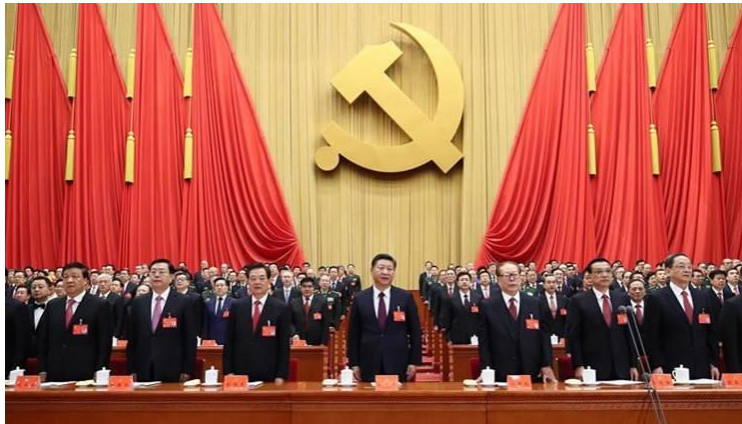


Deciphering China (Part II): Capitalism or socialism?



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Abstract: China's rise illustrates the contemporary dynamics of uneven and combined development. Its socialist foundation, a complementary market and capitalist parameters underpinned a model linked to globalisation but focused on the local retention of surplus. The absence of neoliberalism and financialisation have spared China the imbalances faced by its competitors. But the penetration of capitalism has generated overinvestment and surpluses that need to be unloaded abroad. Orthodoxy explains China's expansion as the result of an imaginary predominance of deregulation. Heterodoxy explains it as the result of the simple application of controls that failed elsewhere. Both omit China's socialist foundation. The millenary viewpoint exalts a mythical destiny and assumes that these very recent processes have distant roots in the past.

Capitalism is present but does not yet dominate the economy. The new bourgeois class has also not obtained control of the state, but the socialist transition has been reversed and an intermediate status prevails. The limited restoration contrasts with the trajectories of Eastern Europe and Russia. A comparison with the origins of capitalism suggests the possibility of long transitions and mixed systems.

[Note by LINKS: This is the second article in a three-part series by Argentine Marxist Claudio Katz looking at China today and its role in world politics. Although originally published in 2020 (September 25), meaning it is somewhat dated in places, these articles largely maintain their relevance regarding debates on the left over China.

Read [Part I](#) and [Part III](#). Translation by Federico Fuentes with assistance from Richard Fidler. Original in Spanish [here](#).]

China's gigantic expansion is the greatest contemporary example of uneven and combined development. A backward economy conveniently linked to the world market has climbed the global rankings, leaving behind its underdeveloped status.

It has captured technologies and investments from the most advanced powers and used the cheapness of its resources to drive unprecedented growth with levels of profitability above the global average.

With this astonishing take-off, it has positioned itself on the podium of the central economies, after combining internal transformations with advantageous insertions in

globalisation. It copied innovations, profited from the lower costs prevailing in underdeveloped countries and achieved an unparalleled expansion. Other Asian economies also grew, but without such intensity and with incomparably smaller populations or territories.

The principle of uneven and combined development operates in a new context of globalisation. There is no historical precedent for China's current expansion. The United States, Japan, Germany or the Soviet Union never presented such a peculiar connection with world capitalism.

China has resumed the pre-eminent place it once held in its millennia-long trajectory. But the links between that remote past and the current renaissance are not clear-cut. The rise of the new Asian power is due to several contemporary specificities.

Foundations, stages and particularities

China's expansion was made possible by the existence of a socialist foundation, which enabled it to articulate planning and market models into a surprising dynamic of growth. This foundation facilitated a productive leap that began from a very low level of underdevelopment.

The initial socialist formation explains the accelerated industrialisation of a country devastated by war, which in 1949 had a per capita GDP lower than many African countries. Within three decades it overcame this backwardness with spectacular advances in health (eradication of epidemics and increase in life expectancy from 44 to 68 years between 1950 and 1980). The same happened in education (reduction of illiteracy from 80% to 16% between 1950 and 1980) and family life (elimination of ancestral patriarchy) (Guigue, 2018). Major improvements in agriculture underpinned the subsequent take-off.

Overcoming underdevelopment with non-capitalist economic policies places China on a par with the Soviet Union and distinguishes its trajectory from the path followed by the great powers of the West. Socialist strategies demonstrated unquestionable effectiveness in the face of an extreme backwardness whose effects are still felt today. The world's second largest power still ranks 90th in the Human Development Index (Ríos, 2017). It is the main trade supplier and financial creditor of the United States, but has a per capita GDP less than one-seventh of its competitor (Watkins, 2019).

The socialist foundation provided a major underpinning for the two periods of subsequent development. Between 1978 and 1992, a period of generalised market relations prevailed, with strict limits on privatisation and private capital accumulation. Agriculture was the key driver of a model centred on the domestic market. Chinese leaders understood in advance that socialising poverty would amount to suicide. They comprehended that the abrupt and total renunciation of the market would lead them down the tragic course followed by Cambodia (Prashad, 2020). That is why they went back to the policies of introducing the market into planned management, first tried by Hungary and Yugoslavia.

In the mid-1990s, a different pro-capitalist path was chosen. Privatisation of large enterprises, the gestation of a bourgeois class and integration into globalisation were all encouraged. This shift introduced a qualitative change in the economy, which began to register the typical imbalances of capitalism (Lin Chun, 2009a).

The social correlative of this second phase can be seen in inequality indexes. The Gini coefficient demonstrates a rise in inequality superior to that recorded by any other Asian economy (Roberts, 2017). A new elite of millionaires flaunts their wealth, exalts luxury and tightens links with their peers abroad. They are the protagonists of the corruption scandals of recent years. These wealthy groups propagate the culture of commercialisation and consumerism that has been assimilated by a large part of the rising middle class. At the opposite pole, a huge segment of rural migrants nourishes the mass of precarious workers that sustain industrial growth.

The main secret to China's soaring expansion has been local retention of the surplus. This capture explains the uninterrupted continuity of the accumulation process. An economy with very low levels of external openness has forged solid mechanisms to ensure the local reinvestment of profits.

At the start of this capitalisation, the Chinese diaspora was co-opted to facilitate domestic development. For this reason, between 1985 and 2005, this diaspora was the main facilitator of investments into the country (Guigue, 2018). It has lost its initial weight in the face of the subsequent emergence of a capitalist class in the country, which preserved the norm of reinvesting surpluses locally.

China's take-off was also due to a complex mixture of internal and external factors. Intense local accumulation was intertwined with globalisation in reinvestment circuits facilitated by the strong control of capital outflows. The successive models of socialist transition, market expansion and capitalist parameters sustained a high growth rate. The diaspora provided the initial take-off for a productive model that later became intertwined with globalisation.

This scheme included a conversion from the initial manufacturing of basic goods to the production of goods located in the intermediary stages of production chains. This advance was based on an absorption of technologies that occurred in a very different manner from that which prevailed in the rest of the world.

Imbalances without neoliberalism or financialisation

China introduced a model with state regulations that differed greatly from the neoliberal model. It inserted itself into globalisation with a large public sector presence and strong governmental influence on investment rules. It imposed limits on profits, the distribution of dividends and the transfer of wealth abroad (Andreani; Herrera, 2013). The new power linked up with globalised capitalism according to very different rules from those prevailing in that system.

The weight of state-owned companies is illustrative of this strategy. After an intense privatisation process, public sector companies came to form a minority nucleus, but with dimensions 14 times larger than the average of the economy. They are, moreover, located in the strategic branches of oil, gas, steel, insurance, telecommunications and banking (Treacy, 2020).

China has a stock of public sector assets equivalent to 150% of annual GDP, which is three times that of the private sector. Only Japan has a similar stock, while in the other main economies this percentage does not exceed 50%. Similar differences can be observed in the weight of public investment and of state-owned companies with gigantic assets (Roberts, 2020, 2018, 2017).

It is important to register, moreover, the high degree of centralisation of these companies, which operate under the direct supervision of the Communist Party. These companies guarantee the supply of cheap inputs to the entire productive structure. The current degree to which the Chinese economy has been privatised is highly controversial. Some estimates highlight the clear supremacy of this sector (Hart-Landsberg, 2011) while others restrict its incidence to 30% of GDP (Merino, 2020). But all analysts agree in highlighting the continued leading role of state-owned firms. Another distinctive feature of the model has been the preservation of land as public property. This condition is determined by the demands of food sovereignty in a country that accounts for 22% of the world's population with only 6% of the world's arable land. The per capita ratio of land use for nutrition is 10 times lower than the prevailing level in France (Andreani, Herrera, 2013).

The modalities of common agrarian property are very diverse. Small production persists, communal forms have lost out relative to the private sphere, while the take-off of the 1980s was based on the exponential growth of the entire sector. This is where the first surpluses were generated for subsequent industrialisation. As the volume of the urban population jumped from 20% to 50% of the total population, the expansion of agriculture became indispensable to ensuring the food supply of the cities. Public property guaranteed this balance (Amin, 2013).

The right to use small plots of land also fulfils a protective function for migrant workers when rises in unemployment drive them out of the cities. They have a kind of agrarian social insurance to deal with the ups and downs of the labour market (Au Loong, 2016). The tensions that would otherwise be generated by the implementation of privatisations in agriculture, as occurred with urban land, have deterred this. The agribusiness model that neoliberalism imposed on the rest of the planet does not apply in China. Nor the financialisation that prevails in the bulk of Western economies. Regulations in particular limit the inflow and outflow of capital. This flow is controlled by different exchange mechanisms that protect the economy from international financial tremors (Amin, 2018).

This control over foreign exchange not only provides China with great advantages for dealing with any crisis. It has also allowed for the conversion of export revenues into bank credits oriented to industrialisation. The same devices also limit capital flight and the expatriation of wealth. The new wealthy class has been induced to reinvest their profits internally and to tolerate the intermediation of the Central Bank in the management of their funds.

The main instrument of this financial regulation is state-owned banks. Some twenty entities control 98% of operations and manage the monumental deposits that orient loans. A corollary of this supervision is the absence of financialisation in the three areas of the system. The self-financing of companies, the securitisation of banks and the indebtedness of households are of quite secondary importance when compared with any Western economy (Lapavitsas, 2016: 227).

By renouncing neoliberalism and financialisation, China has been spared many of the imbalances that affect its competitors. But it has not been able to avoid the contradictions introduced by capitalism. These tensions erupted when the combined market and planning model was replaced with the pattern of privatising large companies.

China is the world's main epicentre of overproduction and these surpluses push it to redouble its efforts to seek out foreign markets. This compulsion leads to peaks of domestic overinvestment, which in turn feed real estate speculation, growing indebtedness and shadowy financial operations.

Neoliberal and heterodox thinking

China's impressive emergence rouses admiration, fear and incomprehension. Western elites are unable to piece together a coherent interpretation for what has happened. They oscillate between reproaching the continuity of Communism and celebrating China's pro-capitalist turn. Some suspect that the new power has simply thrown on a disguise over its old regime, while others celebrate its conversion to market ideology. These inconsistencies are a repetition of the Cold War reactions to the USSR's economic heyday. That expansion generated both hatred and envy among the organic intellectuals of Western imperialism in 1950-60s. But, ultimately, the dominant tone in the face of China is one of confrontation, with all kinds of fables about a supposed red or yellow menace.

Neoliberals usually explain China's growth as a result of its meritorious adoption of capitalism. They ignore its socialist antecedents and presuppose a false correlation between the acceptance of the market and the pre-eminence of privatisation. The first operated for a long time in close combination with planning, while the second has been restricted by the limits placed on neoliberalism and financialisation.

Chinese development refutes all the myths of deregulated capitalism. That model did not prevail in any of the three phases of the country's economic development. The initial drive was carried out under strict rules of centralised planning; the following period incorporated market management mechanisms; and the current path contains capitalist forms that have limited imposed on them via state regulation. The simplified belief that the profit motive rescued this economy from its "socialist stagnation" is a fantasy of right-wingers who are unable to digest the extraordinary expansion of a model far removed from their prescriptions.

This bewilderment translates into schizophrenic praise and repudiation of the "order", "hierarchy" or "discipline" that they observe in the functioning of the Chinese economic system. These characteristics are praised as synonymous with "capitalist progress" or denigrated as evidence of "Communist dictatorship". Consistency is conspicuous by its absence among neoliberals when it comes to assessing the emergence of the new Asian power.

Conventional heterodoxy presents China as the prime example of regulated capitalism. It generally shies away from conceptual debates about the meaning of that category. It simply refutes neoliberal reveries of a growth guided by the magical presence of the invisible hand of the market. This critique underscores the constant pre-eminence of state regulation in every advance achieved by the country. It correctly describes the decisive absence of neoliberalism and financialisation, but assumes that the mere continuity of this strategy will guarantee a path of progress.

This view reduces all the secrets of development to the dominant presence of the state. It omits the fact that many countries have had long periods of state supremacy without overcoming their backwardness, due to the continued dominance of dependent

capitalism. By ignoring that the foundations for China's achievement were initially based on huge transformations of an anti-capitalist nature, it conveys an incomplete and biased diagnosis.

The theorists of regulated capitalism forget that its principles were totally absent at the beginning of the process and did not play any important role during the period of combining planning with the market. They have only recently appeared in very unique forms. The history of the past two centuries contains countless trials of failed capitalist regulation, ones that China did not imitate.

Millenary justifications

Another explanation for the country's expansion relativises economic factors and stresses the primacy of conditioning historical-sociological factors. It sees the take-off as a return to the ancient equilibrium that was destroyed by the rise of the West. This explanation recalls that China is a millenary civilisation with the right to occupy a hegemonic place in the concert of nations. That is why it interprets China's current prominence as compensation for the deviations created by Western domination over the past two centuries. With this parenthesis over, history has tended towards returning to its previous trajectory based on the centrality of China.

This theory of millenary revenge assumes that the country has regained its rightful predominant role. It recalls that in 1800, economies located in Asia provided 49% of world production (Fornillo, 2018). It estimates that China has rebalanced history and recovered its role as an old market economy that always surpassed other formations that rested on military dominance (Nolan, 2019). These views recall that in the past, the distribution of economic power was proportional to demographic weight and that this tendency is reemerging (Ríos, 2017).

But based on this interpretation of history, some approaches validate China's current hegemonic resurrection. They provide important observations that improve our knowledge of a millenary society, but deduce from that past a controversial right of China to regain its centrality in the world.

This nation is not the bearer of any destiny (of domination or subordination) simply because of the non-existence of such an attribute. China does not embody a destiny superior to the rest of humanity for the same reason that the United States lacks any "manifest destiny" as the custodian of world security. The same extends to Europe, which is not the transmitter of a "civilisation" of excellence to the peoples of the periphery.

Millenary justifications see mythologies of national exceptionalism as a virtue of certain populations over others. In the case of China, Sinocentric theses have emerged as a reaction to Eurocentrism. After a century of Western humiliation, they assume the validity of retribution. But this reasoning is akin to all the myths that have emerged around the "invention of nations" in order to exalt certain territories, destinies, cultures or languages.

The Marxist tradition has always confronted such beliefs, which exacerbate national rivalries and affect the shared interests of all peoples of the world. Chinese Communism actively propagated a distinctly internationalist ideology for decades. In particular, it

raised the banners of a particular variant of an anti-imperialist project based on the revolutionary protagonism of the Third World.

That legacy has been eroded by a new Sinocentric patriotism that presents China's development as revenge against the oppression imposed by the West (Guigue, 2018). The same patriotic argument is used to interpret the enrichment of local capitalists as retribution for impoverishment suffered in the past.

The incorporation of magnates into the Communist Party is presented on this basis as an expression of comparable national behaviours (Ding, 2009). But in fact, the opposite is true. The wealthy sectors of the new Chinese elite are sympathetic to the West, favour the tightening of transnational partnerships and propagate the neoliberal credo. Some nationalist justifications for China's renaissance are based on the revaluation of Confucianism as a foundation of the state, society, ethics and family harmony. Others replace concrete analysis of contemporary uneven and combined development with vague precepts of the secular rise and decline of undifferentiated social systems. With this approach, China's evolution is detached from its foundation in tributary, capitalist or socialist modes of production, in order to be evaluated with the dubious valuation standard of civilisations.

This view dilutes the singularities of the past decades into nebulous meta-historical story lines. China's own past is lost amid vague statements. It forgets that the nationalist wave that followed the Opium War (1840) nurtured the modern Chinese identity and underpinned the national consciousness of the Republican Revolution (1911). The subsequent socialist triumph (1949) combined agrarian, democratic and anti-imperialist projects that defined the subsequent course of the country. Critics of millenarianism stress the centrality of these transformations (Lin Chun, 2013:197-211).

The same debate extends to evaluations of China's international role. Some analysts note the frequent identification of this role as the foundation of a new civilisation forged with criteria of community, shared destiny, peaceful development and global harmony (Margueliche, 2020). This idealised image of universalism is propagated with a depoliticised language of universal consensus, which simply ignores the destructive tendencies of capitalism (Lin Chun, 2019). To overcome this evasion, we need to apply in our analysis of China the same parameters of historical materialism used to investigate the trajectory of any other nation.

Capitalism, socialism, intermediate forms

The main questions regarding China do not lie in the peculiarities of its model, but in the social nature of its system: is it capitalist, socialist or something in between?

To clarify this problem, we must first recognise the validity of these concepts, in counterposition to those thinkers who ignore or question them. They usually discard the current relevance of socialism, considering capitalism to be the only valid system.

This view implicitly validates the neoliberal perspective, which associated the collapse of the Soviet Union with the "end of history" and consequent eternity of capitalism. With this position, it is impossible to understand the trajectory followed by China and to characterise a regime that identifies with a socialist perspective.

If this definition is considered unimportant or a mere disguise, then we would have to extend the same objection to other evaluations: why accept, for example, the

consistency of the concepts of regulated and deregulated capitalism? Or the concepts of liberals and illiberals? Do they not hide another underlying reality that would invalidate these characterisations?

The analysis becomes more sensible if one recognises that capitalism and socialism are the two organising notions for interpreting China. They provide antagonistic rules for the functioning of society and the state that help us understand where China is located. They are certainly insufficient concepts in terms of characterising the model in force in a country, but they provide an inescapable starting point. Before elucidating the specificities of Chinese capitalism or socialism, it is necessary to clarify the basic meaning of both terms.

The actuality of capitalism in the economic field is determined by private ownership of the means of production and the pre-eminence of the profit motive, competition and exploitation, together with the imbalance of overproduction. No variety of capitalism exists without the presence of these factors.

These three pillars not only distinguish capitalism from its socialist antonym. They also differentiate it from incomplete or primitive forms of market management. The market preceded and will exist after capitalism. It is a complementary device that exists in different systems; its presence does not define the social nature of a country. The presentation of China as “a market economy” – as conceptualised by an influential scholar of that society (Arrighi, 2007: chap. 3 and 8) – evades an effective characterisation of the regime.

The shift from tight market rules compatible with planning to the three pillars of the capitalist economy in the early 1990s marked the potential debut of that system in China. Small and medium private property in agriculture gave way to large industrial enterprises belonging to the new bourgeoisie.

Setting prices on the basis of the norms of competition was extended to the bulk of products, modes of exploitation were expanded and the accumulation of profits enriched an influential minority. Moreover, the old bottlenecks generated by underproduction were replaced with the tensions of overinvestment. These changes portray the weight of capitalist modalities in the Chinese economy.

Of this collection of elements, the most significant is the emergence of a class that owns the means of production and seeks to pass on its privileges to its heirs. But does the undisputed incidence of this sector define the actuality of capitalism in China?

The answer would probably be yes in other historical circumstances. The country began to incorporate itself into this system in a global scenario of neoliberalism and financialisation, without adopting these two characteristics. This limitation made the restoration of capitalism very incomplete from the outset. The modalities of high regulation, restriction on profits, public ownership of land and state management of banks, currency and foreign trade obstruct the full actuality of this system.

Unlike other experiences – such as neo-developmentalism or the Latin American distributionism of the past decade – China’s distancing from neoliberalism and financialisation has not represented a brief stint. This has prevailed in a country that forged its contemporary economy on the foundation of socialism.

The limited nature of capitalist predominance in China is most evident at the political level. This sphere is decisive, since the pre-eminence of this system is not defined exclusively in the sphere of the economy or society. It also presupposes management

of the state by the big bourgeoisie. The mere existence of this sector or its elevated weight in the control of resources does not determine the capitalist status of a country. The main levers of state power must be subject to the direct or delegated management of the appropriators. And such control does not exist in China today.

The state functions with the norms and institutions forged out of the socialist revolution of 1949. The continued pre-eminence of the Communist Party – and of the whole structure of national and regional bodies connected to this supremacy – illustrates a mode of government that is very different from the usual forms of bourgeois political power.

China did not suffer the implosion that accompanied the disintegration of the USSR or the abrupt collapse of the regimes in Eastern Europe. The repetition of this trajectory that Western leaders expected did not occur. The systemic rupture imposed by Yeltsin contrasted with the continuity reaffirmed by Xi Jinping. This difference indicates that the already existing capitalist class in China operates within a political system that it does not dominate.

This institutional structure, moreover, maintains ideologies, symbols and heroes that clash heavily with the basic precepts of capitalism. It praises heroism instead of profit, and collective goals rather than personal enrichment. Certainly these principles diverge from an economic reality largely subject to the logic of profit. But that tension also expresses the limits placed on the complete re-entry of capitalism.

The socialist legacy does not only emerge laterally in the formalisms of state functionaries, but conserves its actuality in the broad spectrum of the left and regains importance at junctures where criticism of inequality emerges. But do these limits to capitalist restoration indicate, therefore, the continuity of its socialist counterpart? In the terms conceived by the classics of Marxism, China has always fallen a great distance short of that goal. It never achieved the collective wellbeing, material abundance or genuine democracy that would have allowed for the dissolution of oppressive forms of the state to be inaugurated. It was even further away from the ideals of the positive utopia of communism.

During the first decades following the revolution, the trajectory was one of a transition to socialism, which rested on two principles of that evolution: the expansion of public property and peoples' intervention in the transformation of society.

Subsequently, numerous market mechanisms were introduced to renew growth. This period ended with the formation of a new class of owners of large enterprises. The initial advance towards socialism was transformed into an opposite process of involution towards capitalism. This regression has not been consummated, but it represented a reversal of the previous trajectory.

In China neither capitalism nor socialism prevails. An intermediate and unresolved historical mode of society prevails, together with a bureaucratic formation in the management of the state. The state functionaries that control state power do not act as a mere representative of the new property-owning class. They seek to sustain – through high rates of growth – a balance between all social sectors in the country.

Antecedents, models and affinities

Our interpretation revises ideas put forward in my 2004 book on the future of socialism. Sixteen years after the publication of that text, the main conceptual definitions of China proposed in our analysis remain valid (Katz, 2004:77-83). This continuity illustrates how the lack of definition of the capitalist or socialist character of a system can prolong itself over time. What seemed conjuncturally unresolved persists as a process that will be settled over longer periods.

The main point of that analysis – that the capitalist restoration had not concluded – persists to this day. The mentioned existence of three differentiated periods (socialist debut, market management, introduction of capitalism) still remain as a clarifying axis for solving this dilemma.

Our updated analysis, outlined in another text (Katz, 2016), was well received by some commentators who counterposed it to simplistic views of China's reality (Restivo, 2020). But they wrongly interpreted that we projected an irreversible character on the trajectory towards capitalism, which in our view remains incomplete.

To determine the degree of reintroduction of capitalism, we used criteria provided by an analyst of the "post-Communist processes" of Eastern Europe. These parameters are the extent of private property, the norms of operation of the economy, and the prevailing political model (Kornai, 1999: 317-348).

With these indicators we emphasised that China was advancing towards capitalism in the first area, had not developed a definitive profile with regards to the second, and faced a severe barrier in the third. Its intermediate stage is very visible when compared to what happened in Russia or Eastern Europe.

Our view is in tune with many of the characterisations of the New Left in China. This affinity can be seen, above all, in the qualitative distinction between the period of market reforms (1978) and the stage of privatisations (1992). Far from constituting two moments of the same trajectory, they involved opposing paths of compatibility with socialism and alignment with capitalism (Lin Chun, 2009a).

We also share the direct criticism of this restoration process, which undermines the social gains achieved through the revolution and has dramatically expanded inequality (Lin Chun, 2019). And we emphasise that China's transition to capitalism is neither a suitable nor an inescapable means by which to develop the productive forces, and that achieving this development does not require integration into globalisation (Lin Chun, 2009b).

The agreement extends, moreover, to the diagnosis of a process of partial restoration of capitalism. This course can be reversed in the struggle for equality in a society with deep-rooted principles of justice. The recovery of the socialist trajectory will depend on action undertaken by popular subjects (Lin Chun, 2013: 197-211).

Three variants of restoration

The limited character of capitalist restoration in China has recently been assessed in an important study that draws conceptual comparisons with what happened in Eastern Europe and Russia. It differentiates the three processes by distinguishing between the incorporation of capitalism from below, from outside or from above (Szelényi, 2016). It points out that the rise of capitalism in Eastern Europe was processed with great anticipation and external monitoring, through an intense tightening of ties between local

dominant groups and their partners in the West. The intelligentsia assimilated the neoliberal creed with great fanaticism and played a decisive role in creating the climate of enthusiasm that surrounded the advent of capitalism.

Privatisations were left in the hands of sectors that had already accumulated, in the shadows, the assets required to capture the spoils. Shock therapy in Poland, the gradual transition in Slovenia, reparations to former owners in the Czech Republic and auctions in Hungary constituted peculiar modalities of a shared course of lightning fast restoration of capitalism.

The ruling classes that had begun to emerge in the previous stage consolidated themselves with the same speed as the old leadership of the preceding regimes crumbled. The preeminence of external advisers and the installation of brutal forms of neoliberalism were the most significant features of this transformation.

Neither of these processes has occurred in China. Capital accumulation began in the countryside and developed very slowly until the beginning of privatisation in the cities. This process has continued for several decades without extending to strategic activities that remain in the hands of the state. Nor was there any external direction over the reconversion process. Transnational companies associated themselves with a locally developed growth program and Western governments had little influence on the path followed. The elites themselves selected the Chinese diaspora as their privileged counterpart and set severe limitations on the role of foreign capital.

Neoliberal ideology certainly penetrated the country, but in permanent dispute with other conceptions and never achieved primacy. The old political system structured around the Communist Party persists and consolidated its predominance in economic management. The contrasts with what happened in Eastern Europe are so categorical that the author of the comparison seriously questions the current actuality of capitalism in China.

The restoration in Russia was also a sudden phenomenon, far removed from the ambiguities observed in China's scenario. Capitalism was introduced at the same speed as in Eastern Europe through drastic privatisations. Yeltsin took the decision to build the new system in 500 days and redistributed the bulk of public property among his cronies. A new bourgeoisie was born overnight and five years after the collapse of the USSR, the seven largest Russian business owners owned half of the country's assets. The imbalances precipitated by greed were as present as the financial turmoil.

Enormous levels of Western influence were visible in this process of restoration but, unlike in Eastern Europe, ultimate control remained in the hands of the new Moscow plutocracy. Capitalism did not re-enter from outside, but from above. The protagonists of the turn were the same actors that comprised the previous political leadership. The USSR high bureaucracy was transformed into Russia's new oligarchy.

The same personnel simply changed their clothing and kept leadership of the state, now with different goals. This mutation from standard bearers of communism to exalters of capitalism was also observed in Ukraine, Belarus, the former Central Asian republics and some Balkan countries.

China has not followed these paths. The reintroduction of capitalism has been a tortuous and unfinished process given the absence of a leader willing to emulate Yeltsin. The collapse of the USSR accentuated the conservatism of the Chinese leadership. Instead of burying the political structure of the Communist Party, they

decided to consolidate it and instead of merging the new capitalist class with political power, they only accepted its existence as a parallel force to their own leadership. For this reason, the property distribution model introduced by Yeltsin, where he auctioned off the country's assets among the new elite, has not prevailed in China. Nor the prebendary scheme of retribution based on loyalty introduced by Putin. With this mechanism, the Russian president has limited the power of the greedy oligarchs. He expropriated, criminalised and disciplined the wealthy with the same virulence as the tsars against the boyars. But none of his actions changed the capitalist status of the country.

There are major looming tensions in China. Xi Jinping's strict command is aimed at preventing these disputes from getting out of hand. Some analysts believe that he governs using a set of hidden and unwritten rules, which reproduce the old authority of the emperor over subordinate layers. In particular, he arbitrates in the clashes between the state functionaries that have arisen on the basis of the rules of meritocracy and the godchildren of the old Communist leadership (Au Loong, 2016).

But even with these management modes, political power maintains the labels, statutes and ideologies of the process inaugurated in 1949. Herein lies the great difference with Russia, which buried all ties to the 1917 revolution. The dissimilar penetration of capitalism in both countries is closely connected with this divergence of attitudes towards the past.

Comparison with the origins of capitalism

A review of the debates on the origins of capitalism helps to clarify the nature of China today. By investigating how that system came into being, it is possible to discern how it has re-emerged where it had been eradicated.

The controversy among Marxist historians about the birth of capitalism pitted interpreters of its debut in agriculture (Dobb, 1974) against theorists of its primordial consolidation in trade (Sweezy, 1974). The first view attributed the transition to the erosion of feudal structures in Europe as a consequence of peasant rebellions. The second highlighted the urban boom that undermined the nobility, accentuated the flight of serfs and transformed the rent of products into money.

This discussion sought to determine whether capitalism emerged through a long process of primitive accumulation in agriculture and generalisation of wage labour in the cities, or whether, on the contrary, it emerged when trade relations took hold.

The advantage of the first approach lies in its accurate identification of capitalism as a system of competition for profits arising from exploitation. That generation of profit requires private ownership of the means of production and norms of profit based on the extraction of surplus value. The simple predominance of market parameters does not establish the predominance of capitalism.

Returning to this differentiation, China should currently meet the conditions, indicated by the thesis of agrarian origin, of a capitalist status. The universalisation of trade rules is not enough to prove this actuality. In the contemporary history of the country, the stage of market expansion without privatisation did not imply the beginning of capitalism.

Restoration only emerged in the subsequent period. Accumulation from below in

agriculture constituted, at most, a presupposition of that change and not an indication of its consummation.

Another discussion on the birth of capitalism opposes historians who emphasise its national origin (Wood, 2002: 103-121) against scholars who stress its international genesis (Wallerstein, 1988: 33-35). This controversy contrasted the existence of multiple trajectories of a system forged in the nineteenth century, with visions of a regime that emerged as a world totality in the sixteenth century.

In this case, the correctness of the first view lies in the criteria it provides for studying each national capitalism in terms of its differences with previous systems. The disadvantage of the second perspective lies in the dissolution of these singularities. It traces the existence of capitalism to a distant past and assumes that it already operated as a global network.

This divergence of internal or external criteria for defining the presence of capitalism becomes relevant when assessing the divergent national trajectories followed by Russia or Eastern Europe compared to China. These processes unfolded in the same scenario of neoliberal globalisation, but followed very different national paths.

The global expansion of capitalism that followed the end of the Cold War did not imply the implementation of the same system in all corners of the planet. China (as well as Cuba and Vietnam) has followed a different path within a common context. For the same reasons that the existence of a world-system was not equivalent to the automatic ascription of the USSR to that totality, the current preeminence of globalisation does not presuppose capitalism in China.

This is important to point out in order to avoid the opposite misunderstandings that assign to the new Asian power a world civilising mission. If globalisation does not define China's capitalist status, neither does China's international expansion point to a different functioning compared with the rest of the world.

Revolution and bourgeois counterrevolution

Discussions on the origin of capitalism have consolidated the perception of a long transition of several centuries, with diverse modes of coexistence of dominant classes (Vitale, 1984). This same conclusion could be applied today to China. Its eventual passage to capitalism should not necessarily follow the abrupt outcome that prevailed in Russia or Eastern Europe. It could take place over several decades, and in that case it would be appropriate to characterise the regime in force during that intermediate period. In historiographic debates regarding that transition, the notion of socio-economic formations emerged as a means to conceptualise the existence of varied articulations between modes of production with an unequal predominance of capitalism (Cueva, 1988). This notion was used to characterise, for example, the mixed systems that prevailed in Latin America between the 15th and 19th centuries. There were various combinations of capitalism with slavery (plantations) or feudalism (haciendas). The same outlook could be applied today to China, to consider its social-economic formation in terms of an eventual "social-capitalism".

But these economic categories are not enough to define when capitalism reigns. Within the mixed system present during the transition, the bourgeoisie conquered its domination of society, but only effectively exercised this supremacy when it captured

state power. The reign of competition, profit and exploitation did not establish a capitalist status if the state remained in the hands of other dominant groups. This was the case, for example, with the absolutist state during the feudal era. It was only when the bourgeoisie controlled this power that all obstacles to accumulation were cleared. This conclusion of the historiographic debate has special application for the current scenario in China. As in the past, a new ruling class already oversees much of the economy without wielding political power, and this in turn impedes the full take-off of capitalism.

The turning point in the past was clarified in the evaluation of the bourgeois revolutions, which constituted the classic mode of conquest of power by the capitalist class. The fall of the monarchy (France) or the war of secession (United States) were typical examples of this shift (Piqueras, 2000).

But these forceful mutations were not the only paths taken in history and this lack of definition reappears today. The exact dates of the change in regime observed in Russia, Poland, East Germany or Hungary cannot be applied to China.

In this comparison it should also be emphasised that the bourgeois revolutions of the past were not the simple antecedent of the counterrevolutions of the present. A monumental gulf separates the rise of capitalism from its return. The main difference lies in the total lack of progressive complements at the democratic, national or agrarian level (Anderson, 1983).

The current resurgence instead deepens regressive elements of the establishment of capitalism that prevailed in the central countries after the second half of the 19th century (Callinicos, 1989). The same tone has prevailed in the restoration of the system after a century in Russia and Eastern Europe.

It should also be recalled that in many parts of the world, capitalism emerged without bourgeois revolutions, through passive transformations or self-conversions of the states. The gradual bourgeoisification of the old nobility in Japan and Germany were typical models of such top-down gestation (Takahashi, 1974). It could be argued that China is undergoing a similar reconversion, through the gradual patronage of capitalism by the same sectors that dominated the previous system.

But this long-term transition will be very different compared to the precedents of the 19th century. It would imply in China the triumph of the neoliberal project and the strengthening of ties with Western partners. This eventuality constitutes, for now, only one of the options at stake. The alternatives in dispute require a more specific analysis that we will address in the third article of this series.

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