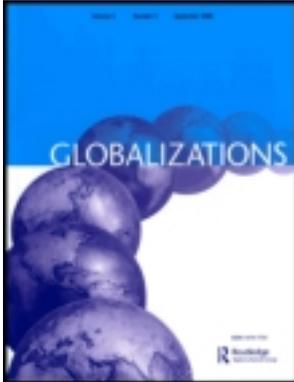


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### Is the East Still Red? The Contender State and Class Struggles in China

Kees van der Pijl <sup>a</sup>

<sup>a</sup> University of Sussex, UK

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## Is the East Still Red? The Contender State and Class Struggles in China

KEES VAN DER PIJL

*University of Sussex, UK*

**ABSTRACT** *Contemporary China here is understood as a ‘contender state’ resisting subordination to the liberal West. Previous contenders, from France, Germany, Japan, and the Soviet Union, all have had to submit to the West in the end, but the Chinese state class, by allowing a controlled capitalist development to energise its society and financing the US deficit from the proceeds of export-oriented industrialisation, has so far succeeded in neutralising Western aggressiveness. The article makes the case for continuing to see China as a distinct economy that, far from being the miracle saviour of a capitalism in crisis, may well veer back to a state-socialist line of development. The main grounds for such a turn are the continuing contender role and the incomplete subordination to capital, with labour locked in so-called ‘formal subsumption’ and the persistence of state control even as planning has withered. Caught between a strong state and an increasingly militant working class, the (semi-)private bourgeoisie after the Tiananmen repression of 1989 has apparently lost its interest in further liberalisation.*

**Keywords:** China, contender state, state class, capital, socialism

It is almost a cliché today that China will ‘overtake’ the West as an economic power in the near future. Dates vary, but Jim O’Neill, chief economist at Goldman Sachs, estimates that at current rates of growth, China will surpass the United States in 2027 (O’Neill, 2009). The ‘ReOrient’ thesis of André Gunder Frank (1998) even claims that the era of Western dominance was only an interlude in between two epochs of Asian pre-eminence. The first of these epochs culminated in the voyages of the Chinese Treasure Fleet under Admiral Zheng He in the fifteenth century; the second opened when the People’s Republic, with Deng Xiaoping at the helm, in 1978 began a phased introduction of market practices.

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*Correspondence Address:* Kees van der Pijl, School of Global Studies, University of Sussex, Falmer, Brighton BN1 9SJ, UK. Email: k.van-der-pijl@sussex.ac.uk

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My argument in this article is that the growth of China's GNP (gross national product) is better understood in the context of resistance to Western supremacy. Comparable challenges by France (until 1815), Germany and Japan (until 1945), and the Soviet Union, were all defeated by the liberal, English-speaking West, which in the process constituted itself as an integral formation, what I call the 'Lockean heartland' after the ideologue of the Glorious Revolution, John Locke.

China's post-1978 development would amount to another such challenge, the conclusion of which still lies ahead. However, Paul Krugman's comment that 'projections of Asian supremacy extrapolated from recent trends may well look almost as silly as 1960s'-vintage forecasts of Soviet industrial supremacy' (quoted in Arrighi, 2007, pp. 13–14) is certainly warranted by the historical record. For all challengers to Western supremacy, or 'contender states', at some point appeared to be heading for overtaking the West, but somehow their '2027' never arrived in time to prevent military defeat and dispossession of the directive class as it struggled with the structural constraints of moving from a state-led to a (liberal or socialist) self-sustaining social formation.

In what follows, I will first briefly outline the heartland/contender state argument and then answer the question whether China will be able to avoid the fate of past contenders. My claim is that current processes of class formation and struggle appear to be pushing the country towards a re-politicisation of social relations limiting capitalist development.

### **Facing the Liberal West**

The heartland/contender structure of the global political economy has come about and evolved through a differentiation between two main types of what Robert Cox calls 'state/society complexes' (1986 [1981], p. 205). Thus the liberal state codified in the Glorious Revolution of 1688 allows 'civil society', that is, the society brought under the rule of law, to be self-regulating. Locke's *Two Treatises* provides the ideological justification of this configuration. As Macpherson has argued (1962, pp. 257, 223), Locke leaves behind the Hobbesian idea of a Leviathan imposing itself on society and instead recognises the ability of a property-owning class to govern itself, while relying on the state and the church to keep the property-less under control.

One way of understanding the contender state alternative is to see it as stuck in the stage in which social forces are being brought under a single authority and divested of their autonomy by a Hobbesian 'state class'. Who holds power in a contender state is in principle entirely transparent; there are no forces wielding a power superior to those actually in government. The state class to varying degrees confiscates its society from above, relying on state initiative to accelerate and sustain the pace of social change and develop the economic and military assets necessary to hold its own against the West. The strategy of the Atlantic ruling class, which continues to occupy the commanding heights of the global political economy (Carroll, 2010; van der Pijl, 2012 [1984]), has been to open up the contender state–society complexes, dispossess the state classes, and replace them by a governing class submitting to liberal global governance and 'open for business' (van der Pijl, 2006).

There is, from this perspective, no overarching 'capitalist world-economy' structurally separate from the state system, as assumed by world systems theory (e.g. Wallerstein, 1979). In contrast to this view (which assigns primacy to exchange relations and hence can postulate a 'Smithian' capitalism separate from political power, cf. Brenner, 1977), I see capital as having originally crystallised as a comprehensive circuit through the expropriation of direct producers in the enclosure movement in England, and reproduced across the Anglophone West as a

transnational, self-regulating class society through liberal constitutionality and a culture of possessive, Calvinist (-inspired) individualism. The logic of adaptation that world systems theory assumes to hold for all states, from this perspective is only forced upon those formations external to the Lockean heartland. Only for a contender state (and for all remaining peripheral formations), capital is an external force which it faces in the context of Western pre-eminence.

Global governance along Lockean lines (emphasising the individual rights aspect against state control) and the operation of the different circuits of transnational capital appear to a contender state class and its society as a single complex of forces. And just as the liberal state–society complex over the centuries has created a fine-grained web of interconnections between state and society, the activist state resisting Western pre-eminence produces its own ‘normalcy’, but with the opposite emphasis—on state instead of social regulation. Hence there cannot be an ark of Noah to salvage capital now that it is obviously running aground in the Anglophone West and the European Union. Comparing the growth rates of a society passing through the stage of original accumulation (or post-war reconstruction, cf. Jánosy, 1968) with those of developed capitalist societies subcontracting industrial production to low-wage locations cannot be taken as evidence that the mode of production that uniquely took shape in the West and is connected by every fibre with its political and social makeup is moving house.

Now because it finds itself in a situation in which the West commands the high ground, a contender state class, once in place (rather than just ‘in office’ as a governing class is in the Lockean setting), tends to harden in its mould. Combining the roles of a ruling and a governing class, it controls not just the different apparatuses of the state as such, but also, through state ownership, substantial sectors of the economy; just as it lays down the rules by which the latter operates. Thus the Chinese state class still today retains the ability to decide development priorities and can accelerate/decelerate the pace of change (Breslin, 2007, pp. 40–41).

However, since a state class is engaged in driving forward social development along lines effectively dictated by the society that enjoys the advantage—economically, militarily, and ideologically, it will involuntarily open up spaces in which class forces aspiring to merge into the social universe projected by the West, can take shape. Certainly under the watchful eye of the state class, these forces must restrict themselves to what Gramsci calls, a ‘molecular advance’, complementing state initiative in the context of passive revolution (Gray, 2010; cf. editors’ notes in Gramsci, 1971, p. 46). Hence the potential combination of outside pressure and internal contestation always exists, and if at the time of the Tiananmen revolt the North Atlantic states would not have been preoccupied with the disintegrating Soviet bloc, the Chinese state class might have had to operate from a much more precarious position than it now did.

### **Peculiarities of the Chinese Contender Posture**

China, then, from this perspective would be the main contender state resisting Western pre-eminence in the contemporary period. It has avoided, so far, overtly challenging the West, and actually finances the US budget deficit (and recently, also the deficits of some Eurozone countries) out of the surplus it has built up by following the East Asian strategy of export-led development under state auspices. Certainly the authoritarian state, by adopting elements of market practice, has created niches for spectacular private enrichment. Here I will argue that the contender aspect is still the dominant feature of Chinese development; and since state socialism is the logical endpoint of a contender posture per se, this role itself is one factor contributing to a possible return to it, and not only in China. As

Victor Kiernan wrote 20 years ago, ‘A flourishing guided economy like Japan’s may prove ideally suitable for translation into socialism, whereas hitherto socialism has too often meant the nationalizing of scarcity’ (Kiernan, 1990, p. 94). Today this may no longer hold for Japan, but as I will argue below, current processes of class formation and struggle in combination with China’s contender role present a unique conjuncture favourable to a (state-) socialist turn.

The possibility for China to adopt a contender posture dates from 1911, when the nationalists under Sun Yat-sen toppled the Qing imperial dynasty. Sun looked to post-Meiji Japan as a model, estimating in fact that China would therefore also have to establish a Han-Chinese nation-state (Wang, 2009a [2004], p. 62; cf. 2005). However, China is a multinational state. Certainly socialist nationality policy, in both its Austro-Marxist and Leninist forms, can accommodate diversity, but the confiscation of society by a centralising state will tend to suspend it again (Bauer, 1907; Carrère d’Encausse, 1980; Löwy, 1998). The Soviet experience with trying to balance national self-determination and a contender posture indeed has been a most traumatic one and remained riddled with contradictions to the very end. Keen to avoid the violent recentralisation that had accompanied Stalin’s revolution from above, the Chinese Communist Party under Mao instead sought to build on the imperial tradition of ethnic pluralism under a unifying culture. Hence the encouragement of the use of non-Chinese languages and the Chinese dialects as vernacular (also to mobilise the broadest possible mass base for the fight against the Japanese and the nationalists), while retaining the unity of the character script (Wang, 2009a [2004], pp. 146–147; Zhang, 2010, p. 63).

The Maoist strategy of relying on the countryside as the basis for revolution also engendered a wariness of an over-centralised economy. Mao strongly disapproved of the notion of the Asiatic mode of production as hypothesised by Marx and Engels and intensively discussed in 1920s’ Soviet debates about China (Hough, 1986, p. 47). Its associations with ‘Oriental Despotism’ derived from hydraulic central control allowed communist renegade Karl Wittfogel to turn the argument into a Cold War polemic against the USSR (Wittfogel, 1977) and were profoundly alien to Mao’s ideas about mass mobilisation. In the struggle against the ‘statists’ in the Guomindang he appeared to reject the contender state model altogether (Mao, 1971a [1926], pp. 12, 19 note 2).

When the Communist armies took control of China in 1949, it was not only the Soviet planning model that influenced the agenda of the new state, but paradoxically, also the planned economy set up in the Japanese puppet state of Manchukuo from 1932. Japan’s own contender state–society complex was built around quasi-feudal business dynasties running integrated financial groups, the *zaibatsu* (Norman, 1940). The Kwantung Army in Manchukuo created a ‘post-capitalist’ offshoot which differed in key respects. Inspired, like the Nazis in Germany, by the first Soviet Five-Year Plan, and at arms’ length from the *zaibatsu* aristocracy, the Japanese military inaugurated their own planned industrialisation of Manchuria. It included a programme of railway construction (the legacy of which still accounted for 42% of Chinese railway mileage in 1970) and a dam-building drive that created an energy supply source outstripping that of the rest of China combined (Fingleton, 2008, p. 90).

It was this regime of accumulation that was consolidated in Japan in 1945. Presented to General MacArthur as a democratic clean sweep that would provide him with the credentials for a presidential bid back home, his Japanese interlocutors in fact secured the expropriation of the hereditary *zaibatsu* family dynasties and their replacement by management-run *keiretsu* bank-industry networks coordinated by the Ministry of Finance (Fingleton, 2008, pp. 92–95; Hartcher, 1999; van den Berg, 1995, pp. 382–383). Covered by vassal status in the Cold

War, the Japanese war economy thus was replicated in civilian guise and exports substituted for conquest, eventually including an East Asian regional zone of expansion made up of 'flying geese' following the Japanese lead (equally a product of 1930s' planning, cf. Bernard and Ravenhill, 1995, pp. 172–173). Japan's example of an accumulation regime of forced savings, suppressed consumption, and the absence of a broad leisure class would in due course also take root in China after 1978.

Back in 1949, Mao faced the legacies of the Manchukuo and Soviet planning policies in devising his own preferred course. Chang Kai-shek had signed away the Manchurian railways to joint Soviet–Chinese control under a 30-year lease; the pro-Soviet prefect of Manchuria, Gao Gang, tried to play out Liu Shaoqi's Soviet-style urban CCP fraction against Mao's peasant guerrilla army. The Communists succeeded in rescinding the railway lease and Gao Gang died in prison in 1954 (Han, 1994, pp. 221–223, 230–231). The Soviet template of central planning was less easily sidelined. While petty commodity production and distribution were left in private hands (as under the Soviet NEP, which the Bolsheviks had resorted to in order to give the population a break and restart economic life, but which was terminated by Stalin), more than three-quarters of investment in the first two Five-Year plan periods went into industry and only 10% into agriculture, forestry, and water conservation; in the original plan for 1959, this was further reduced to 7% (Li, 1968 [1960], p. 201; on the Chinese 'NEP', Löwy, 1981, p. 116).

As a result the party's peasant power base, which in the north (historically vulnerable to water shortages) had rallied to the CCP in the expectation that the party would improve irrigation and tame the Yellow River after decades of neglect (Davis, 2002, pp. 374–375), now suffered from the policy of 'leaning to one side' (the Soviet one). Soviet central planning was aimed at capital-intensive industrialisation whereas China's strength was in abundant labour, and Mao articulated the critique of the centralising heavy industry orientation in 1957 when he wrote that learning from the Soviet Union should not proceed in a dogmatic manner, 'transplanting everything, whether or not it is suited to our conditions' (Mao, 1971b [1957], p. 478; Li, 2008, p. 38).

The 'Great Leap Forward' of 1958–1959 and the peasant communes replacing the Soviet-inspired collective farms were meant to change course but the famines that struck the country as a result of ill-conceived mobilisation drives caused mass starvation (for different assessments, see Johnson, 2002 [2000], p. 151 and Li, 2008, pp. 39–44). The Great Leap nevertheless worked to definitively bury the Soviet development model. In its aftermath a struggle erupted against the party apparatus under Liu Shaoqi, and the Sino-Soviet split burst into the open too. In 1962 Mao openly warned of revisionist and 'capitalist' tendencies in the CCP and sought to mobilise a mass movement to root them out. The Cultural Revolution by several twists and turns would emerge from these campaigns (Han, 1994, pp. 315–327). As Wang Hui notes, it was 'probably the last stage of the political sequence wherein the party-state recognised that it faced a crisis and attempted to carry out a self-renewal' (Wang, 2009b, p. 9).

In its closing stages (the campaign had meanwhile turned against Lin Biao, Mao's erstwhile ally and army chief, and against Confucian authoritarianism), the Cultural Revolution actually came to include a mass movement that assumed the responsibility for the hydraulic infrastructure, the historic reference of 'Oriental Despotism'. After a disastrous drought in 1972, urban workers and employees as well as students were mobilised in their hundreds of thousands to help the communes to upgrade irrigation canals and ditches, dykes and ponds. Record harvests in the years that followed were testimony to what mass mobilisation is capable of (Maxwell, 1974). This is not to deny that the Cultural Revolution was another campaign 'orchestrated from above' (Hart-Landsberg and Burkett, 2004, pp. 28–30), and its rejection of high culture,

Chinese and foreign, produced often horrendous excesses. But it is equally obvious that the infrastructural improvements greatly improved the food situation and allowed Deng Xiaoping to begin, two years after Mao's death in 1976, experimenting with market reforms in the countryside. During the 'rural reform phase' that lasted until 1984, urban/landed income differentials decreased as peasant communities rapidly increased their productivity (Wang, 2009b, p. 23). By then, the contours of a capitalist class were also becoming evident.

### **The State Class and Capitalist Forces**

The Chinese state class has retained the initiative in the revolution from above throughout, inaugurating radical changes that were occasionally even welcome to large sections of the population, without ever granting it the power to agree or not (Hart-Landsberg and Burkett, 2004). Now the very process of reorienting the contender effort from a state-socialist to a state-capitalist course, necessarily involves the mobilisation of certain social forces and the demobilisation of others. In China, this process has occurred both as a reorientation within (fractions of) the state class, and as a process of bourgeois class formation outside its ranks but under its patronage. The process of class formation therefore is part of a 'crony capitalism' typical of the contender state-society complex. Thus state class elements use their prerogatives to create ties with private operators, in this case, foreign capital seeking access to China and Overseas Chinese; while private players team up with party cadres to thrive as businessmen (a process called 'wearing the red hat'). Hybrid property relations and clientelistic arrangements thus have produced what Alvin So characterises as a 'patronization of capitalists' and the formation of a 'cadre-capitalist class' (So, 2003, p. 369; cf. Hung, 2008: 157 and Ten Brink, 2010, pp. 22–23).

The Tiananmen revolt of 1989 marks the moment when it briefly seemed that the core state class was no longer able to contain the autonomous aspect of class formation. Popular concern over the precipitous contraction of the state sector (public spending declined to 19.3% of GNP in 1988, down from 37.2% in 1978) and over the announced abolition of the centrally planned price system jeopardising the social minimum, the 'iron rice bowl', provided the aspirant capitalist class-in-the-making with a mass base. For as Wang Hui emphasises, those wishing to accelerate liberalisation and dismantle social protection, who had their supports deep within the state class, were key players in the movement.

Among those strata participating in the 1989 social movement were those special interest groups that had massively benefited from the decentralization of power and benefits in the 1980s, and who were now dissatisfied with the impending adjustment policies. These special interest groups attempted to push for their own demands through the medium of the social movement, with the intention of pressuring the state to carry out yet more radical privatization reforms. (Wang 2009b, p. 31, cf. p. 24)

In contrast to Eastern Europe, however, where a comparable hybrid movement led to the integral dispossession of state classes in the 'velvet' revolutions in the same year, the Chinese state class was able to weather the storm by repression. It then took until 1992–1993 before Deng Xiaoping with a symbolic 'southern tour' succeeded in breaking the impact of the conservative backlash that followed. After several years in which the number of private companies declined and profit rates fell below the US level (Li, 2008, p. 75, Fig. 3.2; cf. p. 64), the process of capitalist class formation was reactivated. Special development zones, futures markets, stock markets, and a real estate market were all testimony to the renewed impetus of the process of capitalist transformation under state auspices. In October 1993, China's economic system was officially redefined as a 'socialist market economy'.

At the turn of the millennium it was obvious that the forces intent on forcing a capitalist transformation were again gathering strength, but this time *through* the state, not against it. In 2001, Jiang Zemin, general secretary of the CCP and president of the country, proposed to allow private businessmen to join the party. Amidst considerable consternation and protest, this proposal was formalised at the Sixteenth Party Congress, when the party was recast as ‘the party of the Chinese People and the Chinese nation’, effectively changing the Communist Party into a ‘people’s party for modernisation’ (Li, 2011, p. 39; Ten Brink, 2010, p. 13). Given its new profile, any ‘advanced element’, including entrepreneurs, could join, which they promptly did in order to consolidate their newfound social prominent. According to Hung Ho-fung, ‘The new rich, including the cadre-capitalist class, self-made businessmen, middle-class professionals, and the like . . . became the party’s new social base’ (Hung, 2008, p. 157; cf. Wang, 2009b, p. 49).

In 2003, it was estimated that one-third of private enterprises in China were owned by party members. The aspect of family business dynasties, ubiquitous among Overseas Chinese but suppressed in the state-socialist phase on the mainland, here saw its first hesitant steps being taken again as children of top officials, the ‘princelings’, endeavoured to privatise the basis of social privilege. Relatives of all kinds are involved in running firms that the cadre-capitalists who actually control them patronise; just as family connections often play a role when decisions are taken about placing orders in the private sector (Breslin, 2007, pp. 75–76). Minqi Li quotes a report which claims that about ‘two million high and middle-ranking, current and retired Chinese government officials and their relatives own about 70 percent of the total private wealth (savings, stocks, bonds, houses, and foreign exchanges) in China’ (Li, 2008, p. 106; Li, 2011, pp. 44–45).

A ‘constitutional revision movement’ to codify private property rights (mainly serving to legalise the illegal appropriation of public resources, Wang, 2009b, pp. 46–47), at the same time has worked to also constitutionalise inequality. In the early 1980s China was still one of the world’s most egalitarian societies, but by mid-decade, its inequality level exceeded both those of transition Eastern Europe and its Asian neighbours (So, 2003, p. 367). China is now the fifth most unequal country in the world, having seen a record growth of inequality from 1981 to 2004 as it moved away from the East Asian pattern, and closer to the (still higher) levels of inequality of Brazil and Mexico (Breslin, 2007, p. 174; Hung, 2008, p. 163, table 1). Beijing alone in 2010 counted about 150,000 residents worth more than \$1.5 million; there were by then more billionaires in China (128, up from 79 in 2009) than in any country except the US, which had 400 (*International Herald Tribune*, 2010). As reported on the *Forbes* website (Flannery, 2010), the total wealth of the 400 richest Chinese people rose by 25% to more than \$400 billion, notably on account of consumer spending. The share of wage income in China on the other hand declined from 53% in 1998 to 41.4% in 2005 (Hung, 2008, p. 162; cf. Li, 2008, p. 89, Fig. 3.13).

Yet the determining characteristics of the Chinese regime of accumulation remain those of a contender state–society complex, in which the state class retains the key levers of power and operates as a force anticipating and guiding class formation rather than being confronted by it, as was still the case in 1989. Indeed if we look at some of the main indicators of international capital movements and the balance between investment and consumption, China would appear as an extreme version of an East Asian original accumulation/post-war reconstruction process under the guidance of a state class operating through a single party. Its growth in the 25 years from 1978, 6.1% a year on average, was actually below Japan’s 8.2% from 1950 to 1973 or South Korea’s 7.6% from 1962 to 1990, but from 1985 has remained around 10% annually when the others fell back (Foster and McChesney, 2012, p. 4, Chart 1; *Le Monde*, 2005).

**Table 1.** Features of the accumulation regime of contemporary China, compared to Japan and the Western pattern (US and other liberal capitalist)

Contemporary China	Japan	Western pattern
Accumulated foreign exchange reserves (2010, excl. Hong Kong & Macao), \$2.4 trillion	Accumulated foreign exchange reserves (2010, approx. \$1 trillion)	Overseas debt, US (2009, \$3.27 trillion)
Investment rate (2006), 42.75%; (1990), 25.86%	Investment rate (2006), 23.46%; (1990) 32.32%;	Investment rate (US, 1990–2007 average), approx. 26 %.
Share of consumption in GDP (2008), 35%	Share of consumption in GDP (2010) 60%	Share of consumption in GDP (2008), US, 70%; EU, 57%.
FDI inflow (2006) mainland, \$69.5bn; Hong Kong, \$42.9bn	FDI inflow (2006) \$ -6.5bn (net outflow)	FDI inflow (2006) (US) \$175.4bn; EU \$531.0bn (of which UK, 139.5).

Sources: Foreign exchange/debt; Hoogvelt, 2010; Wikipedia. Investment rates: Sun et al., 2009. Consumption: *International Herald Tribune*, 2009; <http://www.tradingeconomics.com/> (accessed 11 Feb 2011). FDI: Milios and Sotiropoulos, 2009.

Table 1 compares China as a current ‘original accumulator’ with Japan as a mature one, and both with the contemporary Lockean heartland of capital.

China has also followed Japan and South Korea (and other contender states adopting capitalist forms in the past) by creating integrated ‘finance capital’ (bank–industry) combinations known as *qiye jituan* (cf. the Japanese *keiretsu* and the Korean *chaebols*), such as Qilu (chemicals) and Baosteel. They are under direct control of the state class and their ‘shareholder and accounting structure is such that at any time the party can regain control if it is necessary’ (W. Hutton quoted in Fingleton, 2008, p. 113). If they are active on the world market, which they are, they are not subject to profitability criteria as firms in a liberal capitalist context are. Thus a Chinese group in 1995 acquired Magnequench, a loss-making GM subsidiary refining neodymium for use in cars, and when the sales condition of keeping the plant in the US expired in 2000, dismantled, shipped, and reassembled it in Tianjin (Zajec, 2010, pp. 14–15).

But not only do ‘capitalists’ remain embedded in and dependent on the state class; the National Development and Reform Commission under Zhang Ping, which has replaced the State Planning Commission, still has the decisive voice in macroeconomic development (*Financial Times*, 2010; Ten Brink, 2010, p. 20). The proletarianisation of the working class, too, remains incomplete.

### Formal Subordination of Labour

The huge mass of low-paid labour which continues to be exploited in China’s export industries has been mobilised from the land at a record rate without becoming a full-blown proletariat in the capitalist sense. Marx’s analysis of formal and real subsumption of labour, as elaborated in the unpublished sixth chapter of *Capital* (in German, *Resultate des unmittelbaren Produktionsprozesses*, here cited from the French edition), may serve as our guide.

In early capitalist development, peasants working for themselves become day-labourers working for a farmer, just as the artisan in a craft corporation or guild, if he does not become the capitalist himself, becomes a wage-worker. In China, this process began with the break-

up of the large landed estates, first by the agrarian programme of the Guomindang nationalists and completed by the Communist revolution. After 1978, the household registration system was shaken up so that poor peasants were allowed to leave their farms but not their village. Forced to look for work elsewhere, they lost their social benefits (tied to their official place of residence), but land was and still is not fully privatised, although Walker and Buck (2007, p. 45) are correct in cautioning that privatisation can take various routes and need not necessarily take the form of straightforward private ownership. Yet Arrighi's conclusion that 'as long as the principle of equal access to land continues to be recognised and implemented, it is not too late for social action in contemporary China to steer evolution in a non-capitalist direction' (Arrighi, 2007, p. 24) is equally important, certainly if incomplete privatisation would combine with other forces blocking full-scale commodification.

Marx characterises formal subordination of labour to capital as a process in which pre-existing patterns of work become subjected to capitalist control (Marx, 1971, p. 194). Of course, for Chinese migrant workers (estimated at around 10% of the entire population), the factories they end up working in are new for them. Yet the outsourcing of manual work to Asia by capital based in the West brings back certain characteristics of formal subordination such as absolute surplus value production, because the workers are only indirectly controlled by the capital that organises the accumulation cycle of the product chain. Local subcontractors find themselves operating under conditions set by the global branded corporations they deal with (Merk, 2011, p. 75).

This conforms to how Marx describes formal subordination of labour. (1) Capital is a *coercive* relationship to extract surplus labour, with a strong element of personal domination; (2) work is done on a *given* basis of productivity of labour (here, not pre-capitalist, but dictated by foreign buyers interested only in the price of unskilled labour power); and (3) the extraction of surplus labour relies on lengthening the work day, intensifying work, etc. (Marx, 1971, p. 195). This certainly applies to the migrant workers. Living in company compounds (the 'dormitory labour regime', cf. Merk, 2011, p. 76) or in the huge 'Chinatowns' that have sprung up in the coastal industrial centres, they hail mostly from the poorest provinces and are subject to ethnic stereotyping isolating them from better-off workers (Hart-Landsberg and Burkett 2004, pp. 33, 37; Wang, 2009b, p. 41). With the right to strike abolished, they are subject to the long hours, low pay, and strict work regimes characteristic of absolute surplus value production.

State sector workers on the other hand, while broadly subject to the same overall deterioration of the position of their class as a whole, have not been subjected to market mechanisms to the same degree as their brethren mobilised from the land (Li, 2008, pp. 60–62). Redundant state sector workers are kept on 'off-duty', eligible for rehiring for a period of three years if business picks up, before becoming properly unemployed (So, 2003, pp. 366–370; less optimistic views in Li, 2008, p. 70, and Walker and Buck, 2007, pp. 42–43). Privatisation for these workers is a direct attack on their remaining bastions of strength and some of the most ferocious class struggles have involved resistance to privatisation and the fight for jobs in the state sector, which still accounts for 30% of total output in China (Li, 2011, pp. 42–44).

This too is reminiscent of formal subordination of labour to capital, of which Marx writes that 'it can be seen most easily under those conditions where capital already exists in certain subordinate functions *without yet dominating and determining the entire social form*, as when it directly purchases labour by appropriating the immediate production process' (Marx, 1971, pp. 197–198, emphasis added). Attempts to move forward to real subsumption of labour by restructuring of labour processes towards 'lean production' in China and other Asian manual production locations have so far turned out to lead mainly to 'increased production pressures

and individual stress levels' (G. Brown and D. O'Rourke quoted in Merk, 2011, p. 93). Real subsumption entails, among other things, a class compromise built on relative surplus value production, in which every push by workers for higher wages is responded to by including more aspects of their livelihood into the circuit of capital; it is not enough, as Richard Walker and Daniel Buck imply (2007, pp. 43–44), that workers are fully immersed in the market.

Instead of such an 'economic' class compromise under the auspices of capital, it would seem therefore that in China, the response to worker militancy may again be shaped by the state class. Strikes multiplied in 2007 and 2008, when the new labour contract law was introduced; they subsided in 2009 because of export contraction, but in 2010 rose in number once again. According to the Shenzhen-based Institute of Contemporary Observation, a new generation of migrant workers is proving more willing to express their grievances, and no longer tolerates excessive working hours and conditions (Pomfret and Kim, 2010). The state class strategy to reactivate the role of the trade unions as mediators and shock-absorbers of workers' grievances and to provide the legal framework for it is aimed at neutralising independent unionisation. But given the restricted discipline of capital on society it also prefigures a political class compromise of a sort no longer thinkable in the West today (Gray, 2010, pp. 459–460).

### **Dispossession or Reversal to State Socialism?**

All contender states in the past at some point entered into a conjuncture in which external pressure emanating from the Lockean heartland (as capital seeking access and property rights guarantees and as liberal constitutional demands usually constructed from the individual human rights vantage point) combined with demands articulated by liberal capitalist forces to dispossess the state class. Even where it occurred amidst defeat in war, this dispossession has inevitably been incomplete, and even today, the fault-lines of global rivalry are testimony to the heartland/contender struggles of the past (van der Pijl, 2006).

The Chinese state class is now in the stage where the limited crystallisation of capitalist class relations helps to keep in place the contender posture, just as the contender posture blocks the way to further capitalist development. The state class thus faces the ascendant bourgeois forces, within its own ranks and outside it, from a structurally privileged position *which the bourgeois element will not easily discard either*. True, there are the billionaires and the millionaires, an upper layer of entrepreneurs displaying a 'striking group consciousness' and eager to wield political power (Breslin, 2007, p. 179). To actually turn private wealth into enduring class power, however, an aspiring bourgeoisie must organise itself independently from state authority and reproduce itself as a social force to which the government of the day is answerable, as in the Lockean constellation.

The CCP admission of entrepreneurs therefore can also be read as a sign that the state class can absorb ascendant social forces into structures it controls (Gray, 2010, p. 458). Attempts at independent class organisation, such as the All-China Federation of Industry and Commerce, or the Private Business Association, all have had to comply with the requirement that they be incorporated into the proliferating structure of the state; it is not just a matter of permission (So, 2003, p. 372; Ten Brink, 2010, p. 13). Such a confiscation of private initiative is precisely what a state class is defined by and which it must at all costs seek to preserve. Of course, as an accredited organisation, a semi-public body then enjoys a range of advantages such as the use of state facilities, access to funds and functionaries, and so on. But by the same token the capitalist element finds its hands tied by a state class structure obviously intent on maintaining its monopoly of power, even if this is a matter of practical political rather than ideological commitment.

Alvin So's suggestion that a class which has advanced molecularly under state policies of the passive revolution type will not automatically push for more market, certainly is borne out in the case of China (So, 2003, p. 373). Instead, So argues, the cadre-capitalist class wants *limited* reform and this explains why reform drives tend to stall half-way. If the neoliberal bourgeois forces were allowed to precipitate the transformation and liberalise the state–society complex altogether, state mediation of class conflict would be marginalised and open class struggles might prove hard to control. This conclusion appears to be shared by the professional middle classes themselves (the size of this class is estimated by Li, 2008, p. 106), which do not look eager to frontally challenge the state either. Unlike the first post-1978 generation, who felt entitled to favourable treatment because they saw themselves as victims of the Cultural Revolution, the post-Tiananmen middle class no longer is as zealous in seeking the application of individual freedoms as propagated by the West (So, 2003, p. 371).

On the contrary, there seems to be a convergence on reinforcing the state politically, along authoritarian lines. From the late 1990s, ideas about restricting 'direct', grassroots democracy and replacing it by indirect, elite-based democracy have been on the ascendant (Wang, 2009b, p. 46). Indeed, 'large-scale surveys repeatedly reveal that most professionals and entrepreneurs in China are sternly opposed to political liberalization, for fear that it would trigger tyranny of the lower classes and threaten their private gains' (Hung, 2008, p. 158). But as a manifesto by a group of sociologists of Qinhua University warns, the rising domestic security budget (to the level of the defence budget) cannot be the answer to the manifest discontent in the country which demands the establishment of proper channels of public expression instead (Shen et al., 2011, pp. 14–15).

Today, the obvious problems of global capital to drive forward the development of the productive forces is bringing to light that the limits of capitalist market discipline on society and nature have been reached. This failure to generate a further improvement of life chances, highlighted by unprecedented slashing of public provision in the capitalist heartland and mounting aggressiveness and warlike responses to challenges, combines with the manifest exhaustion of its social and natural foundations. Even if we were to assume that capitalist development can be replicated outside the Lockean heartland in which it originated, the exhaustive effects of the mode of production affect a contender state–society complex even more radically. The Soviet command economy, intent on meeting the challenge of the West at all costs, in this respect stands as a monument to the impossibility of replicating a type of society under less favourable circumstances. The destruction of China's precarious ecological balances instead requires a renewed reliance on to local knowledge of local conditions (Wen et al., 2012); the over-accumulation of capital in construction, infrastructure, and excess production capacity heralds a major contraction, most likely beginning in the shadow banking sector (Foster and McChesney 2012, pp. 6–8; Hochraich, 2003), a return to concerted state intervention.

In these conditions, workers' struggles may force the state class to move to the left, enhance planned production, and offset authoritarian tendencies. Measures promised by the current leadership, like building 'a socialist new countryside', or the change in the Eleventh Plan from fostering growth to 'harmonious, sustainable and common development for all', should of course not too quickly be seen as a turn away from capitalist practices. But given that an economic class compromise of the Fordist type is less likely because capitalist discipline is not comprehensive and growth of domestic consumer spending will 'not [be] fast enough to offset the impact of a reversal of two decades of growth built on exports geared to consumers in an increasingly indebted west' (Bowring, 2007), the capitalist element will suffer from a crisis first. That would mean that the working class can only be placated by a political class compromise with

enhanced democratic aspects. The left tendency among intellectuals is of major importance here (Li, 2011).

Whether the current crisis of global capitalism and the West at large will coincide with a resurrection of socialism in China, is of course an open question. But the prospect is too important and its consequences too far-reaching not to contemplate the possibility and investigate the forces that will decide it.

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**Kees van der Pijl** is a Fellow of the Centre for Global Political Economy at the University of Sussex. His work deals with transnational classes and international theory. He is currently writing *The Discipline of Western Supremacy*, the concluding volume of a trilogy on modes of foreign relations.