

Successor-System Theory as an Orienting Device: Trying to Understand China

by

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I. Background

My interest in China was rekindled several years ago by an invitation to a conference, "Modernization, Globalization and China's Path to Economic Development," to be held in Hangzhou, July, 2002. The conference was organized by Cao Tian Yu, a philosopher of science at Boston University and his wife Lin Chun of the London School of Economics--both deeply concerned about the future of China. It was attended by a number of Western Leftists (Samir Amin, Perry Anderson, Robin Blackburn and myself), by China specialist Joseph Fewsmith, by representatives from Singapore, Taiwan and India, by representatives from China's developing "New Left," (among them Wang Hui, whose book *China's New Order* was recently published by Harvard University Press¹), by the president of Hangzhou College of Commerce (where the event was held) and by three retired, once prominent government officials, among them Du Runsheng, a principal architect of China's agricultural reform of the late 70s, early 80s.

The question uppermost in the minds of most of the participants, at least those from outside China, was the capitalism or socialism question. Does "socialism with Chinese characteristics" designate a legitimate form of socialism, or is it merely a phrase to cloak a capitalist restoration? Opinions on this issue were decidedly mixed. A surprisingly large number of Chinese participants (surprising to me at least) held to the latter view.

I am not so sure. I cannot claim to be an expert on China. The Hangzhou conference was my first and only visit to that country. But the research I have done since the conference, from the perspective of successor-system theory, makes me hesitate to join the chorus.

I have long been interested in China. Like so many other Western New Leftists, I became fascinated by the Cultural Revolution, which seemed at the time to represent an heroic attempt to break from the Soviet model of economic development and from the bureaucratic structures of the Communist Party. Although set in motion by Mao, this was primarily a movement of youth, full of moral outrage and impatient with slow transformation--as were we in those days. With "politics in command"--not economics--an attempt was underway to create a radically new, deeply egalitarian society, which, among other things, was to break down the division between town and country, break down the division between intellectual and manual labor, and put the masses in charge of their own destiny. For those of us in the anti-war movement, who hated state bureaucracy as much as capitalism, and who were as young and energetic and impatient as our Chinese counterparts, the Cultural Revolution was a siren song.

For me, however, there was cognitive dissonance. For the research I was doing on economically viable, morally desirable alternatives to capitalism pointed in a different direction. I was becoming increasingly convinced that markets were not, per se, antithetical to socialism, and that, to the contrary, a viable socialism would have to be a form of market socialism. Despite the moral appeal, Maoist economics did not look promising.

So I had decidedly mixed feelings when Deng Xiaoping and his allies wrested control from the "Gang of Four," then launched a dramatic series of reforms, breaking up the rural communes, instituting in their place the "household responsibility system," and gradually giving more and

more prominence to market mechanisms and incentives, particularly in rural China, where tens of thousands of village and township enterprises soon blossomed.

These reforms were, in my judgment, a stunning success. Never before in human history have so many people been lifted out of dire poverty so quickly. (Between 1979 and 1986 the number of rural Chinese living in poverty declined from more than 200 million to 70 million.²) Moreover, since the major beneficiaries of the early reforms were peasants, the income gap between town and country narrowed, and China--despite the emergence of some rich peasants--became even more egalitarian than before.

In my view the results of this unprecedented experiment constituted exceedingly impressive evidence in support of market socialism. The reforms were clearly socialist. The land, for example, remained public land. Plots were merely leased long-term to families. Hence rich peasants could not buy out poorer ones and consolidate their holdings. Village and township enterprises, which were so important to rural economic growth, were also public enterprises--albeit structured differently from the state-owned enterprises that provided virtually all the employment in urban areas. Unlike state-owned enterprises, the township and village enterprises operated in a market environment. They were profit-making enterprises, the proceeds of which belonged to the communities.

These reforms did not go beyond the basic parameters of socialism (unless one insists dogmatically that market socialism is an oxymoron). And they worked. However, as both critics and supporters of market reforms had predicted, the reforms did not stop with township and village enterprises and the household responsibility system. In the mid-80s market reforms were extended to urban areas, and "socialist" strictures were relaxed: foreign capital was invited in,

some capitalist businesses were permitted, some state-owned enterprises were privatized, and Chinese millionaires began to make their appearance. Inequalities began to worsen, as did unemployment, as did corruption. In the wake of a nasty bout of inflation, a student Pro-Democracy movement was joined by increasingly discontent workers, provoking the bloody events of June 4, 1989.

After Tiananmen the Western Left pretty much lost interest in China. Today, in the minds of most, China is just another brutal, exploitative, authoritarian regime.³ Call it state capitalist. Call it Stalinist. Call it Stalinist-capitalist. You can even call it "socialism with Chinese characteristics" if you want--if you put scare quotes around "socialist." Who cares?

And yet--history did not stop in 1989, neither in China nor elsewhere. The countries of Eastern Europe broke away from the Soviet Union, and saw their economies collapse. The Soviet Union proceeded to disintegrate. China did not. Far from it. In 2002 the 16th Congress of the Communist Party of China managed a peaceful change of leadership, transferring power to a "Fourth Generation" of leaders.⁴ As Hu Jintao, Wen Jibao and the other new leaders survey their country now, what do they see? What do we see?

We--Westerners in general and Western leftists in particular--see a lot of negatives. (I am not thinking here of Western businessmen, who see boundless opportunities, and who are now investing in China in record amounts.)

- Obscenely conspicuous consumption on the part of Chinese nouveau riches.

In Hangzhou, for example, where the "Globalization and China's Path" conference was held, Huang Qiuling, forty-five-year-old founder of a Chinese tourism empire, has constructed for

himself a private house--a \$10 million replica of the White House, which includes an Oval Office in which every detail has been immaculately reproduced, from the \$60,000 baroque sofa to the US Presidential seal.⁵

- Legions of sweatshops.

The Washington Post reports the case of Wang Xiao, who, working in a Taiwanese sneaker factory set up on the mainland: "I started at 7:30 a.m. and took an hour break for lunch at noon. At 6 we had another hour for dinner, and after that there were the night shifts. It was such an exhausting job. I worked until 2 or 3 in the morning. If the next day was a holiday, we would work till 4 a.m."

Moreover, the fumes from the glue she was using were toxic--slowly destroying her nervous system. She is now confined to her bed--and has accumulated medical bills that have knocked her family back into debt and destitution.⁶

- Large and growing income inequality.

Following an initial narrowing of the income gap between town and country, the overall trend toward greater equality has been reversed. Inequalities have been increasing rapidly--between rural and urban residents, among regions, between men and women, among the citizenry generally. Yukon Huang, former director of the World Bank's China Programme, reports that China's Gini coefficient, which is used to measure overall inequality, used to be much better than

Asian levels, but "it has doubled over the last 10 or 15 years. No country has changed that magnitude of inequality so quickly."⁷

China has many other unattractive features, well-known to all of us:

- Widespread use of the death penalty (although not, it should be noted, for political crimes).
- Serious environmental degradation.⁸
- Tight control of all media, mass or otherwise.
- Very little of what we think of as civil society: independent trade unions, environmental organizations, religious groups, etc.⁹

These are the negatives. The Chinese leadership is more likely to accentuate the positive. First of all, they can point to a period of political and social stability that has been anything but normal for China. We should recall that the twentieth century began in China with the Boxer Rebellion against foreign rule and privilege, which led to the occupation and looting of Peking by foreign troops. The first half of the century witnessed warlordism, the Shanghai massacre and other anti-communist extermination campaigns, Japanese occupation, the Rape of Nanking, civil war, then revolution. During the second half, with Communist Party of Chinese in control, there occurred:

- The violent repression of counter-revolutionaries in the aftermath of the revolution, which claimed the lives of as many as two million people, a repression provoked in no small measure by the United State's decision to intervene in the Korean civil war--a war which itself claimed staggering numbers of Chinese casualties (among them Mao Zedong's own son.)
- A "Great Leap Forward" in the 1950s that was at least partially responsible for one of the worst famines in human history. Deaths have been estimated to be as many as 10 million.
- A Cultural Revolution from 1965 to 1975 that threw the country into turmoil. Again death and destruction (although on not on the scale of the earlier catastrophes).
- An unsettling power struggle in the late 70s that saw the Maoist "Gang of Four" deposed and Deng Xiaoping--Mao's long-time antagonist--come to power
- In 1989, on Deng's orders, the Tiananmen massacre.

It is no small thing, if you happen to be living there, that China has been peaceful since then. Not entirely peaceful. There have been many strikes and worker demonstrations--but none provoking a massive crackdown. (The Chinese media reports that some 58,000 incidents of social unrest occurred in 2003.¹⁰) And as the tourist handbooks all point out, China has one of the lowest crime rates in the world, and the fewest policemen per capita.

In addition to political and social stability, the Chinese leaders can (and do) point to an impressive list of economic accomplishments:

- Since the reform process began in 1978, the Chinese economy has grown at a rate of more than nine percent per year. Its GDP has doubled, then doubled again, then doubled again. China is now the 6th largest economy in the world, and remains the most dynamic.
- China's per capita income, which was \$168 in 1979, has now reached \$1000.
- Some 400 million people have been lifted out of extreme poverty since 1981. Indeed, since the opening of its economy in 1978, China has accounted for three-quarters of all the people of the world moving out of poverty.¹¹
- Life expectancy has increased since 1990 from 68.5 to 71.8, seven years above the developing country world average. (India's life expectancy, by contrast, is 63.3)
- In 1986 the central government mandated free education through grade nine. While the mandate has not been fully implemented, 85% of Chinese teenagers, aged 12-14 now attend junior high school, 80% of which graduate. The number of students enrolled in college has more than quadrupled since 1990, now more than 2.6 million.¹²
- China now has the health profile of a middle-income country. Skilled professionals now exist in virtually every county hospital. These professionals, in conjunction with a domestic pharmaceutical industry, allows China to immunize more than 95% of children against the full range of infectious childhood diseases.

To be sure, the figures cited above may not be wholly accurate. Statistics issued by the Chinese government are not wholly reliable.¹³ Still, few observers deny that life has gotten better for hundreds of millions of people over the past two decades. Yale sociologist Deborah Davis notes:

Twenty years ago, 80 percent of the Chinese population survived on less than \$1 a day. Rural families saved for a year to buy a pair of rubber boots, and urban families needed ration coupons to purchase cooking oil, sugar and coal. Today rationing has disappeared, and consumer goods that were once luxuries for the elite are now routine purchases. Last year, more than half of rural families owned a color television set, while some 230 million mobile phone accounts have made China Motorola's number one market.¹⁴

Moreover, the Chinese leadership will remind us that China has nearly five times the population of the United States, and roughly a third as much arable land, and that at the time of their revolution, barely a half century ago, theirs was one of the poorest countries on earth, far less technologically developed, less industrialized, and less urban than even was Russia on the eve of its revolution forty-two years earlier. (Life expectancy in China in 1949 is estimated to have been 35.)

Can one fault the leadership from proclaiming that "China's success has astonished the world." Is the prominent journalist Ren Zhongping altogether wrong to effuse:

Marx, the greatest thinker in human history, said during the last millennium that the destiny of those people who are the first to throw themselves vigorously into new life is enviable. History has chosen us, and we are creating new history. . . . Recalling the past and comparing it with the present, 20 years ago, who would have thought that our life

today could be so happy and splendid, and that our motherland could be so prosperous, rich and strong today?¹⁵

II. Trying to Make Sense of China: Successor-System Theory as an Orienting Devise.

It is clear that the Chinese leadership can point to some stunning, life-affirming accomplishments. It is equally clear that China is no workers' paradise. Can the accomplishments be attributed to socialism--or to capitalism? Are the worrisome trends likely to get worse--or might they be ameliorated? What exactly is China today? And where is heading?

I contend that it is fruitful to look at China through the lens of successor-system theory. Let me begin with a sketch of this theory.¹⁶

Successor-system theory centers on the question, what, if anything, will come after capitalism? It may be regarded as a component of historical materialism, historical materialism broadly understood to be a theory of human nature and human development based on three premises:

- Human beings are creative, pragmatic beings who try to solve the pressing difficulties of material and social life. We, individually and collectively, are capable of striking out in new directions and of learning from our mistakes and from the successes and failures of others.

- Over time we have reshaped the world so as to make it more productive, more rational, and more congenial to species solidarity. Thus it is possible to speak of progress in human history.
- Although there is no guarantee of success, since we are now capable of committing species-suicide, there is reason to be hopeful about the future. As Marx put it, "Mankind always sets itself only such problems as it can solve, for when we look closer we will always find that the problem itself only arises when the material conditions for its solution are already present or at least in the process of coming into being."¹⁷

The successor-system-theory component of historical materialism asserts that we can now see quite clearly, not only that the economic system that has come to dominate the world over the past five hundred years is deeply and irredeemably flawed, but also that there exists a viable alternative to capitalism that would eliminate most of the current system's inequities and irrationalities. It further asserts that there are objective forces in the world, responding to felt difficulties, pushing in the direction of this post-capitalist future.

Successor-system theory holds that the driving force of the present era is the democratic impulse--itself the product of a long period of socioeconomic development. It is a hugely important, contingent fact that democracy works. As unwieldy as it might seem, it actually works better, in general and over the long run, than authoritarian alternatives. There are many forces resisting the extension of democracy and in subverting its substance where it formally exists, but the democratic impulse seems far from exhausted.

Successor-system theory claims that there are two pressing “democratic deficits” currently impinging on the lives of millions of people in modern capitalist economies and elsewhere.

- There is little democracy at work. The workplace under capitalism remains feudal. Owners, often absentee (i.e., stockholders), exercise ultimate authority over the workplace.
- Society has little democratic control over its rate and direction of development, since these are determined by investment, and in a capitalist society, investors are largely free to dispose of their private savings as they see fit.

It should be noted that there is little discontent with "the market." There are few organized or spontaneous forces of any significance in the world today demanding the wholesale abolition of the market. Indeed, the market is itself--as conservatives love to stress--a kind of democracy, since production responds to consumer demand.¹⁸

If these democratic deficits are recognized as the fundamental source of capitalism’s deepest irrationalities, then it is not hard to see what a viable successor-system to capitalism should look like.

It should be a competitive market economy with

- workplace democracy, and
- social control of investment.

The first measure is straightforward enough: workers should control their enterprises, typically through an elected council that appoints management. Ultimate authority over the enterprise should rest with the workers, one-person/one-vote. That democratic workplaces "work,"--at least as well and usually better than comparable capitalist workplaces--is an empirical fact well confirmed by scores of studies on thousands of experiments.¹⁹ (This is not to say that democratic workplaces always work. They don't. Democratic enterprises sometimes fail. But the evidence is strong that once established, democratic enterprises are as efficient and innovative as their capitalist counterparts.)

The second feature, social control of investment, involves two components. Where to investment funds come from? Where do they go? So as to give full legitimacy to public control of investment, the funds for investment should come from taxation, not (primarily) from private savings. (For both ethical and economic reasons, it makes sense to generate the investment fund by means of a capital assets tax, but this detail need not concern us here.) As to their disbursement, all these funds should be plowed back into the economy via a network of public, not private banks. Since these are public institutions, dispensing public funds, they are thus subject to democratic control.

In essence, this successor-system to capitalism--which I call Economic Democracy--is an economic system that retains the market for commodities and services, but drastically curtails the labor and capital markets by replacing them with democratic institutions.

This is not the place to rehearse the arguments in favor of Economic Democracy. I have done so elsewhere.²⁰ Here I want to argue that the arguments in support of Economic

Democracy as the optimal alternative to capitalism at this stage of our historical development have some general implications relevant to the understanding of China:

- The market is an essential component of a viable, desirable socialism.

At this stage in the development of our productive forces, faced as we are with a real scarcity of goods, resources and satisfying jobs, there is no better mechanism for generating appropriate incentives for efficient, innovative production than competitive markets. To be sure these markets need to be regulated, and they should not embrace the whole of the economy, but markets have a large and important role to play in any desirable socialism that is workable today.

- Economic equality is not, nor should it be, the most fundamental socialist value.

No serious socialist, certainly not Marx, has insisted on absolute equality. When the socialist tradition asserts, correctly, that economic equality is a value, it is asserting that inequalities need to be justified--justified by appealing to other, more fundamental socialist values.

There will still be inequality under Economic Democracy--less than under capitalism, but significance nonetheless. Economic Democracy is a form of market socialism. Inequality is a necessary concomitant of a market society. More efficient firms do better than their inefficient competitors. Innovation sometimes results in super-profits. Skills are rewarded differentially. Luck plays a significant role. Wealth in the midst of poverty, especially extreme, ostentatious

wealth, should give a socialist pause, but if this wealth is a byproduct of policies that decrease rather than increase the number of people living in poverty, it should not be condemned.

- It is possible, perhaps even desirable, to have capitalists in a socialist society.

There is a role for capitalists in Economic Democracy, particularly in its early stages of development. This conclusion follows from two premises, one theoretical, the other empirical. The theoretical premise: there is an important difference between the entrepreneurial function of a capitalist, which is exercised by only a small minority of actually existing capitalist in an advanced capitalist society, and the capitalist function per se, i.e. supplying capital. The empirical premise: entrepreneurial talent is a scarce resource--the talent of a “petty entrepreneur” who opens a new restaurant or repair shop or a small retail store, as well as the talent of a “grand entrepreneur” whose creative energies bring into being new products, new technologies, even new industries.²¹

Since Economic Democracy generates its investment fund publicly, via taxation, it does not need capitalists to supply capital. But it may well need them (a number of them) to play an entrepreneurial role that would otherwise be insufficiently filled. Of course there is a danger that this class will become the dominant class, as it is under capitalism, but such a development is not inevitable.

Let us now address the basic question: how does China look when viewed through the lens of successor-system theory?

First, some negative conclusions, or rather, double-negatives:

- The fact that China has given a large scope to the market in its economy does not mean that China is not a socialist society
- The fact that there is considerable inequality in China does not mean that China is not a socialist society.
- The fact that there are some very rich capitalists in China does not mean that China is not a socialist society.²²

There are some positive considerations as well. Successor-system theory directs our attention in two directions. We look for signs of workplace democracy. We look for signs of social control of investment. Let us first consider workplace democracy.

Anyone looking at enterprise organization in China cannot fail to be struck by the large number of experiments going on there right now, as China gropes for an appropriate organizational form--or forms. There are large state-owned enterprises. (There are 191 "flagship firms" being groomed to be world-class enterprises. These and other SOEs employ about a third of the non-rural workforce.) There are native-capitalist firms--some two million, employing some thirty million workers. (Most of these firms are small. The average number of employees in a capitalist firm in China is fifteen.) There are large numbers of foreign firms in China, most of them joint ventures, often with state-owned enterprises. There twenty-four million owner-operated businesses employing a few workers each, employing forty-five million workers altogether. There are vast numbers of township and village enterprises, all of them collectively owned at one time, now most of them fully or partially privatized, often with workers holding all

or some of shares in the firms, often with managers holding a controlling interest. There are large numbers of cooperative firms, with many experiments underway to determine the optimal structure of voting and income rights. (At a forum on cooperatives, Yang Rudai, a high-ranking government official, declared, "Over the past century cooperatives have developed continuously to maturity, becoming a significant trend in the development of the global economy. . . . Therefore, we should thoroughly understand the importance and urgency of developing a cooperative economy."²³)

As China experiments with ownership forms, it is concerned, at least in its official pronouncements, to make enterprises more accountable to their workers. Consider two recent documents:

On June 3, 2002 the Central Committee of the CPC issued a "Circular on the In-Depth Implementation of the Factory Affairs Disclosure System in State-Owned, Collective, and State and Collective-Controlled Enterprises," which states in part:

It is an important characteristic and superiority of China's enterprise management to allow large numbers of workers to participate in enterprises' democratic policymaking, democratic management and democratic supervision. . . . Enterprises should publicize the important decisions to be made, give heed to the opinions of workers, and submit them to workers' congresses for discussion. . . . According to the stipulations of laws and regulations, workers congresses have the right to decide and veto, and decisions not publicized and approved by workers' congresses shall be considered invalid. . . . Higher

level managerial departments should handle leading persons of state-owned enterprises who are found to have lost the support of the majority of workers.²⁴

An unnamed "special commentator" (meaning, typically, a high-ranking government official) wrote an article of support of this circular, published the same day in which he stated: "The essence of factory affairs disclosure is to strengthen the democratic supervision by employees. The workers' congress is a basic system whereby the workforce in China can take part in democratic decision-making, democratic management and democratic supervision."²⁵

Several months later Wei Jianxing, Politburo member, having inspected the democratic management work done by non-public enterprises in Hebei province, proclaimed:

To organize the staff and workers to take part in the democratic management of an enterprise . . . is a provision clearly stipulated in the law of China that applies to all non-public enterprises without exception. . . . With regard to the form of the organization, uniformity is not demanded. Some may practice the system of workers' congresses, others may adopt other forms that fit in with the reality of the respective non-public enterprises. However, whatever they may be, all forms of organization must be conducive to developing democracy, giving voice fully to the workers' ideas and demands and absorbing the workers to take part in their enterprises' democratic management.²⁶

Although official regulations are by no means universally adhered to in China--to put it mildly²⁷--the fact that such regulations are now being promulgated and publicized is not without

significance. The government is presumably under some pressure to express support for workplace democracy--as the governments in capitalist countries, by way of contrast, are not.

There exists some empirical evidence that the directives have had effect. A recent study by a team of U.S. and P.R.C. researchers of fifty-five enterprises in eastern Shandong, many of which had been converted from state-owned-enterprises to employee-owned-enterprises, found that almost all had either worker congresses (comprised of elected employee representatives), worker assemblies (comprised of all employees) or stockholder assemblies.²⁸

Whatever the actual rate of compliance nationwide, such official pronouncements should encourage the establishment of democratic practices in at least some industries. If these practices succeed in enhancing both worker satisfaction and productivity--as successor-system theory predicts they will--these practices will likely spread.

What about the other key component of Economic Democracy--social control of investment? Here are three relevant considerations:

- The banking system in China is publicly controlled. As has been frequently noted, the system is much in need of reform. (The Chinese have a very high rate of private savings, yet enterprises often have a hard time getting loans.) An intelligent reform--as opposed to an IMF dictated one--could have quite positive consequences. (There have been no IMF loans to China, so the IMF will not be a player in the reform process.) Although Economic Democracy allows for a non-public network of savings-and-loan associations, geared to home mortgages and consumer loans, successor-system theory suggests strongly

that banks--particularly those that make loans to enterprises--should remain public institutions.

- Investment in China is far more controlled than in capitalist countries. Not only are banks public institutions, but the profits of state-owned enterprises revert to the state (as do losses²⁹). Moreover, as a recent Reuters' dispatch points out, "The government retains rigid controls on corporate investment despite twenty-five years of economic reform. Key industrial projects are subject to approval, and private funds are virtually barred from entering sectors such as power, railway, telecoms and banking."³⁰
- Foreign companies are so eager to establish a beachhead in the vast Chinese market that China has leverage that few other poor countries do. China can--and does--insist on significant technology transfer. Virtually all foreign investment is direct investment. There is no "hot money" flowing into--or out of--China.
- The Chinese government is still very much committed to planning. This planning far exceeds the reluctant, uncoordinated planning sometimes attempted in the United States, and the feeble "indicative planning" once fashionable in Western Europe. Long-term goals are regularly announced, with completion dates attached. Large numbers of proposals aimed at advancing these goals are implemented—often experimentally, in a particular city or region, then, if successful, more broadly.

III. By Way of Conclusion

Let us think for a moment about historical materialism and its relation to moral critique. The Left has always been animated by a sense of moral indignation, as well it should be. The world is permeated with injustice. Something needs to be done. Marx, however, offers us a paradigm for social change that emphasizes something else--not a discourse free of moral fervor, but one that relegates the causal efficacy of morality to a decidedly lower tier than we so often implicitly assume.

Historical materialism posits that groups of individuals who in fact bring about decisive historical change are largely motivated by self-interest. This self-interest is always couched in moralizing universals, since the initiating group needs to garner widespread support, but it is not the moral appeals that are ultimately decisive.

This is not to say that appeals to morality are always, or even mostly, cynical. People often believe quite fervently in their ideals, and these beliefs often motivate them, sometimes to heroic action. But historical progress occurs when the interests of a group capable of initiating change are such that structural transformations occur that in fact make a given society more productive, and better able to realize the real, humane possibilities that are latent in the present.

Therefore, from a historical materialist perspective, as supplemented by successor-system theory, the fundamental questions concerning China are these:

- What are the real possibilities latent in the present?

- Can these possibilities best be realized by some form of capitalism or by a form of socialism?
- Whose interests, apart from their own, does the Chinese political class represent?

Let us consider briefly each of these points.

What are the possibilities latent in the present? At the 13th Party Congress in 1987, the CPC proclaimed that China was at the primary stage of socialism. At this stage, given China's circumstances, the fundamental task was judged to be a rapid increase the country's productive forces, so as to lay the basis for a "prosperous, strong, democratic, culturally-advanced and modern socialist state."³¹ No one can dispute the fact that impressive gains have been made since then in developing these productive forces. But China, for all its accomplishments, faces daunting challenges in the near future. To name several of the most fundamental³²:

- What to do with 600 million peasants--the vast majority working tiny plots of land? Are there technologies available that would allow for a significant increase in agricultural productivity--and hence peasant incomes--while keeping most of these peasants "down on the farm"?
- What to do about the millions of new jobs that need to be created--for young people entering the labor market, for the millions displaced as their enterprises become "more efficient," as well as for the millions, perhaps hundreds of millions, of peasants who will want to move from their rural environment to an urban one?

- What to do about the severe ecological consequences of the country's breathtaking economic growth?

Can China's stated aspirations be fulfilled under a capitalist mode of production?

It should be clear to any rational being that capitalism cannot resolve either of the first two problems. Introducing capitalist property relations can certainly force hundreds of millions of peasants off the land--but there is no chance at all that private enterprise will generate sufficient employment opportunities for these displaced persons, not even if they were willing to submit to the most horrendous conditions of contemporary sweatshops. We know what unrestrained capitalism will do.

The Chinese know that also. It is an important fact that for all its problems, China does not yet have its urban areas blighted by teeming shanty towns--vast seas of poverty surrounding islands glitz and gated communities that typify much of the rest of the Third World. The leadership do not want their own cities to become like that.

Successor-system theory points to "social control of investment" as the key to any possible solution--but this is an abstract injunction. The Chinese government retains such control. Whether it will be able to use this control creatively enough to resolve a problem that verges on the insoluble remains to be seen.

A similar point can be made about constraining and reversing environmental damage. It is difficult to imagine an unrestrained capitalism being up to the task, or even a capitalism somewhat constrained. At present the Chinese government possesses regulatory tools that capitalist governments generally lack. Can these tools be wielded effectively? There is much discussion in

China these days, from the highest levels on down, about the need to change the hitherto dominant paradigm that emphasizes growth above all else to a "scientific concept of development," one that takes environmental and resource costs into account, as well as such social issues as widening income inequalities.³³ The State Statistical Bureau and the State Environmental Protection Administration are working jointly on the criteria for a "green GDP" that can be used to evaluate and guide development.³⁴ Whether effective solutions will be implemented (assuming they exist), time alone will tell.

Much depends on the Chinese leadership--and the interests they serve. Whose interests are in fact represented by the leadership of this party, which includes some 68 million members? As with any institution the CPC has an interest in self-preservation and in enhancing the well-being of its members. But does it serve any larger interests? It is certainly not a party for whom capitalist financial interests set the basic agenda--as is the case with the major political parties in the United States and the rest of the capitalist world. The capitalist class in China, such as it is, is very small and consists largely of entrepreneurial elements. However much pro-capitalist, neoliberal ideology has penetrated the ranks of party officials and the intelligentsia, the party remains resolutely pragmatic. "Seek truth from the facts" is the watchword.

And the facts of contemporary capitalism are not particularly inspiring these days. Japan has been in the doldrums for more than a decade. Europe cannot get a grip on its unemployment problem. The Asian tigers have taken a beating. Neoliberalism's Latin American poster-child, Argentina, has collapsed. The U.S. economy, with its "jobless recovery" and burgeoning debt is not much of a model. And of course those experiments in Eastern Europe and the ex-Soviet Union with "shock therapy" have been ruinous. Capitalism's dazzle has dimmed of late.

One is struck, as one follows the debates and discussions in the Chinese press, the degree to which all the problems that we on the Left predict will intensify if China tries to make itself into a fully capitalist society are openly acknowledged--unemployment, inequality, the immiseration of the most vulnerable, environmental degradation, etc.

I think there is reason for (guarded) optimism. It seems to me that objective conditions will compel the CPC to address the real needs of the Chinese people, who are overwhelmingly workers and peasants. Ideologically, of course, they are committed to doing so, but as a Marxist (and a realist), I do not think ideology is determining. (It certainly wasn't in the Soviet Union.) But the Chinese ruling class is haunted by the specter of instability. They are haunted in ways that Western ruling classes are not. Our ruling classes do not have to pay attention to the poor. They've been wholly marginalized. They do not vote. They do not cause trouble, except among themselves. Chinese workers and peasants are by no means marginal. Their critical mass is too great--and they do have an ideology at their disposal with which to press their demands (which American workers and the American poor do not). There is class struggle going on in China--as everywhere else. In China, the balance of forces may well favor the working class.

Needless to say, successor-system theory cannot predict the future. It is possible that China will go covertly capitalist, while keeping worker-peasant discontent contained--although this scenario seems to me unlikely. It is also possible that reforms which democratize both the political process and the economy will be attempted and will fail. The real problems facing China are immense and admit of no easy solution. But we should hold out hope for a third alternative: that the CPC will be creative enough to implement reforms that will address these real problems

with some success. Such reforms will, I think, move China in the direction of Economic Democracy.

When I think of China today--and of all the problems it faces--the words of Du Runsheng come back to me. It was at the Hangzhou conference. Many of us--the non-Chinese contingent in particular--had been for some time speechifying about the dangers facing China if it continues down the capitalist road, particularly in light of its accession to the WTO. After listening for a long while, the octogenarian architect of China's agricultural reforms, spoke up. He was not too worried, he said. "The problems we face now," he said, "are nothing compared to the problems we've had to face in the past."

Perhaps overly optimistic. But when one thinks about what Du himself has seen and lived through--war with Japan, civil war, the Korean War, the Great Leap Forward, the Cultural Revolution--and one reflects on China's astonishing record of development over the past fifty years--one can understand the basis of his optimism.

Notes

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1. Wang Hui, *China's New Order: Society, Politics and Economy in Transition* (Cambridge, MA: Harvard University Press, 2003).
 2. Jean Dréze and Amartya Sen, *Hunger and Public Action* (Oxford: Clarendon, 1989), p. 216.
 3. For a typical example, see the cover story, "Human Rights in China," in *In These Times* October 28, 2002, the accompanying report on Hong Kong and the reviews of two books on the Tiananmen generation. Not a word in any of these pieces about China's genuine accomplishments in the face of extraordinary obstacles. Martin Hart-Landsberg and Paul Burkett's "China and Socialism: Market Reforms and Class Struggle," *Monthly Review* (July-August 2004), pp. 7-123 (soon to be published by Monthly Review Press as a book) is not quite so oblivious to China's accomplishments, but remains overwhelmingly critical of the Chinese reform process.
 4. One of the reforms initiated by Deng Xiaoping was abolition of lifetime tenure for senior government and party officials. Top officials now have finite terms.
 5. Hannah Beech, "Flush with the Spoils of Capitalism, China's Fledgling Multimillionaires are Living Large," *Time Magazine*, September 23, 2002. Interestingly, curiously, no one at the

conference mentioned this structure. I learned about it subsequently from Time. Interesting too--Huang grew up in an impoverished farming village. As was the custom then, his family would receive a colorful calendar each New Years from the state, which he would stare at for hours. One year that calendar featured the marvels of American grandeur, including Mt. Rushmore--and the White House, a picture which, Haung says, he never forgot.

6. Philip P. Pan, "Poisoned Back Into Poverty: As China Lifts Industry Curbs, Hazards to Workers Rise," Washinton Post, August 4, 2002.

7. "'Unique' China Defies World Predictions," June 21, 2004. He adds that China's current level is normal for many Asian countries, and less than some in Latin America. Several days after the Huang interview China Daily reported that the gap between men and women's income grew 7.4%, from 100:77.5 to 100:70.1 (Dwight Daniels, "Equality for Women Begins in Workplace," July 2, 2004). I should note here my indebtedness to Al Sargis for this and many of the subsequent references, which have been gleaned from the invaluable clipping service he provides, free of charge, to anyone interested in staying abreast developments in China. If one subscribes to his list-serve, one receives five to ten items a day, mostly from English-language editions of Chinese newspapers, all selected for a progressive readership. For more information, contact bigalsar@bu.edu.

8. For a particularly disturbing portrait, see Elizabeth Economy, *The River Runs Black: The Environmental Challenge to China's Future* (Cornell University Press, 2004).

9. Our own conference was very nearly canceled the night before it began. The sponsoring institution, the Hangzhou College of Commerce, had gotten around to reading some of the papers, and had second thoughts. After a bout of intense negotiation, the conference was allowed to proceed on condition that certain topics, e.g. Tiananmen, not be discussed.

10. "China's Economic Reform Causing Social Unrest and Crime--Report," AFX, June 9, 2004, commenting on a report released by China's state-run Outlook Weekly.

11. . Jonathan Watts, "Chinese Lesson in How to Put Food in the Mouths of Millions," *The Guardian* (UK), May 27, 2004.

12. The information in this paragraph and the next are from Deborah Davis, "China's 'human software' will keep economy humming." *Strait Times Interactive* (Singapore), Sept. 19, 2003.

13. This view is not confined to outsiders. Cf. "Funny Figures: Data Gathering Reforms Sorely Needed" published in the PRC journal *Caijing*, August 5, 2004.

14. Davis, "China's 'human software.'"

15. Ren Zhongping, "Do It for Another Twenty Years--On the Crucial Period in China's Reforms and Development," *Renmin Ribao* (July 12, 2004). As the title of the article indicates, Ren does not think that everything has been accomplished. The article is an exhortation to "forge ahead along this brilliant, great road" for another twenty years.

16. Successor-system theory is elaborated more fully in Chapter One of my *After Capitalism* (Lanham, MD: Rowman and Littlefield, 2002).

17. Karl Marx, "Preface to A Contribution to a Critique of Political Economy."

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18. That consumer demand is massively manipulated under capitalism should not blind us to the democratic dimension of the market, anymore that the voter manipulation under capitalism should make us cynical about the value of political democracy.
 19. For a sampling of the evidence with references, see *After Capitalism*, pp. 60-62.
 20. *After Capitalism*. See also David Schweickart, *Against Capitalism* (Cambridge: Cambridge University Press, 1993) for a more theoretical defense.
 21. It is one thing to democratize an existing enterprise--itself not always an easy task. It is quite another to create a democratic enterprise from scratch. A "cooperative entrepreneur" must have the business skills of her capitalist counterparts, and also the interpersonal skills to create a harmonious collective enterprise.
 22. According to the Merrill Lynch and Capgemini 2004 World Wealth Report, there are 236,000 individuals in China with financial assets of at least \$1 million. This compares with 2,270,000 in the U.S. ("Merrill Lynch and Capgemini Report Sharp Increase in Wealthy North American and Asian Investors," June 15, 2004, http://www.ml.com/index.asp?id=7695_7696_8149_6261_14832_14938). Capitalists are now eligible for membership in the CPC. This is not unreasonable. If a socialist society at a certain stage of development requires entrepreneurial capitalists, it is fitting that they be accorded the same rights as other citizens. To be sure, there is the danger of undue influence, but this is true whether or not capitalists are fully integrated into society.
 23. Reported by Li Keyong, "Cooperative Economy is Effective Organizational Form of Promoting Development of Market Economy," *LiXinhua Domestic Service*, July 5, 2002.
 24. The full text of the circular was published in *Xinhua Domestic Service*, June 23, 2002.
 25. "Implementing Factor y Affairs Disclosure System in Greater Depth; Push Forward the Construction of Grassroots Democracy," *Xinhua Domestic Service*, June 23, 2002.
 26. Reported by Wang Jintao, "Wei Jiangxing Speaks on Democratic Management of Non-Public Enterprises During Inspection in Hebei," *Xinhua Domestic Service*, September 19, 2002.
 27. Getting local authorities to comply with central government directives is an enduring problem in China, which is hardly surprising, given the size, complexity and history of the country.
 28. George Tseo, Hou Gui Sheng, Zhang Pen-zhu and Zhang Lihai, "Employee Ownership and Profit Sharing as Positive Factors in the Reform of Chinese State-Owned Enterprises," *Economic and Industrial Democracy* 25 (1) (2004).
 29. The fact that losses are absorbed by the state is an important reason behind the drive to privatize so many SOEs. A recent survey of 670 township enterprises in Jiangsu and Zhejiang found that, although 90% of the firms had been wholly or partially privatized, 85% of the townships experienced a rise in revenue. (Li Hongbin and Scott Rozelle, "Privatizing Rural China: Insider Privatization, Innovative Contracts and the Performance of Township Enterprises," *China Quarterly* (2003): 987-1005.)
 30. "China Pushes New Reforms, Looks to Market," *Reuters*, July 23, 2004. The article points out the government plans to relax some of current restrictions gradually. In fact, keeping administrative control over key elements of investment has been central to the government's quite

successful macro-management of the economy. For a fascinating, detailed account of this and related procedures in action, see Laurence Brahm, Zhu Rongji and the Transformation of Modern China (New York: John Wiley and Sons, 2002).

31. "Ushering in a New Stage," www.chinaview.cn July 7, 2004.

32. I am not listing here one fundamental challenge that would seem to have little to do with the choice among economic structures, but which is nevertheless extremely important, namely the challenge of gender equality. As noted in Endnote 7, the income gap between men and women has worsened in recent years. Moreover, there exists in China a striking disparity between the number of boys born each year and the number of girls. One wonders how seriously these issues will be addressed without far more recruitment of women into the party itself, which is currently more than 80% male.

33. See, for example, Pan Yan, "Central Committee Party School Holds 'Scientific Concept of Development Seminar'" Beijing Liaowang, March 23, 2004.

34. "China to Establish 'Green GDP' Index System," Beijing Xinhau in English, June 25, 2004.