the least radical economic changes, still within a bureaucratic state-socialist framework. Since the mid-1990s, capitalism has led to even higher economic growth, but the rate of poverty reduction and improvement of social indicators tended to slow down.

Therefore, regardless of what we call the system in 1949-78, or from 1978 to the 1990s, since the bulk of China's poverty reduction and social achievements took place before anyone would argue China became capitalist, then why the pressure to label the post-1990s China "socialist" to account for advances largely made before that era?

Capitalism with Revolutionary Inheritance

While I have argued against exaggerated views regarding China's economic growth, poverty reduction, and social indicators, they are nevertheless highly significant and do somewhat stand out. And though I have shown that vast social gains were made before the advent of capitalism in the 1990s, and even before the market reforms in 1978, major economic and social achievements have continued to be made since the 1990s.

One may argue, therefore, that if not socialist, China's capitalism is not a "normal" capitalism. However, few countries have "normal" capitalism, a system that takes different forms.

Today's capitalist China arose on top of the mighty social revolution of 1949, in which millions upon millions of peasants overthrew the ancient regime and shattered the centuries-old ruling classes. China's (and Vietnam's) impressive achievements are better understood as partially due to the inheritance of such dynamic revolutions, rather than trying to argue that a country with the largest number of capitalists in the world, with very high levels of inequality, and where workers struggles are confronted by state repression, is somehow socialist.

A major aspect of the Chinese Revolution was the thoroughness of land distribution to hundreds of millions of peasants. Much can be said about the tremendous and often irrational violence as brutalized peasants turned the tables after centuries of oppression and decades of catastrophic war;

even more can be said of the grossly opportunist manipulation of small-peasant grievance by the Maoist cadres, where absurd classifications led to violent politically-directed "class struggle" *within* the peasantry; real revolutions are raw and messy, especially following decades of war. Regardless, the end result was one of the most radical land distributions in history, something that has only rarely occurred in modernizing capitalist countries, ironically, key exceptions being South Korea and Taiwan.

The thoroughness of land reform has been a key factor in development success, or lack thereof, in the Global South, hence it is unsurprising that these two capitalist countries have been the most successful, and that China made great strides following the Revolution. The subsequent adventurist form of collectivization led both to great gains and massive setbacks, but whatever the balance sheet, the break-up of these collectives after 1978 returned land to the peasants on the basis of these earlier radical land reforms and this was a powerhouse of subsequent growth and poverty reduction.

The gigantic gains before 1980 also reflect the huge expansion of the basic health and education infrastructure (e.g., primary schools, communal health clinics) in villages all over China from the 1950s onwards,[66] and this state socialist-era infrastructure was bequeathed to the "reform" era in China, providing a solid basis for further development.

Development theorist Amartya Sen discussed this in relation to preparedness for market reform:

> While pre-reform China was deeply skeptical of markets, it was not skeptical of basic education and widely shared health care. When China turned to marketization in 1979, it already had a highly literate people, especially the young, with good schooling facilities across the bulk of the country. … In contrast, India had a half-illiterate adult population when it turned to marketization in 1991, and the situation is not much improved today. The health conditions in China were also much better than in India because of the social commitment of the pre-reform regime to health care as well as education. Oddly enough, that commitment, while totally unrelated to its helpful role in market-oriented economic growth, created social opportunities that could be brought into dynamic use after the country moved toward marketization. The social backwardness of India, with its elitist concentration on higher education and massive negligence of school education and its substantial neglect of basic health care, left that country poorly prepared for a widely shared economic expansion.[67]

While our focus here is not on "preparedness for the market economy," Sen's points are relevant, because these socialist-era gains did not just mean that China could "do market economy better" than India, but also that it could do it with far more social cushioning and less "market" impact on social indicators.

On a slightly different note, Jake Warner, writing in *Dissent*, makes the point that

> … the developmental achievements of the Revolution—levels of literacy, education, health, industry, and infrastructure highly unusual for such a poor country—combined with the Mao era's extreme urban—rural inequality, perfectly positioned China to dominate low-wage exports starting in the 1990s. Incomes in the former Soviet bloc, though ravaged by shock therapy, were still too high to be competitive with the enormous numbers of impoverished rural migrants in China, while most other poor countries could not match China on the quality of infrastructure or the capacity of the state to suppress workers' demands.[68]

The point here is less flattering from a socialist point of view. The fact that the developmental achievements made China infrastructurally more attractive to foreign investors chasing "low-wage

exports" is not what pro-China Western socialists want to write about; China is a "winner" within the uneven development of global capitalism.

Attributing much of China's success to the Chinese Revolution and the state-socialist period, should not be read as romanticizing this era and its Maoist leadership. Massive bureaucratic-led projects like the Great Leap Forward and the Great Proletarian Cultural Revolution unleased enormous disaster on China; it was not these deeds that led to development success, it was despite them, highlighting how dynamic the underlying process of social revolution was.

Rather than a strange "socialism," the secret to China's success has been a peculiarly dynamic cocktail of three key elements: the inheritance of the Chinese Revolution and the gains of the state-socialist era; the particular way China was able to leverage its advantages within the uneven development of world capitalism; and the significant role for state-owned enterprises in the state's regulation of its economy, which however effective remains capitalist.

None of these elements are evidence of socialism. Being clear about this point is not only important for understanding the nature of the Chinese system and capitalism, but also for envisioning what kind of future the global left would like to build.

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