

Theory and Practice of the Chinese "Market Socialism" Project: Is "Market Socialism" an Alternative to Liberal Globalization?

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1.

The various aspects of the experiment in economic development that has been under way in China since 1980 must be among the main points of orientation for any reflection on the future of this country-continent, and beyond that, on the future of the global system. These aspects, characterized by some as "positive" (the acceleration of growth), and by others as "negative" (increasing inequality) include relations with the global capitalist system, the social content of the experiment (capitalist or socialist), and its political content.

This process of reflection is nevertheless handicapped by dogmatic ideological positions--I will go so far as to say positions of a fundamentalist type--which dominate as much or more so on the right as in certain parts of the left that remain attached to the values of socialism.

On the right the theses of free-market liberalism--to which unfortunately the electoral left has largely been won over in the advanced capitalist countries--are too well known to be more than briefly mentioned here: (i) that the "prices" of products and of the "factors of production" as determined by the operation of a "free" market provide the only possible efficient allocation of resources; (ii) that the greatest possible opening to the exterior allows the acceleration of the rhythms of economic growth; (iii) that accelerated growth in itself eventually brings social well-being for the greatest number and, in this way, brings democracy as well. Since none of these theses is grounded in theory or confirmed by the history of really existing capitalism, I won't go to any lengths to discuss the substance of these theses, even if they are widely agreed to by numerous Chinese intellectuals, especially among professional economists (recycled in Western universities). These economists are divided in China, as in other places, into: "fundamentalists," apostles of maximum deregulation and opponents on principle to any intervention of the state into economic life; and "pragmatists," who defend the active intervention of the state, on the condition that these interventions, on the whole and over the long term, fit in with the logic of the market economy (are "market friendly," as the World Bank has put it).

The official Chinese concept of "market socialism," although rarely stated precisely, is close to that of the pragmatists. The criterion that would separate "market socialism" from capitalism pure and simple is apparently the maintenance of an important sector dominated by public property (the state and cooperatives)--maybe also, according to some of its proponents, forms of social redistribution attenuating the inequalities associated with the expansion of the market. Many add a concern for defending the unity of the Chinese nation, which implies public interventions intended to reduce regional inequalities and to control relations with the exterior.

Many of the leftist critics of the policies put in operation since 1980 are themselves handicapped by a dogmatism which is expressed in a not very critical--to say the least--examination of "socialist planning" in both the Soviet model and the one followed in China until Mao's death.

This planning was based on a few major principles: (i) making state property (or para-state property, property with a collective appearance) widespread; (ii) the suppression of any form of autonomous decision making by the basic units, and therefore the allocation of resources by administrative measures; (iii) a centralization of accounting which treats the whole of the economy as if it were a single enterprise, and therefore the establishment of prices, wages, and interest and exchange rates by this central body (the plan). None of these principles is by its nature a requirement for socialism. They are justified--in part--by the desire to "catch up" as quickly as possible from an historical delay. This form of macro- and micro-economic management hasn't been without a certain effectiveness when the goals were to accelerate accumulation of the extensive type by a controlled transfer of surplus labor power in the countryside into the cities, and by the establishment of industries that reproduced technological models invented by developed capitalism. Under these circumstances, there is even a quite legitimate reason for the priority given to heavy industry.

This form of central planning constitutes a reasonably broad framework that can be adapted for a spectrum of different social contents. The general equilibrium that the planner tries to bring about in this manner can indeed be grounded on the goal of the most equal possible redistribution of income among all the workers-- among other things, the equalization of average income for the rural laborer and the urban worker. But the same form of planning could be equally an instrument in a strategy for maximizing, for example, the bleeding of the peasant world for the benefit of urban industrial development, of military expenditures--and indeed, of a privileged techno-bureaucracy's consumption. As was the case in Soviet history.

This model's limits, whatever its social content might be, are nevertheless visible on three levels.

In the first place, we're talking about a project that at best is social but not socialist. The reproduction of advanced capitalism's technological models demands in its turn hierarchical organization of work, along with forms of social life and of consumption that, far from being "neutral," are vehicles for the culture of capitalism. It would be better to recognize that the socialism in question--if we are to call it that--is only a stage in the long transition from capitalism to communism, which brings together elements of the capitalist structure with ambitions that go beyond the logic that is appropriate to those elements. This socialism is therefore contradictory and is not the expression of social relations that are at peace. The continuing class struggle manifests itself through the workers' resistance, which in turn slows down the gains in productivity which investments in modern equipment generally permit. People on the left should understand and support these popular forms of struggle, for example by recognizing the independence of cooperative and labor organizations confronting the government (and the party), even if the government does have a certain authentic historic title to "speak in the name of the workers." This is the only means able to deepen the process of democratization, to give it its full revolutionary significance, to enlist it in the prospect for the construction of a communist society. The other option--imposing "discipline" through the hollow assertion that the state and the party are the people and that socialism is a definitive social form, at peace and completed--loses its credibility

and serves as a foundation for the construction of "capitalism without capitalists," which in turn evolves toward the normal form of capitalism "with capitalists," as happened in the USSR.

The model's second limit concerns the national/global contradiction. Capitalism is constructed as a global system grounded in a particular form of the law of value which produces and deepens polarization on a global scale. The revolt against the latter, which is to a large degree at the origin of modern revolutions (since the only revolutions around the demand for socialism took place in the peripheries of the global capitalist system, and not by chance), immediately poses a problem. If it is a matter of "catching up" or of "doing something different," how are we to combine these tasks, which are more contradictory than complementary? Here we cannot forget the longer perspective: that communism can only be a system that is more advanced than capitalism if it becomes global, since the positive significance of the universalism that capitalism enticed us with (but cannot bring to fulfillment) should not be erased from the strategic vision of the long transition. The socialist countries certainly did not choose the "autarky" that has always been imposed by the imperialist adversary. Communists have never been culturalists, and their ideology is one of universalist humanism. But they have always been forced to make their societies advance by isolating themselves to a degree from the dominant global system. In this sense, the decision to build socialism "in one country" is not a mistake, since the alternative (to wait for the global revolution starting from the system's centers) is completely illusory. But this decision poses a problem because what can be brought about in the framework of a "single" country, even if it is large like the USSR and China, will always remain limited. Withdrawal into oneself, even if it is compelled, has a cost. And a certain opening to the world, even if that world is still capitalist, has its advantages, if you can control it. We have to deal with a contradiction which free-market liberalism is not aware of, thanks to its gratuitous affirmation, contradicted by theory and history, that enrolling in capitalist globalisation is the most efficient way to "catch up."

The third limit of the model comes from the fact that central planning is in fact put together around a single goal: the acceleration of accumulation in its extensive form. Now the goals that can be attained by this method can be achieved in a relatively short time, say twenty years. So it should have been understood that it could only be a question of the first phase of the long transition, and not of its definitive form. Once it is finished, this first phase opens up two possibilities: to pass on to intensive accumulation like that which characterizes advanced capitalism, or to increase the dimensions of a different social structure which allows for advancing toward the communist horizon. This decision is not a "free" choice; it is produced by the class struggle--obviously. But it is also to a large degree burdened by what happened during the previous phase of extensive accumulation. If socialism has already lost its credibility, as was the case in the USSR, devolution towards capitalism, and integration into the global system that goes with it, is hard to avoid.

2.

All the questions raised in these opening remarks are the object of passionate debates in China. To hear people say in Beijing that "there's a right and a left in China like anywhere else" is certainly quite refreshing for anyone acquainted with the required unanimous tone both in the speeches of the socialism of the past and in those of the capitalist liberal *pensée unique* that dominates in the West.

The discussions oppose the--numerous--partisans of a capitalism that is either totally integrated into the global system or else controlled through the national and social plans, to the defenders of a perspective that claims to be socialist. They are grounded on a scrupulous attachment to the facts, and on this level Chinese statistics are of a higher quality than they are in most Third World countries. These debates are not confined to academic circles; they are just as lively in government circles and in political circles in general.

It remains to be said that in my opinion the discussion is handicapped on the left by the inadequacies that characterize the examination of the Maoist phase (1949-1978).

But there is a general agreement on some essential points concerning this phase. From 1952 to 1978 the annual growth rate of the gross domestic product (GDP) was 6.2% (3.8% per capita); the rate for agriculture was 3.4%, for industry 9.4% and for services 4.5%. Taken together, this represented rates two times better than in India, as the World Bank itself recognized. At the same time, inequality was reduced to a minimal level, without an equivalent elsewhere in the world.

The differences in the assessment of the results are in two areas. The first concerns the inequalities between regions. Even if average peasant income is close to that of the urban worker on the scale of China as a whole, average rural income necessarily differs not just from one province to another, but from one district or from one village to another, as a result of obvious geographic and historic factors. The second difference concerns the average gap between the city and the countryside for the Maoist period. For some this gap - which favours the cities - was significant, but altogether explicable because of the control exercised in China over immigration from the countryside to the cities, a control that doesn't exist in the capitalist world. By this control China avoided the tragedy of shanty towns replacing the tragedy of peasants without land that is a general phenomenon in the periphery of the capitalist world. The extent of the gap, in any case, depends largely on the criteria for measuring it - for example, of the relative importance given certain services (education, health) which are undeniably better in the cities, or the extent of the countryside's consumption of its own products.

Economists are often fixated on growth rates, a sort of professional bad habit. Nevertheless, the accomplishments of Maoist China cannot in any way be reduced to the growth rates in question, although they remain quite honourable. The Chinese Revolution restored to the Chinese people their sense of dignity, mocked by imperialist aggression; it reestablished its unity, put in question by the warlords and the comprador class; it rooted this unity in a sense of social solidarity produced by the egalitarian policies put into effect. William Hinton is quite right to recall in this regard the decisive positive role of the radical agrarian reform and of the collectivisation that followed it, a collectivisation that, in contrast to the one imposed in the USSR starting in 1930, has for the most part been supported by the peasantry. Maoism set up the bases for the Chinese rebirth. The apparently prodigious accomplishments of the last two decades would have been unthinkable in the absence of this revolution. Despite this, the Maoist phase itself was not "without errors," sometimes serious ones. And above all, it was bound to reach the limits of what could be produced by the strategies it had put in practice, and it wore itself out without having really prepared for the time when it would have to be superseded.

For the liberals of the West's *pensée unique*, Maoism, like all forms of socialism, is an aberration in itself. This *a priori* approach is completely ideological, reactionary, a historical and without

scientific foundation. And is, of course, taken up by the Chinese right. This right relies on invectives against the "crimes of the Cultural Revolution," to refrain from analysing the realities of the Maoist phase. Some take up the legend orchestrated by the Western media of a "famine" which occasioned tens of millions of deaths, of which no evidence (or even demographic trace) is in existence, as William Hinton rightly observes. Others, apparently more moderate and claiming to be more scientific, accentuate, with systematic exaggeration, one or another questionable or indeed erroneous aspect of the Maoist strategy, to reject it as a whole. Among the points raised, which reappear in a repetitive way, are the distortions of the productive system, too oriented toward heavy industry and too contemptuous of the tertiary sector, or the inordinate ambitions of the communes, which is certainly true.

By refusing to discuss seriously these errors, and especially the limits of the Maoist phase, the appointed defenders of Maoism don't help very much to advance the construction of an alternative to the solutions advocated by the Chinese right.

Maoist China walked on two legs and did not sacrifice everything to the priority for heavy industry. A no less attentive priority was given to grain agriculture, whose average annual production went from 160 to 280 million tons between 1952 and 1978. This remarkable result was obtained by the intensification of the work of a growing rural population. The methods put in practice, including the collectivization and the maintenance in the countryside of four fifths of the nation's population, were largely justified. Thanks to these methods, China assured a security in food production beyond that of any other country in the Third World, and has avoided the transformation of its cities by shanty towns. But it remains true that this system was reaching its ceiling at the end of the 1970s, with the number of working days for each active rural adult going from 160 days in 1957 to more than 250 in 1975.

Simultaneously, Maoist China cleared away the bottleneck that the poverty of its basic industries represented on the day after its revolution, bringing its production of electricity from seven to 256 Mkw in just a quarter of a century, coal production from 66 million to 618 million tons and steel production from 1 million to 32 million tons. It was necessary in this first phase to give priority to establishing these bases, which must be taken into account for any industrialization worthy of the name. Despite this, it is useful to remember that these remarkable results did not in any way exclude errors.

The effort put out in the area of basic industries undoubtedly went too far. The proof is that the consumption per unit of the GDP in China is 2.90 for energy and 127 for steel against 1.05 and 45 respectively in the United States (Yifu Lin). Simultaneously, since heavy industry offers only limited employment, this distortion hampered the reduction of the excess rural labor power and its transfer to urban industry. It remains to say that this distortion, produced by a dogmatic reference to the Soviet model, was criticized by Mao himself very early on, in theses he proposed on "the 10 major relationships" (1956) and on the rehabilitation of light industry. It is true, unfortunately, that these criticisms were not understood as they should have been by the whole of the party and state apparatus. The distortion also brought with it an insufficient effort in the service sector.

The level of China's participation in global trade, still very low in 1978 (\$21 billion), was not the result of a positive decision by China but was, at least in part, the result of strategies of isolation imposed by imperialism and then by the break with the USSR. It remains true that these distortions

impeded the potential for light industries to take off based on the – debatable – comparative advantage of cheap labour.

The totality of the strategies put in practice between 1952 and 1978 was paid for by a modest growth in end consumption (2.2% a year, according to Yifu Lin) in comparison with that of the GDP. Put another way, as in the carousel imagined by Tugan Baranovsky, the capital goods produced were allocated to the production of other capital goods, postponing their allocation to the production of consumer goods. This waste of resources indicated that the historic limits had been reached for what the choices available in the central planning model would allow.

3.

In any case, toward the end of the 1970s the system of central planning and the choices that were associated with it had to be profoundly reformed. It was necessary to pass on to a new development phase. It is not therefore a question of knowing whether it was necessary to "maintain the system" as it was or to abandon it, but of knowing which reforms could have been considered as a way of accelerating development and at the same time deepening--rather than weakening--its potentially socialist content.

The stages and the directions of the reforms put in practice starting in 1978 are well known. On this level, China did not fall into the trap of "shock therapy," whose destructive effects on the social, political and economic fabric are now obvious. The Chinese ruling class chose the option of "crossing the stream by jumping from one stepping stone to another," according to its own formula. Granting this, the nature of what awaits China on the other side of the stream remains subject to debate. Discussion and practice in this area concern both micro- and macro-economic management, and the project's social and political content.

The reform rests on the principle of breaking the absolute unity of the system, which embraced the country's whole economy, managed by an exclusive owner (the state) as if it was a matter of a single enterprise. Because of this, central planning abolished market relations, but only in appearance, since the goods for end consumption remained subject after all to the constraints of demand. The fact that the labour market is regulated, with the state guaranteeing employment, does not eliminate the market character of a work force submitted to the imperatives of the organization of production. This is the way it works as long as the producers have not become the masters of all the decisions, at all levels, concerning the organization of production. "Socialist" regulation of the labour market is only, under the circumstances, a more radical form of those put into practice in the capitalist West in the framework of the Welfare State.

In opting for breaking this system, the government indeed chose to bring the economic system still closer to that of an authentic market system. The precondition for this process is the autonomy of the basic unit--the enterprise or group of enterprises--whether that unit is property of the state, of a collective of some sort (including those established by its own employees in the case of self-management), or of a private capitalist.

The systematic unity characteristic of central planning also had an obvious political dimension, since each individual was registered in a fixed structure (administration, urban enterprise, rural commune), which permitted planning (or control, if you wish) of allocations (place and type of

work and responsibility). Under Chinese conditions, this system was in fact based on a dualism between city and countryside. Indeed, the priority given to heavy industries that were not productive of jobs imposed control and limitation on the transfer of labour power from the countryside to the city.

Such a system would prove truly efficient to the extent that there was a real priority on one side for creating a solid base for industrialization, and a real possibility on the other side for increasing agricultural production through the intensification of labour. But from the moment when the industrial system has to satisfy a considerably more voluminous and diversified end demand and when agricultural production could only be increased through the intensification of the use of facilities and inputs other than labour, releasing a surplus of labour power, the affirmation of the unity of the national labour market became necessary.

This affirmation - the abolition of the administrative controls concerning the mobility of individuals - is an affirmation of (bourgeois) freedom which suppresses the guarantee of a job and an income, which now depends only on the efficiency of the macroeconomic policy and of the degree of priority that may be given to the goal of full employment. Chinese workers have understood the ambiguity of the new situation presented to them. They appreciate the gain in freedom that it brings with it, but they know that from now on they will have to struggle to have their social rights respected (first of all, their labour rights). In this regard, China is not at all in the situation of the capitalist Third World countries: the workers, who retain the memory of the revolution which they made, know how to defend themselves, as is demonstrated by the hundreds of thousands of actions and strikes which they carry out each year.

The subjugation of microeconomic management to market principles involved a whole series of rules put in effect progressively in the course of the decade of the 1990s. For the enterprises it is a question of freedom in hiring, in dismissing (although kept in check by some conditions), in negotiating wages, in fixing the prices of their products. On the other hand the enterprises now face the financial constraint associated with borrowing capital from financial institutions instead of free transfers administered by the state budget.

The reform was launched, as we know, with the decision to make rural households responsible for themselves and with the subsequent dissolution of the communes (1978-1984), then by the extension of the rules of the market to the microeconomic allocation of resources - intermediary goods, capital goods and financial resources (1984-1991) - and finally the reform of the macroeconomic environment by the substitution of a tax on profits for direct deductions, the counterpart of the free budgetary allocations (starting in 1992). This is now quite far advanced.

The reform - understood as the affirmation of market relations substituted for the para-market relations of central planning as it was conceived and carried out up until the 1980s--was inevitable and no doubt necessary to avoid the degradation of the economic system's efficiency. But there are reforms and reforms, and the scope of possible alternative choices remains open, from the moment when we reject liberalism's dogma.

In the first place, a market system does not in any way imply the exclusivity or even the predominance of private enterprise. It remains true that microeconomic management based just on the principles of capitalist rationality by no means produces an "optimal allocation of resources,"

as claimed by the so-called "pure economy" theory, but instead a lot of wastage and distortions associated with the systematic social inequality which it promotes. This is how it works even if the dominant form of property is public. So a development strategy worthy of the name demands strong regulatory control of market relations. We need to impose coherent macroeconomic policies to serve the national and social goals that define the development project in question - for example, full employment, the reduction of social and regional inequalities, the reinforcement of the nation's autonomy in the global system. This means choosing a form of central planning that could not in any way be confused with the central planning of the Soviet model.

The simplified opposition between "central planning" (para-market of the Soviet type) and "freedom of the market" (markets "deregulated" according to the liberal dogma) from the start excludes the option that is most efficient and most progressive socially in the conditions of contemporary China. This option, characterized by the dominance of public and cooperative forms of enterprise, recourse to market relations, and a central plan that sets a frame for them, could define a new stage in the long transition to socialism. Calling this "market socialism" does not seem unacceptable to me, but on the condition that the three characteristics just mentioned should be joined together firmly enough for the form of socialism not to be emptied of all social and national progressive content.

It is therefore important to see to what extent China's development in the course of the last two decades has answered these requirements.

4.

During the three decades of Maoism (1950 to 1980), China had already recorded an exceptional growth rate--6.2% a year on the average--that is, according to the World Bank, double the rate of India or of any large Third World region. Despite this, the performances of the last two decades of the century seem even more extraordinary: 6.8% a year for the per capita GDP (Li Jin Wen, Zhang Xiao). No large region in the world has ever done better in all of history.

What we have to remember, however, is that these accomplishments would not have been possible in the absence of the economic, political and social bases constructed in the course of the preceding period. Put another way, while during the Maoist period the priority was given to the construction of a solid long-term base, the new economic policy accentuated the immediate improvement of consumption made possible by the preceding effort. But on the other side, the accent placed on light industry and services starting in 1980 cannot last indefinitely, since China is again at a stage which demands further the expansion of its basic industries.

The new Chinese strategy is close to India's in its structure (priority to light industry and to services, under the pretext of drawing an advantage from cheap labour power), if not in its rates of growth, which remain considerably higher in China.

Annual growth rates 1980-1993

	China	India
GDP	9.6	5.2
Agriculture	5.3	3.0
Industries	11.5	6.2
Services	11.1	6.4

(Justin Yifu Lin-Fang Cai-Zhou Li)

China's advantage is not due to the structure of the chosen strategy, based on the same principles as India's, but is due precisely to the fact that in the preceding Maoist period a base had been constructed in China that was superior to India's. If therefore China now has to follow this same strategy, its rate of growth will in its turn have to weaken to the point of approaching India's. This will happen because the strategy in question, based on the comparative advantage of cheap labour power, in no manner maximizes or optimises development as is pretended by liberal ideology in its thoughtless eulogy of the market. On the contrary, this strategy is a source of a growing wastefulness and of a deepening of social and regional inequalities, which in the long term reduces efficiency.

The strong growth of services observed for the last two decades no doubt compensates for a marked lag in this area during the Maoist period. But eventually it brings the forms of wastefulness that are specific to capitalism, forms about which liberal dogma remains completely silent.

The option in favour of the logic of the market does not automatically imply privatisation, even though it does indeed encourage it. It was in this way that state property's share (in percentage of the GDP) fell from 56% in 1978 to 41% in 1996, collective property's share from 43% to 35%, while private property, non-existent in the Maoist period, now has a 24% share in the GDP. In 1996 the state employed 112 million urban workers, the collectives 30 million, and the private sector also 30 million (Lui Rong Cang).

The most serious aspect is without any doubt the aggravation of inequality in the social distribution of income and - this is more debatable - in urban/rural relations and in the regional distribution of production and income. These negative evolutions are in part the hard-to-avoid result of the acceleration of growth and of institutional reforms in favour of the market. They would have been considerably reduced through a form of social and economic central planning that was at level with the challenges--but this was not to be the case, since the government was satisfied with inadequate conjunctural macroeconomic policies.

In the urban zones, where modern industries and services are concentrated, along with new private capitalism, the main form of the new inequality is associated with the establishment of a new "middle class" of salaried professionals and of small business owners. There are also some "new rich"--some of them very rich-- especially among the business people (Chinese from outside China, for the most part) associated with the state, the collectives and foreign capital in "joint ventures." Are there also "new poor"? The suppression of the airtight administrative compartment that isolated country people from the urban labour market and the dissolution of the communes freed an "excess" rural population which flowed toward the cities. In addition, converting the

public urban sector to the principle of possible layoffs aggravated unemployment, which was unknown in the Maoist period. Unemployment and economic insecurity now hit one seventh of the urban work force (Lin Wenpu). The number of laid off workers from the public sector from the beginning of the reforms through the end of 1997 reached 13 million, of whom only one half have gotten new jobs, with many of them (but certainly not all) going to a new informal sector, or hired on through the expansion of the private sector (Zhang Zhuoyan).

The strong increase in inequality in the countryside has different causes. The opening up of a strongly expanding urban demand for food products other than cereals (vegetables, fruit and meat) has obviously benefited the regions that are geographically best situated, highlighting the relative poverty of other regions. The commune system had already attracted some rural industrialization, destined to employ usefully the excess population which urban industry could not absorb. This expansion has truly exploded starting from 1980. There are now hundreds of thousands of rural industries of various types of official status. Some are openly private, but the majority are formally "collective," with their property dependent on various local organizations. The social reality behind the juridical appearance nevertheless remains blurred, masking unacknowledged private interests of important people. This prodigious expansion of the rural enterprises has been and remains very unequally divided across the national territory, with the rich districts having the possibility to finance their establishment more easily than the others (Zhao Renwei).

In the Maoist period almost the only cause of inequality in the countryside came from historical heritage and the quality of the lands; this inequality was therefore almost synonymous with regional inequality. Within the communes--rich or poor--a very strong equality was maintained, with the "points" distributed to the team members being in practice distributed equally. Once responsibility was passed on to households, this was no longer true. Up until now the monitoring by the public authority over the granting of lands in usufruct to peasant families (and the absence of a market of agricultural lands) has managed to avoid the worst possibility--that is, the gigantic polarization that characterizes all the capitalist countries of the Third World. But a new source of inequality among rural households has appeared in the fact that access to inputs (credits, equipment, fertilizer, etc.) is subject to many conjunctural chances which strike unequally. Poverty, which is always relative, obviously, and does not correspond to any possible rigorous conceptualization, has always existed in the Chinese countryside. But equality in the communes and in state policies made it possible during the Maoist era to put an end to the extreme miseries of traditional China and notably to famines. Speeches and writings about the supposed "famines" of the Maoist period depend on a dishonest propaganda in which no fact has been established, as William Hinton has correctly written. But now there are impoverished rural families, especially in relative terms. This impoverishment--which is the cause of the new rural exodus--is experienced as even worse because it takes place in a period of perceptible improvement in income for the great majority of the rural population, which is still more pronounced for a small minority. It is enough to travel through the Chinese countryside - as I have done on occasion - to see it with one's own eyes. But I must note that nowhere in China was I able to observe what is common in the rest of the Third World: an abject large-scale poverty.

A second source of inequality lies in the city/country relation. It appears from recent work that the ratio in question (which always favoured the cities) evolved in favour of the countryside in the early phase of the post-Maoist period, only to reverse the trend later. This would be explained by

the fact that the reform began in the countryside but that the later takeoff of modernization in the cities erased the temporary advantage gained by the country people. This is quite plausible.

In any case, if growing inequality represents a problem, because of its scope and its political and social significance, the question of poverty on the other hand is posed in different terms. The situation in China on the morrow of its revolution was that of the capitalist Third World: abject poverty dominating in the cities and the countryside. Maoism reduced this poverty, which by 1978 became negligible in the urban area and was reduced to a minority of country people, primarily concentrated in the provinces of the Northwest and the Southwest. According to polls carried out in China by numerous researchers who are neither less competent or less independent than their Western counterparts, rural poverty has been reduced to about 50 million people in 1997 (Liu Wenpu), while from being negligible in 1978, poverty now afflicts 32 million city dwellers (same source). These figures are plausible, given what was said above. But they hide the new sources of impoverishment in the rural sector and of its emergence in the urban zone. Thus, contrary to the proposals for "struggle against poverty" based on "ad hoc projects" like those proposed by the World Bank and which certain Chinese intellectuals take up on their own account, I have little faith for my part in the effectiveness of these methods in the absence of a macro-policy (central planning) which takes poverty on directly and gives it the priority it merits.

The question of regional inequalities is unavoidable for a country - continent like China. But here too, conclusions that are hasty do not help identify the mechanisms responsible for these developments and therefore the effectiveness of the corrective measures that might be proposed. According to general opinion, these inequalities have been aggravated over the past 20 years, to the benefit of the coastal provinces, which throughout modern times have been integrated more systematically into global capitalism.

The facts establish that the gap between the country's eastern and western rural sectors was accentuated between 1988 and 1995.

Rural income per capita (in 1988 constant yuans)

	1988	1995
East	891	3,150
West	551	1,292

(Source: Zhao Renwei)

The more rapid increase in rural income in the east of the country is not exclusively due to the increase in agricultural production, which is favoured there by urban demand. On top of this is superimposed the growth in income produced by the small rural industrial businesses, a growth which is also favoured for the same reasons: a good number of these rural enterprises are in addition subcontractors of the urban industries.

Other sources (Yifu) confirm this judgment and locate the start of the aggravation of inequality in the origins of the reform, in 1978. In this account the ratio of per capita income in the east to per capita income in the west went from 1.2 in 1978 to 1.7 in 1994.

The central planning of the Maoist period proved to be of only a relative effectiveness in the matter of regional inequalities--but the freeing of market forces in the following phase accentuated the breadth of these inequalities. This tendency could be fought only by means of central planning founded on giving priority to the internal market and to the systematic development of ways for the provinces to complement each other. The option chosen, which gave priority to the external market, systematically favours the country's eastern regions, and the corrective policies put in place are too timid to slow down the dominant effects. Once again we must face the question of interior/exterior relations in the development concepts of the Maoist and post-Maoist periods.

The analysis of the inequalities proposed here only concerns the great urban and rural masses and the classes and social strata that surround them. It says nothing concerning the privileges of the ruling strata, which, if they do not represent much in macroeconomic terms, do not for all of that have less important and definite political effects.

5.

"Market" has been one of the catch-all terms of the last two decades. The other term is "opening." The question of opening--that is, the participation of some country or other (China, as it happens) in the international division of labour and all the other aspects of economic globalisation (recourse to foreign capital, importation of technologies, membership in the management institutions of the global economy), cannot be settled in the extreme polemical terms - opening or closing! - in which the dogmatic defenders of triumphant neo-liberalism try to lock up the debate. To let oneself play this fixed game is a sure way to be put in a position which makes impossible any serious discussion on the real options which are offered to any society located geographically on Planet Earth.

The question is not even essentially a question of the "degree of opening," which one could measure quantitatively, for example in terms of the ratio of the volume of foreign trade to the GDP. From this point of view, China's participation in global markets was almost insignificant until 1980. This is explained largely by the hostility of the external world - a compulsory blockade - but also by an internal decision which was not without some sense at the beginning. A certain withdrawal within oneself, at a time when the country is concentrating entirely on the gigantic political and social (and positive) reforms that the revolution implies is not absurd, when we understand the breadth of the supplementary difficulties by which one is confronted in relations with the global system, which has been and remains fundamentally dominated by the imperialists, and therefore hostile.

Nevertheless, it is necessary to know how to manage these relations and to be able to profit from them. To accelerate development, which implies a certain amount of "catch-up" in any case, it is necessary to borrow more advanced technologies (we are not going to reinvent the wheel!), and we have to pay through exports. What we can offer on the global market is, at this stage, products that benefit from the "comparative advantage" of their labour intensiveness. But it is necessary to know that in this unequal trade we are being exploited and that we accept this situation--temporarily--from the lack of an alternative. It is therefore a matter of planning at first

the minimum needs in imports that make it possible to maximize economic growth, and then to deduce from this the type and volume of exports necessary to meet these needs. This minimum of necessary exports - and not the maximum possible - is not insignificant. And it has very definitely become broadly superior to what its volume was in 1980. That the reforms would propose, in the early period, to meet this challenge and for this purpose to give a certain priority to potential export industries that are able to respond to it the fastest is not absurd.

The danger appears when the success of this choice inspires a reversal of the connections that govern the logic of a development strategy worthy of the name. Such a strategy implies the subjection of the quantitative goals of external trade to the requirements of the unfolding of a development plan that assures the strengthening of social solidarity in the interior and therefore the ability to impose itself on the exterior with a maximum of autonomy. The liberal dogma proposes exactly the opposite, that is, the maximum enlistment in the international division of labour, which is based on the priority given to the expansion of activities through which the country "benefits" from the comparative advantage of its abundant labour power. The first option is what I have characterized as "disconnection," which means the refusal to submit to the dominant logic of the global capitalist system, not autarky; the second option is one of an adjustment that is always passive in reality (even though it is characterized as "active insertion") to the requirements of integration in the global system.

All the vulgar economists have always pushed the second solution, and will continue to do so. Their arguments will always be the same, and nothing distinguishes the Chinese liberals in this regard. None of these arguments has any scientific basis, since they are all derived from a false *a priori* assumption (that prices determined by unregulated markets produce optimal growth). This "theory" is therefore nothing but a logical fallacy that finds in its conclusions what it put into its premises. Nothing in the history of really existing capitalism confirms the conclusions of this "theory" of an imaginary system: the history of capitalist globalisation is not one of the success of "catch-up" policies based on the adjustment in question and on comparative advantages. It is on the contrary one of polarization between the dominant imperialist centers and the compradorized peripheries, subjected and superexploited, produced by this submission to the global capitalist system.

One more step in the drift to liberalism is proposed by the defenders of the "liberalization" of the flows of capitals and of the abandonment of public management of the rates of exchange. Here too I see nothing more in the arguments of the Chinese liberals than the various standard types of liberal a historical dogma. Discourses of this sort produced in record time the crisis of Southeast Asia and Korea in 1997. This crisis did not force the Chinese liberals to nuance their fundamental options, since they continue to support absolute priority for "export-oriented" industries; instead they repeat the IMF line attributing the crisis to causes which, although real, are still secondary (such as the excesses of the local banking systems, etc.). The responsibility of the strategies put into practice by foreign financial capital, which made gigantic profits from this crisis and continue to do so, is completely erased. This responsibility must not be mentioned at all.

Despite all their intrinsic weaknesses, the neo-liberal propositions derive their force from two arguments.

The first is "the Korean example," and second is the Taiwanese example. Here indeed are two countries, which the Chinese know well and the second of which is close to their hearts, that seem to be quite nicely on their way along the road of a serious "catch-up", have opted for a strategy of "opening" and nevertheless have been quite capable of creeping up the rungs of the international division of labour. The particular reasons (including the geostrategic ones) of these "successes" cannot be discussed in this paper, along with the vulnerability of the Korean economy, now subject to the full force of a strategy of recompradorization which the United States is trying to impose on it. In any case, what might indeed be possible in exceptional situations (and I even doubt that) is not the rule, much less for an immense and diverse country like China.

Take for example the question of membership in the World Trade Organization (WTO), which the Chinese government has come around to. The application of the rules imposed on international trade by the founding treaty of this institution would bring a disaster for Chinese agriculture, would force China to renounce the autonomy in food production that it has acquired at the cost of so many efforts, would dismantle its basic industries under the pretext of their "exorbitant costs," and would make the country renounce any prospect of asserting itself in the technological area. It is possible that people think they will be able to escape these rules, in one way or another. I have not heard convincing evidence for this idea. For the rest, after Seattle, the WTO itself is in crisis. Why then hurry to join an institution which may be stillborn? Wouldn't a country like China have a considerably broader margin for negotiation if it stayed outside the institution? These are questions that seem to me barely to have been discussed--at least in public. Unfortunately opponents of entry to the WTO have limited themselves to defense of the preexisting trade regime, which under the circumstances of the reform has proved to offer great opportunities for corruption.

It is this same type of situation that prevails in the debate over the choices in the management of exchange. The defenders of the past do not propose anything other than the maintenance of a fixed exchange managed administratively by the Central Bank, thus easing the task of the liberals, who can develop the habitual academic dissertations on the advantages and the drawbacks of "pegging" the currency to one or several of the dominant currencies, of absolute "flexibility" (judged with good reason as unrealistic...the least we could say) and to propose finally an empiricism without clear perspective.

One thing is certain: the liberal opening-to-the-markets option makes Chinese society and the state vulnerable, weakens their capacity to face the real challenge which the hegemonist strategy of the United States and its junior partners in the Triad (Europe and Japan) represents and the declared goal of which is to stop by all means--war and the dismemberment of the country included--China from becoming a great power and a real competitor. The systematic campaign around Tibet and the renewed aid to the supporters of Taiwan's independence is the other face of the same coin.

6.

The reform of the Chinese economic and social system, although well on its way, is far from completed, since it still leaves open the choice between a capitalist option without restrictions (other than minor or verbal ones) and the option of a "market socialism" understood as a stage in the long transition to communism.

Current initiatives to create financial institutions to manage the flood of money unleashed by the expansion of market relations, and the reform of the fiscal system to replace budgetary allocations with a tax on corporate profits, are both necessary once the market principle is admitted (even if the market is extremely regulated by a central planning system, which has not been the case up to now). The result of the state's fiscal and financial policies put in practice up until now is not in any case a bad one. China has avoided the catastrophic deficits to which shock therapy subjected the countries of the East, two-digit inflation, massive external debt.

The question of the future of the state industrial sector has not received a clear answer, even in terms of principles. The institutional reform itself, which only constitutes the substructure, is not complete. Once these general institutional reforms are stabilized, the task of conducting reforms intended to restore to heavy industry its driving role in the orientation and acceleration of the whole, to clear up bottlenecks, to promote technological innovation - in short, the task of responding to the requirements of efficiency - remains to be addressed.

There is in general no abstract response to these problems. Universal condemnation of public property by the neoliberal discourse is pure propaganda without scientific foundation; it rests on the idea--an *a priori* assumption, which is in addition false--that what is private is by nature more "efficient."

The state sector suffers from "widespread troubles" only when it is looked at from a great distance. And as a matter of formal accounting, it is not in deficit as a whole (Yifu Lin). It is true that the deficit in some sectors or the surplus in others are what they are only because of the current cost structure, and other factors (such as employment security or favourable rates on loans) that make the accounting comparison difficult. In many cases, if not in all, the equipment is from superseded technologies, which does not imply that the best solution is to close these factories or to renovate them completely. To confuse efficiency and competitiveness, to reduce the first concept to the second, has no general scientific value. It would therefore be necessary to examine the problems posed in this sector concretely and case by case. And while resolving them in this manner to draw out from these solutions principles that are coherent with the requirements of the phase of the long transition in which the country is engaged after having passed through the phase of extensive accumulation and central planning. I do not have the presumption to think that I'm in a position to say more about it here. In any case, the Chinese are right, in this case, not to hurry.

The debates about the future of the private sector, how much should be opened to it, the possible nature of the control over its expansion by macro policies by the state and the possible cautious forms of planning, the degree of openness to the exterior authorized to it are barely broached.

As good practical people, the authorities have only admitted that there is a place in China for an openness to private initiative - which seems to be sensible at the country's current stage of development. What is encompassed in this openness is a mixture of various things, of no less different ideological and social imports, the bearers of more or less serious dangers over the longer term. There are local initiatives in the real sense of the term, in which the relations to local notables are blurred, to say the least; there are initiatives from the capital of Chinese in the exterior (including Taiwan), whose political power is limited so far; there are foreign capital initiatives controlled to different degrees by the formulas of the "joint venture." But there is not yet any

political economic philosophy considering in the longer term the relations between the government, the Chinese nation, the labouring classes and these private interests. The debate on this area must leave the limits of a day-to-day pragmatism. The question of the organization of the political power of the state, of the autonomy of the organization of the laboring classes, of the establishment of counter-powers, cannot be separated from the questions that concern the organization of economic life.

7.

The balance sheet we could make on the reforms is therefore a provisional one; the direction of the undertaking--which has not reached its end--is still open, after all.

Some reforms were indispensable. Central planning did not represent in any way the completed form of socialism, but only the first phase of a long transition. A phase that was eminently positive and which cannot be ignored, but which had to be superseded once we had obtained the results that could be expected from it. This the defenders of Maoism have not understood (the Cultural Revolution itself, dealing with other areas, did not consider it useful to touch the forms of the plan's central management model) and have in this way left the field open for the "reformers," who are at best confused, and at the worst want to restore capitalism.

I am adopting a different attitude here from that of the systematic detractors of the reforms (cf. He Quinglian), who act as if the system has already come to completion--nothing other than the restoration of capitalism. At the same time, my attitude is different from that of the system's defenders from the left (cf. Ajit Singh), who for their part imagine that the reform has already set up this famous "market socialism" which is the power structure's official slogan.

The "positive" aspects of the reforms undertaken at this point do not need to be recalled: the acceleration of growth sums up their different dimensions. In addition, this growth has been sufficiently controlled up until now (and I emphasize this limit in time) so that the negative aspects (the inequalities inside the country and the vulnerability on the international level sum them up) have been limited.

These results have been obtained by pragmatic day-by-day choices, corrected as problems arose. Thus there were years of "overheating" characterized by the accelerated expansion of the market sector, followed by moments of "cooling off" (obtained by raising interest rates and the prices of essential inputs--energy, among other things). This pragmatism cannot take the place of planning and of a serious reform of planning. In addition it multiplies and does not reduce the occasions for hidden "negotiations" to find positions generating personal income, associated as is always the case--in China and elsewhere--with the corruption of officials (cf. Yifu Lin).

The danger that the system will evolve progressively, by means of this pragmatism without principles, toward a pure and simple capitalism, is not theoretical. It already represents the main danger. Without the authentic organization of the labouring classes, who are deprived of the means to undertake the struggles necessary to all social progress, the drift in this direction is inevitable. The liberal currents in China's interior and pressures from the exterior work actively in this direction. The concept of "market socialism" would then be void of all real sense, and the system

would be simply capitalist, even if public ownership of property is retained (and I doubt it could be under those conditions).

Even if the logic of the central planning stage was indeed based on certain systematic distortions (low interest rates, undervaluation of exchange, low nominal salaries, subsidized prices for energy, raw materials and basic food products), the adoption of the opposite market principles (positive real interest rates, flexible exchange and credit markets, integration of the labour markets and job insecurity, deregulation of markets in general and the opening of new areas for the commodification of the land) does not correct the distortions of the preceding stage, which were necessary in their time. Instead, it creates new--and negative--distortions for the new stage. For these market rules do not by themselves produce the "optimum," as the academic talks of the liberals pretend. They bring a wastefulness that, in China's conditions, would be criminal, would destroy all hope of social progress and of national independence (the two terms being inseparable). "Competitiveness" if it is acquired at this cost for the islets of a modern economy submerged in a mass of regression (stagnation at best) is not synonymous with efficiency. On the contrary, it is the opposite of the requirements for the efficiency of the system as a whole.

Now these areas of waste are already visible. As W. Hinton shows, part of the accelerated growth of agricultural production has been obtained to the detriment of the long term, which demands a meticulous maintenance of land capital, its improvement by actions which the market - always governed by a short-term rationality - does not allow.

China had reached the point of being ranked high in the hierarchy of social and human indicators of development (by the criteria of the UN Development Program, UNDP). And it is established that the "privatization"--or even just "market rationalization"--of social services like health or education is the guarantee of their degradation. National solidarity requires a quality public school system, the creator of citizens. The ability to innovate is not the spontaneous product of "competition" on the markets; instead, competition devours this ability in a wasteful and deforming manner. The ability to innovate is the product of education and public support; in the United States itself it is largely dependent on military spending that has nothing to do with the criteria of the market.

I am one of those that think that the choice for all of humanity is "socialism or barbarism," that capitalism can no longer offer humanly acceptable prospects, having exhausted its progressive historic role. And that the level of productive forces potentially allows for communism on a global scale, but that it will take a long time to arrive at this. I will not try to make a prognosis on the temporal distance that separates us from this horizon, since the best (and the only) instrument for this would be a crystal ball. But no humanist political and economic strategy in any country on our planet, whether it is China, Burkina Faso or the United States, can be thought of outside of the long perspective of the societal project for a global socialism--understanding by socialist a society where human beings, having become (relative) masters of their destiny, freed from the market alienation proper to capitalism, would be able to innovate and invent the adequate forms for a social management on all levels, integrating all its social and economic dimensions. The visionary aspect of this creative utopia can substitute for the rule that capital employs--that is, exploits--alienated labour its opposite, that is that human beings--who are not reduced to the status of labour force--shall use capital, which is conceived of as instruments and not as an end in itself. Otherwise, capitalist accumulation will more and more assert its destructive dimensions, through

alienation (and the barbarism it produces), the destruction of nature, and the polarization that makes any national "catch-up" plan impossible.

I am taking this point of view to judge the possibility that a project for "market socialism" can constitute a positive phase in the long transition envisaged.

The "national" project of the historical bourgeoisies has always been based on some grand principles allowing control over the labour market, the natural resources of the internal market, the flows of financing, and access to technology. Control over these elements has been possible on the basis of the relations of historical capitalism in the countries that became the centers of the global system. Because of this, such control could not be reproduced in the peripheries in the same fashion. History does not allow imitation. It forces us to combine the measures for the necessary relative "catching up" with the beginning of the development of a logic which supersedes it. Not "to do the same thing, but faster," but to "do otherwise," as Mao said in his time.

Central planning finds its place here as the expression of the strong regulation of markets required at China's stage at the dawn of the 21st century. This planning supersedes altogether the catalogue of conventional bourgeois economic political macro policies. It is able to distinguish social and national efficiency from simple competitiveness. It is able to put in practice measures which do not exclude social redistribution of income, regional and sectorial redistribution of the means of financing, and indeed of control of external relations. Let people call it what they want--"market socialism," if that is their desire. That is not the question.

The truly essential question is that this central planning is effective only if it really proceeds from the aspirations of the labouring classes. Therefore it involves a real democratization, the recognition of the principle of organizational autonomy of the different sectors making up these classes (the workers unions, the rural cooperatives), recognition of the possible divergence of certain of their interests, and the political means for collective negotiation which will permit provisional arrangements between the partners. All this goes far beyond the "low-intensity democracy" proposed by the dominant Western ideology (a multi-party political system made impotent by the dictatorship of the market) or the thoughtless praise for the freedoms enjoyed in the framework of so-called civil society, brought into fashion by the postmodernists and taken up by the populists of the Third World and China. These fundamental questions are unfortunately to a large extent conjured away in the Chinese debates I'm familiar with, but they have been raised-- I know - by Maoism's best heirs (cf. Lin Chun).

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