

China: bureaucratic capitalist?

Tuesday 13 November 2012, by [AU Loong-yu](#), [CONWAY Terry](#) (Date first published: 7 November 2012).

Terry Conway interviewed Au Loong Yu, the author of the forthcoming book *China's Rise Strength and Fragility* (Resistance Books, IIRE, Merlin Press)

Terry Conway: Can you explain why you have developed the term bureaucratic capitalism to describe China today and what you mean by that term?

Au Loong Yu: I did not invent the term. It was first used, ironically, by the Chinese Communist Party (CCP) during the 1940s to depict the kind of capitalism that the Guomindang had created under its rule.

Maurice Meisner defines bureaucratic capitalism in his book *The Deng Xiaoping Era - An Inquiry into the Fate of Chinese Socialism 1978-1994* as a term to refer to the use of political power for private pecuniary gain through capitalistic or quasi-capitalist methods of economic activity. He adds that although this is not new in history, the form of this in China today is more prominent than the others.

I would also add that today Chinese bureaucrats at all levels of government run companies, profit from them and rarely get prosecuted, because the bureaucracy has completely monopolised state power and this enables it to rise above all classes. One could even say that the bureaucracy has privatised the state.

Marx once remarked that the bureaucracy see the state as its private property. Where Marx considered this as an entrenched tendency within the bureaucracy, it is only in present day China that this evolution has been fully completed. Entirely unchecked, this bureaucracy have now been fully bourgeoisified.

A recent example is the Chongqing Security Group, founded by the Chongqing police force - which was headed by Wang Lijun until his arrest after he defected to US embassy to escape from a plot by former head of Chongqing, Bo Xilai - and run by its leading officials. This company recently applied for listing in China, disregarding the legal ban on police departments running security companies.

What has discredited socialism in China is the fact that the CCP, which made a revolution against the bureaucratic capitalism of the Guomindang ended up embracing the same thing. It is quite common today to interpret the term revolution in its original meaning: things that move in an orbit and therefore always return to the same point of departure. In fact the original meaning of the Chinese term for the word revolution (*geming*) means a change of heaven's mandate of a dynasty, and therefore also suggests a change only in the rulers but never the dynastic social order - in fact, the mission of a *geming* is precisely to restore dynastic peace. Many intellectuals today do see the 1949 revolution in that perspective and therefore argue against the idea of revolution.

I do not agree that the 1949 revolution can be interpreted in that way. Even if bureaucratic capitalism is brought back by the CCP which once eradicated it, some fruits of that revolution are still largely intact, for instance, the independence of the nation, and the collective ownership of land by the peasants. There are more and more serious attempts to erode the latter through land grabs by local government or their cronies are, but the peasants are also making use of their constitutional rights to defend these lands. And industrialisation and break neck speed promoted by the CCP also fundamentally modernises the economic and social structure of China which, ironically, also nurtures the social forces which will eventually challenge the thousands years old tradition of despotism. Bureaucratic capitalism enables the bureaucracy to plunder the country on a terrible scale but at the same time creates a new working class from rural migrants and potentially brings together other social forces such as the peasantry and students to make common cause with this against the bureaucracy.

TC: Could you tell our readers what role the CCP has played in the reintroduction of capitalism in China and how it has benefited from this?

ALY: The top leaders of the bureaucracy have made a conscious chose to restore capitalism. Deng Xiaoping was already feeling his way in 1984 when China signed an agreement with the Britain over Hong Kong which said that *laissez faire* capitalism would to be maintained for fifty years after being handed over to China - in complete contradiction with socialist principles of course.

Later he was reported as saying that capitalism in Hong Kong should allowed to continue even beyond that timeline.

In 1987 he told an African delegation "do not follow socialism. Do whatever you can to make the economy grow." His subsequent crackdown on the 1989 democracy movement signified his party had decisively and qualitatively transformed into a capitalist party.

However it is utterly unconvincing when some Maoists try to put all the blame on Deng Xiaoping alone, however. The fact that Deng encountered no significant opposition, but on the contrary received enthusiastic response from the bureaucracy, implies that he was just doing what they wanted. This should not be startling for any socialist.

Even in Mao's era when the bureaucracy was fiercely anti-capitalist, it was also highly privileged as a ruling elite. They monopolised the right to distribute the social surplus through monopolizing the running of the state. They, like any other ruling elites, were never content with their salary - which was ten to 30 times that of ordinary workers - and always wished to appropriate still more social surplus.. Their fundamental interest lay in restoring private property rather than being a faithful public servant defending common ownership indefinitely.

In the late 1980's, price reform created the so called *guandao*, or officials who engaged in speculation. Meanwhile nearly all level of state departments set up different kinds of companies to make money. The bureaucracy was beginning to transform themselves into capitalists as well. This enraged the people who rose in protest against the government in 1989. The CCP's crack down crushed all opposition to capitalist reform, and this alone is sufficient prove that it had decisively transformed from an anti capitalist party to one which embraced it.

Deng Xiaoping's 1992 tour to the south signified that the CCP had taken another big leap forward again, towards full integration with global capitalism. To make the leap successful the terror of the aftermath of 1989 crackdown was not longer enough. It was imperative to inflict more defeat on the workers in state-owned enterprises (SOEs) by privatisating these enterprises and thus sacking more than 40 million workers.

TC: Can you explain how a new working class has been created of migrant workers from the countryside and in what ways the consciousness of that new class differs from that of the 'old' working class in the state sector?

ALY: A positive side of capitalist restoration in China – as opposed to what occurred in former Soviet Bloc – is accelerated industrialisation. As a result the number of China's wage workers is constantly increasing; they now comprise half the working population and account for one-quarter of industrial workers in the world. Most of them are rural migrant workers.

Being at the centre of production and distribution makes them a potentially phenomenal social force. For the moment they are still a class 'in itself' rather than 'for itself', though.

There are deeper reasons for the difficult birth of a new labour movement beyond than state repression. Although rural migrant workers, now numbering 250 million, have not experienced the devastating defeat of SOE workers, neither do they possess a collective memory as a class. They are *nongmingong*, literally peasant-workers, more peasants than workers, not because they really till the land – in fact, most of them do so rarely – but because the *hukou* system of household registration, acts as a form of social apartheid, barring them from raising families in the cities and sinking real roots there. No matter how long they stay in the cities they aware that it is bounds to be temporary. Hence a sense of true class identity is hard to forge.

But neither are they entirely passive. Rural migrant workers have staged numerous spontaneous strikes against their bosses and local authorities. These spontaneous strikes often win partial victories, and they are so common that the authority's de facto ban on strikes broke down long ago, to the effect that local government has to learn to live with that. Organizing is still very difficult, though. The next stage of struggle will likely be one to defy the ban on organisation, though this is going be a long term and uphill struggle. Yet even today it is possible to form activists' network, which can act as a transitional platform for future organising.

TC: Can you talk about some of the recent struggles of workers which have raised questions of democracy as well as opposed privatisation and/or fought for improved conditions in the workplace

ALY: Two cases should be of particular interest . The first and most recent one was 700 workers at the Ohms Electronics Shenzhen Co., which is the business partner of the Japanese TNC Panasonic, struck for three days from 29-31 March 2012 over unsatisfactory wages and working hours. They also demanded re-election of their workplace union, so that their interests would be better represented. The workers complained in their open letter on 26 March that the chairperson of the union was appointed by the management and was a manager, which violated the laws on trade union and the charter of the official trade union. The strike was successfully launched when part of the lower ranking management and also the security guards joined in. The workers also used the Chinese version of Twitter, *weibo*, to spread their demands over the internet. Although later the management was able to divide the lower ranking management from the striking workers the action was still able to force concessions to the economic demands of the workers and also and an agreement that the local trade union would hold a re-election of the workplace union leadership. The election was held between end of April and early May, and although the old chairperson lost the election, the newly elected chairperson is a workshop manager, and there were reports which suggested that there were manipulation and frauds in the election. Despite this, allegedly half of the members of the new union committee were workers who had gone on strike. Due to censorship and harsh repression, it is difficult to verify the information.

This case stands out as rural migrant workers, even if they do take a lot of strike actions, do not

often have awareness of the importance of reclaiming trade unions for themselves in a democratic manner as they do not have strong collective identity.

I am not sure if the workers at Ohms were inspired by the Honda Foshan strike in 2010. But anyway that strike is considered to be a milestone in the development of consciousness of rural migrant workers. In May 2010 1,800 Honda Foshan workers took action, calling for higher wages and the reorganisation of their workplace trade union, triggering off a wave of strike action by workers in foreign-owned car plants that summer. In an open letter by worker representatives they condemned the branch trade union saying, 'We are outraged by the trade union's appropriation of the fruits of the workers' struggles. We insist that the branch trade union of the factory shall be elected by the production line workers'.

The reasons that letter gives for their struggle are noteworthy: the workers were not just fighting for their own interest but were also concerned about the interests of working people throughout China. Such a broad vision is very rare among rural migrant workers. The strike lasted for more than two weeks and only ended after regular workers at the plant had been offered a 35% pay increase and those working as interns at the factory had received a raise of more than 70%. Later the management also agreed to the re-election of the workplace union. The local trade union soon announced the election of the workplace union at the company in late August 2010, it turned out that this was only a by-election, where only part of the workplace union leadership was open to election and the original chairperson, who was very much resented by the striking workers, kept his seat. A little more than a year later, the election of a new leadership of the workplace union was held in November 2011. This was not genuinely democratic either, as the outgoing leadership monopolised the nomination of candidates of the incoming leadership, such that members of the management were elected as members of the leadership, while the activists who led the strike in 2010 were pushed out altogether. Despite this, the strike shows that workers do have power to improve their situation.

These two cases of workers' action and their call for a rank and file controlled union, they provide an alternative image of workers fighting for their rights to one which merely sees worker as a vulnerable social group who need outside help but who cannot resist injustice on their own, like the Foxconn workers who killed themselves.

TC: Could you say something about how the reintroduction of capitalism in China is deepening the environmental crisis in the country and what struggles there have been which have reacted to these effects?

ALY: China's crazy speed of industrialisation has caused the twin problems of water shortage and water pollution. Today 400 out of 660 cities in China do not have sufficient fresh water, and among these cities, 136 of them are experiencing severe water shortages. About one-third of China's population lacks access to clean drinking water. 70 per cent of the country's rivers and lakes are polluted. Over 25,000 large dams nationwide are causing ecological damage and the forced migration of millions of people.

The lax enforcement of environmental laws means that the pollution resulted from this industrialisation had not been checked at all. Increasingly, however, the people find the pollution in air and water so serious that they begin to take matters into their own hands.

An interesting example is the protests against the building of PX factories across the country. Paraxylene (PX) is an important chemical in the production of fibre and plastic bottles. Unverified report suggests that there are at least 13 PX plants across the country, which had caused serious health problem for local residents. The first widely reported protest took place in 2007, when local

residents of Xiamen demonstrated against a PX plant and eventually succeeded in halting construction there. This obviously inspired the 2011 Dalian local residents when more than 10,000 protesters gathered to demand the closure of a PX facility, forcing the mayor to promise that he would shut it down. Later reports have since suggested that the Dalian factory may have been reopened, although much of the news reporting on the plant's resumption on mainland websites has since been removed.

Despite this, the struggle against PX was triggered off again just days ago, this time in Ningbo. On 24 October 24, 2012, the Ningbo government announced the new PX project, it was immediately followed by protest the next day, and it continued to Sunday 28 October 2012 which drew more than 10,000 protestors taking to the street. The action forced the government to suspend the decision. Whether this is a lasting victory is hard to tell now.

What is significant of these struggles, however, is that they may reflect a gradual change in people's mentality. There had been complete demoralisation after the 1989 crackdown on the democracy movement. That fear overwhelmed the SOE workers, stopping them from launching any effective struggle against privatisation. This fear also spread across the society as a whole.

Yet in recent years the fear seems to be beginning to recede. Workers' economic strikes are rising and they are more likely to win partial concession. The same is true for peasants' defence of their land and local residents fighting against polluting projects. Although not yet political, these kinds of struggles and partial victories encourage the people to overcome their fear. Hopefully they may also help to change the conservativeness of the intellectual's fear of any kind of popular rebellion.

P.S.

* From Socialist Resistance, November 7, 2012:

<http://socialistresistance.org/4188/china-bureaucratic-capitalist>