

The Marxist

Volume: 15, No. 04

Oct.-Dec. 1999

The Road to Socialism in China

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The tremendous strides made by the Chinese economy during the last two decades have been recognised, even by its worst critics, as being incomparable in the 20th century. The average annual rate of growth during the last two decades registered an amazing 9.8%. The Chinese economy continues to grow over and above this record at roughly 8% in the current year. The IMF has predicted that by the year 2007, People's Republic of China will surpass the United States of America as the largest economy in the world (*World Economic Outlook*, IMF, 1997).

How was such a remarkable development possible? Particularly, in a period when the mighty Socialist Soviet Union was dismantled? When all pen-pushers of imperialism and the bourgeoisie were busy seeking to nail the coffin of socialism and claiming that "capitalism is eternal", socialist China continued to register such impressive economic successes. In a period when imperialist ideologues are churning out theories such as the 'end of ideology', socialist China continues to speak of upholding Marxism-Leninism. While the right-wing intellectuals and academicians are in a haste to state that China's successes have nothing to do with either Marxism or socialism, some amongst the Left are also concerned whether these successes in China represent the restoration of capitalism? Has Mao's China been abandoned? Have 'capitalist roarders' taken over China? What are the consequences of the current economic reforms for the future of socialism in China? These are some of such questions that we seek to explore.

I

At the outset, it is necessary to note that Marx and Engels had projected the triumph of world socialism as the post-capitalist stage

in human evolution. The process of this worldwide transformation was conceived of as following the overthrow of capitalism in at least some of the major developed capitalist countries to begin with. However, the maturing of capitalism to the stage of imperialism and the sharpening of its inherent world contradictions permitted the possibility of breaking the imperialist chain of world bondage at its weakest link. The Russian working class under Lenin's leadership, applying the inviolable Marxist tool of "concrete analysis of concrete conditions", converted this possibility into an epoch-making reality.

However, the triumph of socialist revolution in Russia (and subsequently, following the defeat of fascism in the second world war, in the relatively less developed Eastern Europe; semi-feudal semi-colonial China; northern Korea; Vietnam and Cuba) did not and could never have meant the automatic transformation of the backward economies and low levels of productive forces into high levels (higher than that of capitalism) of socialised means of production. Lenin himself was acutely conscious of this and was, in fact, hoping that the German revolution and revolutions in other capitalistically developed countries would triumph soon after the October revolution and lead the backward Russian working class in the process of socialist construction.

When revolutions in various countries of Europe did not materialise, then the Russian revolution was confronted with the stupendous task of transforming the low levels of productive forces through the concept of 'socialism in our country'. (This epic saga of human endeavour is best captured in EH Carr's classic work of nine volumes.) That a backward Russia could transform itself into the mighty economic-military bulwark against imperialism is itself a testimony to socialism's superiority as a social system. It is a different issue that this mighty and unprecedented human creation was dismantled after 70 long years. (The reasons and the circumstances leading to this are discussed in detail in the CPI(M)'s 14th Congress resolution "On Certain Ideological Issues".)

For the purpose of our discussion, however, it needs to be noted that every socialist revolution, based on a concrete analysis of concrete conditions, worked out its approach towards developing rapidly the productive forces. How this can be done is specific to the concrete realities faced by the specific revolutions, both domestically and internationally.

Lenin, himself, noted on the 4th anniversary of the October Revolution: "Borne along on the crest of the wave of enthusiasm, rousing first the political enthusiasm and then the military enthusiasm of the people, we expected to accomplish economic tasks just as great as the political and military tasks we had accomplished by relying directly on this enthusiasm. We expected -- or perhaps it would be truer to say that we presumed without having given it adequate consideration -- to be able to organise the state production and the state distribution of products on communist lines in a small-peasant country directly as ordered by the proletarian state. Experience has proved that we were wrong. It appears that a number of transitional stages were necessary -- state capitalism and socialism -- in order to *prepare* -- to prepare by many years of effort -- for the transition to Communism. Not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive and business principles, we must first set to work in this small-peasant country *to build solid gangways to socialism by way of state capitalism*. Otherwise we shall never get to Communism, we shall never bring scores of millions of people to Communism. That is what experience, the objective course of the development of the revolution, has taught us." (*Lenin, Collected Works*, Vol. 33, pp.58 emphasis added)

Further, he proceeds to state: "Capitalism is a bane compared with socialism. Capitalism is a boon compared with medievalism, small production, and the evils of bureaucracy which spring from the dispersal of the small producers. In as much as we are as yet unable to pass directly from small production to socialism, some capitalism is inevitable as the elemental product of small production and exchange; so that we must utilise capitalism (particularly by directing it into the channels of state capitalism) as the intermediary link between small production and socialism, as a means, a path, and a method of increasing the productive forces." (*Lenin, Collected Works*, Vol. 32, pp. 350)

But, does this mean the restoration of capitalism? To this Lenin answers quite candidly that: "It means that, to a certain extent, we are re-creating capitalism. We are doing this quite openly. It is state capitalism. But state capitalism in a society where power belongs to capital, and state capitalism in a proletarian state, are two different concepts. In a capitalist state, state capitalism means

that it is recognised by the state and controlled by it for the benefit of the bourgeoisie, and to the detriment of the proletariat. In the proletarian state, the same thing is done for the benefit of the working class, for the purpose of withstanding the as yet strong bourgeoisie, and of fighting it. It goes without saying that we must grant concessions to the foreign bourgeoisie, to foreign capital. Without the slightest denationalisation, we shall lease mines, forests and oilfields to foreign capitalists, and receive in exchange manufactured goods, machinery etc., and thus restore our own industry." (*Lenin, Collected Works*, Vol. 32, pp. 491)

II

To a certain extent, what we find in the post-reform socialist China is, a reflection of the theoretical positions Lenin had taken regarding state capitalism. The main question involved is that of increasing the productive forces in a backward economy to a level that can sustain large-scale socialist construction. In other words, what is being sought is to attain the conformity between the levels of productive forces and the relations of production under socialism. The advanced socialist production relations cannot be sustainable at lower levels of productive forces. A prolonged period of low levels of productive forces would give rise to a major contradiction between the daily expanding material and cultural needs of the people under socialism and backward productive forces. The Chinese Communist Party (CPC) has concluded that if this contradiction remains unresolved, then socialism itself in China would be under threat.

It is necessary to note at this stage that following the triumph of the socialist revolution in China, Mao himself had undertaken the task of achieving speedy growth of productive forces. China, prior to the revolution, was what Marx had once called "a society vegetating in the teeth of time". The Chinese Revolution decisively broke the chain of subservience of China to imperialist interests as well as the chains of stagnating backwardness thus freeing China from semi-feudal exploitation and its associated social consciousness amongst the people. Mao had once concluded that: "only socialism can save China". It is with such clarity that Mao embarked on an economic plan of 'socialist self-reliance'.

But soon, in less than a decade, came the unfortunate rupture in Sino-Soviet relations and in the international Communist movement.

Any success in achieving socialist self-reliance in China was inconceivable without substantial assistance from the socialist Soviet Union. Following the rupture and the consequent tensions between these two socialist giants, Mao, forced to rely purely on domestic resources, experimented with many indigeneous adaptations like the 'great leap forward' to rapidly develop productive forces. These efforts ultimately ended in the disastrous experiences of the cultural revolution. However, it must be noted that the single thread of Mao's and socialist China's concern was to bridge the gap between the expanding material and cultural needs of the people and the backward productive forces, notwithstanding some erroneous methods they chose to achieve this.

Following the political turmoil that took place during the cultural revolution and after the dethroning of the 'Gang of Four' a serious introspection was begun by the CPC on political and economic issues. In 1978, clearing confusion and incorrect understanding on many political issues and practices, the CPC adopted a comprehensive ideological line that culminated in what they call 'one central task and two basic points'. 'One central task' is economic development, the 'two basic points' are adherence to the four cardinal principles (Marxism-Leninism and Mao Zedong; socialist road; people's democratic dictatorship; and leadership of the Communist Party) and the implementation of reforms and open door policy.

III

Soon after the initiation of the reform process, in a conversation with Kim Il Sung in 1982, Deng Xiaoping says: "In a country as big and as poor as ours, if we don't try to increase production, how can we survive? How is socialism superior, when our people have so many difficulties in their lives? The Gang of Four clamoured for 'poor socialism' and 'poor communism', declaring that communism was mainly a spiritual thing. That is sheer nonsense! We say that socialism is the first stage of communism. When a backward country is trying to build socialism, it is natural that during the long initial period its productive forces will not be up to the level of those in developed capitalist countries and that it will not be able to eliminate poverty completely. Accordingly, in building socialism we must do all we can to develop the productive forces and gradually

eliminate poverty, constantly raising the people's living standards. Otherwise, how will socialism be able to triumph over capitalism? In the second stage, or the advanced stage of communism, when the economy is highly developed and there is overwhelming material abundance, we shall be able to apply the principle of from each according to his ability, to each according to his needs. If we don't do everything possible to increase production, how can we expand the economy? How can we demonstrate the superiority of socialism and communism? We have been making revolution for several decades and have been building socialism for more than three. Nevertheless, by 1978 the average monthly salary for our workers was still only 45 yuan, and most of our rural areas were still mired in poverty. Can this be called the superiority of socialism? That is why I insisted that the focus of our work should be rapidly shifted to economic development. A decision to this effect was made at the Third Plenary Session of the Eleventh Central Committee, (1978. Ed.) and it represented an important turning point. Our practice since then has shown that this line is correct, as the whole country has taken on an entirely new look." (*Selected Works of Deng Xiaoping*, Vol. 3, pp. 21-22)

It is essentially such an understanding that led to a theoretical conceptualisation of the primary stage of socialism. This in fact conforms to what Marx and Engels themselves had stated and what is accepted by all subsequent Marxists: that socialism is the transitory stage between capitalism and communism and hence constitutes the first stage of a communist society. The CPC however has gone a step further to formulate that within this transitory stage, there will be stages depending on the levels of productive forces at the time of the revolution. This was systematically elucidated in the 13th Congress of the CPC. Basically, what it meant was that China, being a backward semi-feudal, semi-colonial country at the time of the revolution, was at a stage where the socialist transformation of its economy will have to be conducted from very low levels. The World Bank, in 1980 sent an investigation team to China which estimated that the per capita GNP in 1952 was US \$ 50, even lower than that in India and only slightly more than one-fifth of that in the Soviet Union in 1928. In a country with the largest population in the world, the effort for a transformation into a modern socialist economy is, indeed, a stupendous task. The CPC estimated that this process would take atleast a hundred years from the time of the revolution to reach the stage of a modern socialist economy. It is this process which they call 'the building of socialism with Chinese characteristics'.

In order to achieve such a transformation, the CPC put forward another theoretical formulation that of building a socialist market economy. By now, it is clear that as long as commodity production exists, there would be a need for a market to exchange these commodities. The CPI(M) at its 14th Congress noted in its Ideological Resolution: "It would be erroneous to conclude that under socialism the market will cease to exist. So long as commodities are produced, the market exists. The crucial question is not planning versus market but which dominates what. Under socialism, market is one of the means for the distribution of the social product. Centralised planning, utilising the market forces and the market indicators, will be able to efficiently develop the productive forces and meet the welfare demands of the people. Therefore, ignoring market indicators leads to greater irrational use of resources which will adversely affect the plan process itself".

It is this sort of a combination of market and planning, but under the leadership of the socialist State power that the CPC seeks to achieve. These efforts are summed up in the following:

"Since China is still in the primary stage of socialism, we must develop the commodity-money relationship, raise the level of marketisation and establish and perfect the system of a socialist market economy. As experiences throughout the world testify, the development of a commodity economy is a stage that cannot be by-passed in the process of socio-economic development. On its road to modernisation every country must go through the stage of commercialisation and marketisation of socio-economic relationships. All attempts to by-pass this stage are doomed to failure. The greatest advantage of developing a market economy is that, regulated by the law of value, the subjects of economic activity will compete with each other in adopting advanced technologies, and improving the quality of products, services and management, so that they can survive amid intense competition. This will invigorate the economy and promote prosperity. Of course market mechanisms are not omnipotent, interference and macro-economic control and regulation by the government will be inevitable in cases of improper market operations. *The market will therefore play a crucial role under the control and regulation of the state -- an inherent requirement of the socialist market economic system.* We are now striving to turn enterprises in China, including those owned by the state, into legal entities and market subjects responsible for their

own decisions in terms of operation and expansion, and for their own profits and losses in five to ten years. An open, orderly and competitive market system will also be established, and the extent of socio-economic marketisation will be increased from the present 50% to over 60%. Much improved social security and macro regulation systems will also be introduced. Social productive forces will then be developed more rapidly and the process of modernisation speeded up." (*Social Sciences in China*, Vol. XX, No.2, pp 22)

In other words, what is sought to be created in China is a commodity market economy under the control of the socialist state where public ownership of the means of production will remain the mainstay; by which the CPC means "firstly that public capital predominates in total social capital; secondly, the state economy controls the economic lifeline and plays a dominant role in the national economy". Through this, they seek to prevent the economic polarisation and growing inequalities created by private market economy and ensure the common prosperity of the working people.

It is in this process that they are currently engaged in the transformation of the state owned enterprises in China which is attracting attention of economists world wide and causing concern amongst socialist China's well wishers. The Chinese, however, are confident that they "will successfully blaze in a new trial that will integrate public ownership and a market economy."

IV

It is on the basis of these theoretical inputs that socialist China has embarked on its path of reforms and achieved tremendous successes. Its net rural per capita income increased 12-fold from 134 yuan to 1578 yuan during the period 1978-95. According to China's *State Statistical Bureau*, 31% of its population were below the poverty line defined by the consumption of 2100 calories in 1978. By 1985, this was cut to half and the World Bank estimated the numbers to be 89 million. Such improvement in the livelihood of nearly 150 million people in a span of seven years has no historical precedent. This was done without any specific poverty alleviation programmes. The general growth of the economy has had an effect like the 'tide lifting the ship'. By 1985, however, the Chinese government put into practice a specific poverty alleviation programme called 'Yigong Daizhen' (YD). Through this, during the Seventh Five Year Plan, they

targetted 331 backward counties for specific rural development and public work programmes. During 1985-91, these contributed 1,31,000 km of roads; 7,900 bridges; 2,400 km of inland river water generations and water supply for 20 million people and 13 million animals. By 1994, they estimated that around 80 million people or 6.5% of the population was below the poverty line, mainly in far-flung mountaineous areas. The target is to eliminate this by the year 2000.

Thus, by beginning the reform process in the rural areas and converting the old `communes' and `brigades' into township and village enterprises (TVEs), socialist China has achieved a tremendous transformation of its rural sector. According to the World Development Report, 1996, the TVE's share in Chinese GDP rose from 13% in 1985 to 31% in 1994; output increased 25% every year since mid-eighties; TVEs account for one-third of the total industrial growth in China and in the past fifteen years, they have created 15 million jobs.

A fact that generated great interest worldwide has been the ability of China to attract foreign direct investment. In 1984, 1.3 billion US dollars of FDI came into China mainly in the special economic zones created along the East Coast. By 1998, this rose to 45.6 billion US dollars. Of this, nearly 64% came through joint ventures. 36% was wholly foreign owned enterprises, whose production was mainly for exports. Of this 45.6 billion FDI in 1998, only 3.9 billion came from US and 3.4 from Japan. The rest came from overseas Chinese in Hongkong, Taiwan, and Macau. Now with both Hongkong and Macau having re-joined the mainland, this contribution can no longer be considered as `foreign investment' in the future.

Despite such huge amounts, FDI in the nineties constituted only 15% of the domestic investment. Thus, to attribute China's successes to foreign capital alone would be untrue. In fact, during 1978 to 1993, the gross domestic savings in China averaged over 41% of the GDP, more than adequate to fund its domestic investment. It is for this precise reason that China has been able to maintain a balance of payments surplus through this entire period which touched 15.7 billion in 1996. China today has a foreign exchange reserves of more than 44 billion.

As a result of these reforms, China over the last two decades has

achieved tremendous successes. Material standards of living have grown by leaps and bounds. Poverty levels have come down sharply. In health, higher education, scientific research and technology development, China has moved ahead at a commendable rate. All these have been possible not because China 'broke from the Maoist past' but because it developed on the solid foundations laid by the People's Republic of China during the first three decades of centralised planning. (*This point is more competently dealt in an accompanying article in this issue.*)

V

However, new problems are also cropping up as a result of these developments. They are mainly the growing inequalities, unemployment and corruption. The CPC, cognizant of these dangers, is taking measures to overcome these problems. But the fact remains that with the current transformation of the State owned enterprises, there is a net accretion to the unemployed every year. While the State maintains a minimum subsistence allowance and offers re-training programmes for retrenched workers, unemployment is a serious problem.

The main question that emerges is whether these growing inequalities will take the form of the formation of an incipient capitalist class? Lenin, while talking of State capitalism and emphasising the need to rapidly expand the productive forces, also warned of the risks to the socialist State that such a period of transition will bring about. Characterising the process of building state capitalism as a war, Lenin says: "the issue in the present war is -- who will win, who will first take advantage of the situation: the capitalist, whom we are allowing to come in by the door, and even by several doors (and by many doors we are not aware of, and which open without us, and in spite of us) or proletarian State power?" (*Lenin, Collected Works, Vol. 33, pp 65*) He proceeds further to state: "We must face this issue squarely -- who will come out on top? Either the capitalists succeed in organising first -- in which case they will drive out the Communists and that will be the end of it. Or the proletarian state power, with the support of the peasantry, will prove capable of keeping a proper rein on those gentlemen, the capitalists, so as to direct capitalism along state channels and to create a capitalism that will be subordinate to the state and serve the state."

(*Lenin, Collected Works*, Vol. 33, pp 66)

Similarly, Deng Xiaoping in a talk during his visit to southern China says: "The crux of the matter is whether the road is capitalist or socialist. The chief criterion for making that judgement should be whether it helps promote the growth of the productive forces in a socialist society, helps increase the overall strength of the socialist state and helps raise living standards." (*Social Sciences in China*, Vol. XX, No. 2, pp. 29)

Further, in 1985, addressing some of the apprehensions of growing inequalities Deng Xiaoping says: "As to the requirement that there must be no polarisation (read growing economic inequalities), we have given much thought to this question in the course of formulating and implementing our policies. If there is polarisation, the reform will have been a failure. Is it possible that a new bourgeoisie will emerge? A handful of bourgeois elements may appear, but they will not form a class.

"In short, our reform requires that we keep public ownership predominant and guard against polarisation. In the last four years we have been proceeding along these lines. That is, we have been keeping to socialism.

"Let me add that our socialist state apparatus is so powerful that it can intervene to correct any deviations. To be sure, the open policy entails risks and may bring into China some decadent bourgeois things. But with our socialist policies and state apparatus, we shall be able to cope with them. So there is nothing to fear." (*Selected Works of Deng Xiaoping*, Vol. 3, pp. 142-143)

VI

Clearly, the CPC is in the midst of a serious creative experience of building socialism with Chinese characteristics. This, in other words, is precisely what Lenin characterised Marxism as "the concrete analysis of concrete conditions". Lenin, during his time, on the basis of the concrete international and domestic situation, consistently endeavoured to rapidly bridge the gap between backward productive forces and advanced socialist production relations. The course of

this Soviet history of socialist construction, however, took place under different historical circumstances. Encirclement of the Soviet Union, the preparations for the second world war by the fascist forces did not allow the Soviet Union a peaceful period for such consolidation of socialist productive forces. The pace of the socialisation of the means of production had to be hastened for the very survival of the socialism itself. The fact that it did succeed in socialising the means of production through `collectivisation', bore the brunt of fascist assaults during the Second World War and decisively defeated them will go down as one of the most remarkable and liberating experiences of the 20th century.

The present political circumstances, confronting China however, are very different. The Sino-Soviet rupture and the compulsions of the cold war ironically, permitted the possibilities of China opening up economically to the capitalist world. Additionally, the massive concentration and internationalisation of finance capital meant the search for new markets and China, the most populous country in the world, was an obvious attraction. Thus, a variety of factors converged to allow China to implement its policies of economic reforms.

The CPC is endeavouring to rapidly expand the productive forces and, thus, consolidate and strengthen socialism in China through these reforms. On the other hand, as noted above, this very process engenders certain tendencies which seek to weaken or even destroy socialism. Imperialist finance capital is there in China not to strengthen socialism but to earn profits and to create conditions of adversity to socialism. They would certainly seek the weakening of socialism or its dismantling in order to earn greater profits. This is the current struggle between imperialism and socialism that is taking place in the theatre of China. And, in this struggle, the forces that seek to strengthen and consolidate socialism will receive solidarity from the Communists the world over. For, the strengthening of socialism in China is the biggest contribution that China, under the leadership of CPC, can make to advance the international Communist movement.