The Uneven and Combined Emergence of “Capitalism with Chinese Characteristics”

Written by Georg McCutcheon

The People’s Republic of China’s (henceforth named China) development over the past decades has been nothing short of extraordinary. While undergoing constant transformation and recording the world’s second highest GDP ($) in 2017[1], the socialist past appears a distant memory. Put bluntly, since the start of economic reform in 1978, China is booming with a “unique blend of planned economy and unbridled capitalism.”[2] Meisner even contends that the self-proclaimed Chinese Communist Party (CCP) has evolved to become the guardian of Chinese capitalism.[3] At a glance this may appear as a paradox, due to the apparent zero sum game between communism and capitalism that has been continuously perpetuated by the rhetoric of the Cold War.[4] Conversely, this essay will argue that the emergence of specific ‘Chinese characteristics’ within the country’s manifestation of capitalism, can be understood as an outcome of uneven and combined development (U&CD). Through applying Trotsky’s framework of U&CD to China’s development since 1978, the aim is to show that the Chinese economy is not paradoxical in itself, but rather possesses distinct features which materialised as an amalgamation of pre-existing internal socio-political structures and international influences of Western capitalism. The argument will be structured in the following manner. Firstly, an outline is provided of the advantages that are adherent to the theory of U&CD in explaining the particular elements of Chinese capitalism, followed by a section on the important impact of socialist policies on the peasantry under Mao. Next, the essay shifts focus to Trotsky’s theory of U&CD before applying it to the nexus of 1978. Finally, the argument will be sharpened through detailing some of the precise combinations in the context of labour relations and enterprise management that have resulted from the interaction of China with the global capitalist economy. In sum, this essay will show that conceptualising China’s economic development through the lens of U&CD allows for a specific understanding of the peculiarities in China’s socio-economic spectrum and ultimately elucidates the allegedly paradoxical synthesis of a self-proclaimed communist party adopting a capitalist mode of production for economic gain.

Challenges in Conceptualising China’s Development

The rather vague nature of the term ‘capitalism with Chinese characteristics’[5] illustrates the difficulty to conceptualise China’s economic development. The extensive reforms throughout previous decades were far from universal in their implementation and thus, some sectors such as Chinese industry were thoroughly reformed, while privatisation of land is still largely impossible.[6] Here, we find both bold restructuring as well as rigid attachment to Maoist policy.[7] Huang uses the terminology ‘capitalism with Chinese characteristics’ to refer to a “factual observation of China’s economic and institutional processes”[8]. His work is a detailed analysis of the elements that constitute the special Chinese characteristics. But as Huang himself implies, his work is an analysis aimed at determining the extent to which China is capitalist.[9] While the insight he develops in his work is very valuable, this paper argues that it largely neglects the dynamics of interaction between domestic and international factors in the shaping of specific particularities within Chinese capitalism. Importantly however, an understanding of the international as a performative element and thus as constitutive of development itself, is essential to any notion of developmental processes.[10] Therefore, in order to investigate the origins of distinctive Chinese characteristics, a different approach is required, which factors in the influence of external forces in the developmental process. This endeavour will be undertaken in the last substantive part of this essay.
Maoist Origins of a Strong Peasantry

Before engaging with the capitalist transformation and the economic reforms after 1978, this section will take a closer look at Maoism and identify special features that laid the basis for later rapid capitalist reform. What was perhaps the most distinguishing trait of Maoism as opposed to Stalinist ideology in the Soviet Union, was Mao’s focus on the peasantry’s revolutionary agency.[11] With the absence of a revolutionary proletarian urban working class, following the effective deindustrialisation of the coastal regions by the Japanese invasion, Mao famously declared that the Chinese socialist revolution would be “carried from country to town”[12]. In addition, the Chinese Civil War was fought before the revolution and thus, the latter appears as the conclusion of the former and the initial improvements for peasants could be framed as the success of the CCP.[13] Isaac Deutscher further details that during the 1950s, the state commenced an investment policy, aimed at improving the life-expectancy and literacy of the rural communes.[14] An example is the healthcare available to peasants that was offered under Mao, to counterweigh the rigid constraints on rural-urban migration that will be discussed later.[15] One of the resulting initiatives was the ‘barefoot doctors’ programme, which involved the training of health workers to meet the medical requirements of the peasants.[16] Despite challenging circumstances, the programme was widely considered successful in increasing the prompt availability of cheap healthcare and was acknowledged by the WTO for its positive impact on health levels in rural areas.[17] Overall, the improvements in literacy and healthcare under Mao were unquestionably significant and gave China a distinctive position among in comparison to other developing states.[18] What is important to note is that the high health standards posed a critical factor in the immediate availability of the peasants to take on low wage labour, which in turn was a primary reason for the pull that China exerted on foreign industry to invest so quickly, following the reforms of 1978.[19] In short, the origins of China’s ability to instantaneously sustain an ‘army’ of surplus labour can at least partly be traced back to the influence of socialist policies on the peasantry.[20]

The Framework of Uneven & Combined Development

As we have now arrived at the period within which this paper aims to apply the framework of a Trotskyist dynamic of development, a brief introduction to the theory of U&CD is paramount. Leon Trotsky was grappling with a crucial issue when he formulated the basic premises of his theory. Societal development in Russia was drastically diverging from the path that was predicted by Karl Marx and despite the absence of an established bourgeoisie, revolutionary currents in Russia were extremely powerful compared to England, where Marx had anticipated the initial proletarian revolution.[21] On the basis of this observation, Trotsky established two fundamental features of human development. The first of the two is unevenness, which he identifies as the “most general law of the historic process”. [22] Specifically, Trotsky argues that there is an inherent unevenness in development among the various social entities that constitute the world.[23] Secondly, the core dynamic of all human development is the interaction among these uneven formations, which produces particular dialectical developmental trajectories and is therefore a combined form of development and thus, the “key driver of historical development”[24]. Crucially though, combination is not mere repetition by one society of another societies development.[25] Rather, it is the result of an amalgamation of a society’s internal characteristics with external geopolitical pressures and social forces. Moreover, there are two key features that are integral to this procedure. Firstly, Trotsky identified the “privilege of historic backwardness”[26]. In this, he refers to the possibility for a society to skip specific developmental processes by adopting and further enhancing certain features from more ‘advanced’ societies through the aforementioned interaction, thereby accelerating their development.[27] The second factor refers to the social and geopolitical pressure that a more ‘advanced’ society exerts on others through their respective interaction. In turn, this compels a society to accelerate development under said pressure, hence Trotsky labelling this as the “whip of external necessity”[28].

The Conjuncture of 1978

Let us now locate the existing unevenness between China and the so-called advanced capitalist countries (ACCs) of the global economy at the conjuncture of 1978, out of which the powerful ‘whip of external necessity’ arose. Mao’s initial improvements for the rural peasantry that were discussed earlier, quickly faded and the burden of growing international isolation, a devastating famine and the atrocities committed during the totalitarian ‘Cultural Revolution’
became increasingly visible and took their gruesome toll on the Chinese people and the country’s socio-economic structure.[29] Despite the clear focus on heavy industry under Mao,[30] China’s workforce was comprised of about 70% agrarian labour.[31] However, total productivity stagnated and the agricultural output was relatively low, which further aggravated the concern for food security.[32] What added to the urgency of the Chinese situation was the rapid economic development by the so-called East Asian Tigers, all situated in direct proximity to China, thus generating geopolitical pressure as it became clear that China’s economic development was diverging from that of its industrialising neighbours.[33] This also prompted the leadership to acknowledge the necessity of economic reform, which was launched to overcome economic stagnation.[34] There was an explicit sense of importance attached to economic reform among China’s developmental planners, in the sense that “a big effort to catch up [was necessary to] move to the front ranks of the world”.[35] What fostered this visible unevenness and thus the ‘whip of external necessity’ between China and the capitalist countries of the global economy was the fact that at this very same point in time, global markets were at an unprecedented level of openness.[36] Consequently, disregarding reform, especially in conjuncture with the ‘neoliberal turn’ of the global economy was equated with political and economic decay.[37] Having situated China in an international context, the following section will show how the ‘Chinese characteristics’ of capitalism originated in the process of combined development.

Identifying the Particularities of Chinese Capitalism Through U&CD

Davidson argues that China started to experience U&CD most drastically after its incorporation into the global economy in 1978.[38] The analysis by Dunford and Weidong already applies the theory of U&CD to the historical development of China.[39] Yet, this is conducted in a different manner. Rather than searching for specific combinations within China’s economy, their study takes a broader approach and situates China in a wider context of international unevenness. In contrast, the subsequent analysis aims to provide a more specific account of how the internal and external currents formed distinct fusions in China’s economy. Subsequently, this part will examine some specific results of Chinese capitalist development, following the reforms that were initiated by Deng Xiaoping in 1978. Having previously established the existing unevenness between the largely agrarian Chinese economy and the so-called ACCs or the surrounding East Asian Tigers, now the aim is to illustrate the peculiarities within Chinese capitalism that emerged as a result of the interaction between internal factors particular to China and external influences of a westernised market; thereby merging into a combined form of development, aligning with the principles of unevenness and combination of U&CD.

Impact of Hukou and Danwei

The first analysis will focus on labour relations with a specific emphasis on the influence of hukou, (the household registration system), as well as the danwei, (traditional urban working units), on the structure of Chinese wage labour. Both the household registration system and the danwei were institutions that were developed as Maoist policy in the 1950s.[40] However, the following section will outline how both customs still remain an important factor in Chinese capitalism and therefore illustrate its combined nature.

The danwei was a publicly owned unit, integral to urban employment because it served as a lifetime employer, provided housing within the compound and was linked to the distribution of benefits, thus being labelled the “provider of iron rice bowls”.[41] Yet, these values are mostly incompatible with those of a market economy, which was introduced through China’s increased adoption of capitalist relations of production after 1978.[42] As a result, economic reform and the increasing influence of global capitalism have fundamentally altered the makeup of Chinese employment and have effectively ended customs such as lifetime employment or the comprehensive multitude of benefits that previously characterised the danwei.[43] Nevertheless, Xie et al. argue that the danwei continue to be influential.[44] This is apparent through their positive impact on workers’ wellbeing, especially in terms of equal earnings.[45] Given that some of China’s privately owned companies have adopted structures similar to those of the danwei,[46] it is plausible to argue that what remains of the danwei, following the marketization of social services, is still a powerful factor in the alignment of the class structure within China’s urban working class. Importantly however, the impact of the danwei is reliant on low labour mobility and thereby directly linked to the hukou system.[47]

Through the use of a hukou, the second unique trait within Chinese labour relations, the state effectively controls
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where people work or live and is thereby able to monitor and restrict rural-urban migration.[48] Set up under Mao for exactly this purpose, migration control still remains the central feature of today’s hukou system, despite having undergone liberalisation and restructuring during the period of reform.[49] The system encapsulates the administrative power of the state, as the firm restrictions on transferring permanent residence persist.[50] In addition, the results of market reform have led to the commodification of the urban ‘blue stamp’ hukou, which remains under state control but can now be purchased, thus essentially turning the right to move into a market good.[51] Although the possibility of a temporary residence was introduced by the aforementioned capitalist reforms, any commodified mobility within this system privileges workers with the appropriate financial means or desired qualifications.[52] In fact, the Chinese government is seen to favour temporary migration, as this has a lesser impact on the overall social makeup of cities and in addition reduces the necessary infrastructure requirements for workers.[53] What makes the hukou system such a distinct feature of Chinese capitalism is that it upholds a low wage labour force consisting of migrant workers, who are unable to go the route of formal migration and are compelled to take on jobs in precarious conditions.[54] The difficulty of the official transfer of residence and work rights, combined with diminishing prospects for agricultural employment has resulted in the “largest migration in world history” of peasants into the cities.[55] Thus, what emerges as a product of the remaining hukou system, as well as the economic reforms that attempt to create a capitalist labour market, is a vast number of urban migrant workers without residential rights, often referred to as the “floating population”.[56] This practically indefinite resource of labour made extremely low cost manufacturing on such an unprecedented scale possible.[57] Here, we can clearly observe the element of combined development. On the one hand, we find the introduction of a capitalist mode of production based upon large scale low wage labour, influenced by economic reform and interaction with ‘advanced’ capitalist economies. On the other hand, the hukou system eliminates the most fundamental characteristic of capitalism in itself, namely the “personal independence”[58] of the worker, who, through the hukou system is subject to political subordination, regarding their independence to choose where to work or live. What is more, the control exercised by the state extends much further into personal lives through the repressive measures of censorship and surveillance[59], thereby “disciplining the workforce and keeping social conflicts within bounds”.[60] A recent proposal by the Chinese government exemplifies this approach. Newly planned legislation would require all drivers of the taxi service Didi Chuxing to acquire urban residency permits.[61] In general, many of China’s internet titans such as Ali Baba rely on migrant workers to absorb the demand for low wage labour[62], yet the deliberate obstacle of the hukou system pushes migrant workers further into perilous conditions through essentially limiting workers’ freedom of movement within capitalist labour relations.

Organisational Structure of Enterprises

Chinese enterprises have undergone large reforms and restructuring, mainly aimed at increased privatisation.[63] However, the most profitable state-owned enterprises (SOEs) remained under state control.[64] Nevertheless, the privatisation of state-owned companies is not necessarily anything unique to China. What is more interesting in this case in the shift of organisational structure in Chinese companies, which will be demonstrated in the following. As we will see shortly, Western education of Chinese management has had an impact on the organisational structure of Chinese enterprises and thereby constitutes another example of combined development. The starting point to this process is the aftermath of the Cultural Revolution, which left China with a significant lack of trained Chinese managers and staff to facilitate the technology transfer from the West and Japan that accompanied the open door policy of China toward the global economy.[65] Accordingly, especially during the 1990s, managers of SOEs were encouraged to complete Western-style management degrees and frequently visit companies in the West.[66] In their study, Ralston et al. trace the development of organisational structures in SOEs both before and after economic reform. They claim that prior to reforms, SOEs are generally best characterised by a ‘clan’ and ‘hierarchy’ culture, which implies a workplace environment similar to a family, with superiors acting as mentors and a high regard of loyalty trust and tradition, while upholding strong hierarchical structures.[67] However, they also trace a substantial shift in their comparison and argue that the integration into the word economy has led SOEs to embrace a more ‘market’ oriented organisational structure based on the aim to maximise productivity and profits.[68] Importantly however, a majority respondents still selected ‘clan’ culture as the most prominent type, with ‘market’ in second place.[69] Thus, rather than a complete restructuring of enterprise organisation, there has been a particular convergence between pre and post reform management styles, which is likely to have been caused by the influence of Western training of Chinese management.[70] Another aspect of this are the vast numbers of Chinese students, who study abroad either in high school and later on at a university. By 2015, over four million Chinese students have
studied abroad since 1978.[71] What makes this number even more impactful is the fact that the share of students returning from abroad with graduate degrees is continuously rising, amounting to 79% in the year 2016.[72]

Overall, the examples above illustrate the existing combinations in the Chinese socio-economic landscape. While the marketization of labour power was borrowed from Western capitalism[73], both the hukou and the danwei are notable Chinese characteristics that have undergone reform but remain influential and thereby shape today's Chinese labour market into an amalgam of internal and external influences. Similarly, the new forms of SOE management also signify a form of combined development, which surfaces through the interaction of a previously dominant 'clan' enterprise organisation and Western management education. These examples show that far from posing a paradox, the peculiarities of Chinese development emerged as a result of the process of uneven and combined development.

Conclusion

Before drawing the final conclusion, let us briefly consider a crucial point. This essay has set out to understand the specific impact of U&CD on China. Despite not being the focus of this essay, it is important to keep in mind that by default, the same interaction between China and the global economy has also caused combined forms of development in the latter. In conclusion, this essay has presented the argument that the theory of U&CD provides an effective way to conceptualise the particular outcomes of Chinese economic development. Further, through applying U&CD we can resolve what first appears as a paradox – capitalist development under a self-titled communist regime. This is possible through examining the specific forms of combined development that are a manifestation of the interaction between China and the capitalist world economy, driven by the ‘whip of external necessity' that was exerted on China in 1978. This was exemplified in this essay through the examples of the impact of the hukou and danwei on capitalist labour relations, as well as the impact of Western education and market integration on Chinese SOE management structures. In sum, we can derive from this analysis that an understanding of 'capitalism with Chinese characteristics' requires a thorough examination into the internal and external forces that initially led to their development.

Bibliography


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Notes

[1] IMF – World Economic Outlook Database 2018


[7] Ibid.


[9] Ibid., p. 8.


[13] Ibid., pp. 205-06.
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[24] Ibid.


[26] Ibid.


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[42] Ibid., p. 41.

[43] Ibid.


[45] Ibid., p. 294.

[46] Ibid., p. 286.

[47] Ibid., p. 294.


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[62] Ibid.


[67] Ibid., p. 831-32.

[68] Ibid., p. 839.

[69] Ibid., p. 838.

[70] Ibid., p. 838-39.


[72] ICEF: Increasing Numbers of Chinese Graduates Returning Home