

Class Struggles and Development in Contemporary China. On the Threshold of a New World Order?

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The question of Asia is not merely an Asian issue but one of world history. To reconsider Asian history requires both a revision of the 19th-century European conception of world history and an attempt to break out of the 21st-century new imperial order and its logic.

Wang Hui, 2005

In their analysis of the rise of China in the global political economy since the 1990s, many authors have taken the view that this process somehow spells the end of Western pre-eminence in world affairs (e.g., Jacques 2009).¹ The ‘ReOrient’ thesis of André Gunder Frank (1998) more specifically makes the claim that the era of Western dominance was only an interlude in between two epochs in which Asia ruled the global political economy. The first of these epochs culminated in the 15th-century voyages of the Chinese Treasure Fleet under Admiral Zheng He, the second opened when the People’s Republic, with Deng Xiaoping at the helm, in 1978 switched to market practices and ostensibly, to full-fledged capitalism in the years that followed.

While I share the critique of Eurocentric social science that motivated Frank to write his polemic (cf. my 2007), I take issue with his interpretation of the contemporary rise of China as a ‘return’. For even when we recognise that until the sixteenth century, the

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relative weight of China in the balance of global forces was larger than Europe's, this was an untested balance, an abstract reality largely irrelevant to contemporaries. The more immediate past that lends meaning to the rise of China is what I call the heartland/contender pattern of global political economy. This is the pattern that took shape, in the course of the last three centuries, around the liberal, or 'Lockean', English-speaking West (the 'heartland'), and a series of countries strong enough to resist subordination to it (France until 1815, Germany and Japan until 1945, the Soviet Union until 1991). The ruling-cum-governing classes, or 'state classes' holding power in these 'contender states' relied on state initiative to accelerate the pace of social change and develop the economic and military assets necessary to hold their own against the imperialist West. Today it becomes possible to understand the 'inner logic' that we can project back on this development in the sense of Hegel's 'owl of Minerva spreading its wings at dusk'—Sekine 2013).

We are at a moment in time in which the supremacy of the West is unravelling, and a new world order appears to be in the making of which we cannot yet establish the driving forces other than the one that propels all human history—class formation and struggle. China from this perspective *owes its present status* to its rise as a contender state in the passing order, whilst *simultaneously leading* the world into the new epoch.

My main arguments for this are,

1. The state class in China retains the ability to decide development priorities and can accelerate/decelerate the pace of change (Breslin 2007, pp. 40-1). In this respect it belongs to the passing age of the heartland/contender structure of global political economy; its formation still fits the characteristics of a 'classic' contender state. On the other hand the transnational ruling class into which Chinese 'red capitalists' would seek to insert themselves, as previous contender state classes have done, appears to be disintegrating along with the rise of global rivalries inherited from past heartland/contender struggles (see my 2006).
2. In the light of prior contender state experience, the current rate of development of China, if extrapolated into the future, would suggest it 'overtaking' the West at some point—certainly if we confine ourselves to the most general economic indicators. In all previous cases, such a projected course was derailed well before that point, crucially including the disintegration and dispossession of the state class driving forward the

contender effort. As Western supremacy is unravelling in the present period, however, the moment of overt violence and state collapse that was a characteristic of past contender state failures, appears to be inverted: it is not China that is compelled to concentrate on a final test of wills, but the US-led liberal West and its capitalist economy which must resort more and more to violence to resist being at the mercy of its adversaries.

3. Obviously the contender state lineage of the Chinese state class continues to shape its outlook as a result of the process of 'passive revolution' which if the West would still have been hegemonic, would have hastened its demise and partial transformation into a fraction of the transnational ruling class. Instead it would seem as if today, as the exhaustion of the liberal capitalist structure of social order in the West becomes ever more evident, any 'overtaking' of the West can no longer come about through an insertion into a declining capitalist world economy. It will need to join the still ascendant forces associated with a post-capitalist, post-liberal world, a transition to socialism as part of a global alliance of progressive forces.

Below I will elaborate these points. I first summarise the heartland/contender argument. My claim is that the contender posture as such has evolved, through successive rounds beginning with 17th-century France and under different political-economic banners, towards a hybrid structure of which China would be the example and which, whilst owing its characteristics to the passing age, simultaneously heralds the demise of the larger structure as such. Certainly now that the West appears to be descending into an epochal crisis, insight into what worked and what didn't in different contender episodes may help the Chinese state class avoid the fate of its predecessors, from Napoleon to Gorbachev. In the second section, I outline those specificities of the Chinese contender posture which may at some point allow it to resume a posture which can no longer be traced to the heartland/contender structure but contains elements that may under certain circumstances see it replaced by a socialist course. The balance of forces between the state class, the bourgeois element that has formed within and alongside it, and a resurgent working class and an intellectual New Left, will be decisive here (section 3). This leaves the question, discussed in the concluding section, how we must assess these prospects or whether it is still likely that by taking the capitalist road, the Chinese state class has not already forfeited the chance that it can

avoid the fate of past contender state classes and be drawn into a confrontation with the West, lose, and be dispossessed. This possibility is heightened now that the most heavily armed and aggressive Western states are attempting to try and prevent (by economic warfare, proxy wars and potentially, direct confrontation) alternative political economic constellations from consolidating.

1. The Heartland/Contender Structure of the Global Political Economy—A Matter of Hindsight?

It has long been a characteristic of capitalist development to detect economic ‘miracles’ which are claimed to be a sign that capitalism as such represents the infinitely dynamic, historically ultimate and natural form of economy. China, the currently fastest-growing major economy in the world, is the current reference for such a supposed miracle and it has been predicted by many that it will overtake the United States in the foreseeable 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 2007). Sensing that this may be an illegitimate projection and even as a projection, wrong, the economist, Paul Krugman, has argued instead 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. 13-4). Indeed all contender states at some point in their development appeared to be heading for ‘overtaking’ the West, but somehow their ‘2027’ never arrived in time to prevent military defeat and dispossession of the state class as it struggled with the structural constraints of moving from a state-led to a (liberal or socialist) self-sustaining social formation. It will be my argument that it is becoming less and less likely that we are still in the liberal epoch in this sense—and that China happens to rise at a time when a new and different, untested global order is in the making.

In addition, the argument of a Lockean heartland struggling with successive contenders, does not rest on comparative growth rates of national economies. ‘Growth’ is a very crude measure, meaning something quite different in the phase of original accumulation (the process in which an agrarian, landed society is transformed into an urban, industrial one), and in the phase of developed capitalism (in which the rate of accumulation is necessarily lower because the wholesale transfer of assets from the household to the money economy has largely dried up). The heartland/contender

perspective is based on an assessment qualitative differences. These play out in a complex totality of overlapping spaces of social reproduction and class formation, with which the jurisdictions of sovereign states in most cases do not coincide. States therefore relate differentially to their societies (Robert Cox speaks of ‘state/society complexes’ in this connection, cf. his 1986, p. 205).

The state, in Poulantzas’ famous formula, is always the ‘condensation of class relations’ (Bretthauer 2006) and the structure of every state/society complex (and also, the heartland/contender structure in its totality) therefore develops through class struggles. These struggles in turn decide the historical tendency of the structures they embody—transnationally, nationally, and locally. Thus the Anglophone West came about as Puritans fled the restorative monarchy in England and appropriated the land from indigenous tribesmen in North America by force. However, the settlers continued to share with the country of origin the particular constitutionality that crystallised in the course of the English Civil War. This constitutionality rests on the assumption that people come into the world with ‘rights’, a notion that goes back to the class compromise following the Norman conquest. As Charles Taylor sums up the Lockean version of this idea, ‘rights can ... be seriously pleaded against power. Consent is not just original agreement to set up government, but a continuing right to agree to taxation’ (Taylor 2004, p. 4).

In the Anglophone tradition, ‘revolution’ is therefore really about *restoration*. This is important because it highlights that there was always a reactionary aspect to the liberal West’s ascendancy, which includes of course the unprecedented, exploitative nature of its capitalist economy and otherwise transpires in the related, structural racism and the support for reactionary social forces where they can be instrumentalised against progressive developments—including in the struggles with particular contender states. Thus the North American settlers in 1776 reclaimed their rights against the encroaching British monarchy, just as the original Whigs had done a century earlier (Rosenstock-Huessy 1993, pp. 644-6). The secession ‘was by no means a clear-cut nationalist movement, but began as a civil war that split Whig and Tory in Britain, the United States, and in what was to become Canada’ (Kaufmann 1999, p. 443). However, as class struggles evolved differently in each case, the United States came to embody a version of the Lockean compact different from Britain’s (just as Canada, South Africa, Australia and New Zealand would go their own ways). In the British Isles the commercial, entrepreneurial element had to struggle with the conservative aristocracy

and the absolutist monarchy; and its demands were never evolve into a programme of comprehensive equality among property-owning citizens. In New England, Louis Hartz has written, ‘the bourgeoisie, having escaped both past and future, unfolds according to its own laws’ (Hartz 1964, p. 10). The ethnic cleansing of Amerindians along with the massive destruction of nature and wildlife, along with slavery added further *differentia specifica* such as overt racism and the disproportionate claim on the world’s natural resources. The American Civil War, in which the northern industrial bourgeoisie triumphed over the slave-holding plantation owners of the South, completed the revolution begun in the secession but also consolidated these characteristics.

Yet the constitutionality with its rule of law centring on property and sanctity of contract continued to connect the white-majority Anglophone states of the heartland throughout. It allowed trade and finance to merge with wage labour into capitalism, which in the full sense of the term is another defining feature of the Lockean West. Only in a transnational space combining several separate state jurisdictions but sharing a common rule of law can capital develop as it was analysed by Marx as a subjective-objective totality of single capitals merging into a collective social force. ‘Global’ or ‘social’ capital (*Gesamtkapital*) is an immanent structure setting the parameters, transmitted by competition, for the operation of each empirical ‘particular capital’ (Milios and Sotiropoulos 2009, p. 120).

In the struggles to expropriate the direct producers, in competitive struggles, and in the struggles to gain control over the separate states, capital crystallised as an extraterritorial, ‘offshore’ discipline, which is its defining characteristic (Marx 1973, p. 415; Palan 2003, p. 15). The circulation of capital ideally occurs at arms’ length of state jurisdiction and yet within it, like radiation passing through a solid body. This can only work in a liberal state/society-complex and more particularly, in a series of them. Otherwise the smooth transfer of money capital from Holland to Britain in the aftermath of the Glorious Revolution of 1688, and from Britain to the United States in the post-Civil War railway boom, would not have been possible.

For in states without a fully consolidated and culturally secure, constitutional property regime, money capital transfers are always at risk—from Russia at the time of the 1917 revolution to Argentina today. In such states, and China would be one, capitalism necessarily exists more precariously. Their particular capitals, although appearing on the surface as equivalents of the largest Western corporations (in China,

say, Baosteel or Petrochina) operate under a licence from the state, rather than under the immediate constraints set by global capital. Hence the fundamental difference between the class structure condensed in the states of the English-speaking West, and a contender state like China. On the one hand, a transnational, originally Anglo-American ruling class, which relies on auxiliary classes (a managerial cadre for the economy, and a governing class for the state) to ensure its social pre-eminence nationally and internationally. On the other hand (and this holds for all contender states, both the primary ones already mentioned, and the many 'secondary' contenders, from Italy and Austria-Hungary, Brazil, Argentina and Mexico, Iran and Turkey, to Indonesia), the capitalist element remains submerged as a fraction of a state class owing its pre-eminence to its control of the state; if it is in evidence at all.

The trans- and international class struggles from which the heartland/contender structure as such emerged began with the Glorious Revolution, the Dutch intervention in England in 1688. This was an act of regime change that enabled the two liberal-Protestant bourgeoisies to successfully confront the ruling aristocracy of France (Israel 2003). Already under the Bourbons, and in order to accelerate the processes of social change which had given Holland and England the advantage in maritime trade and overseas settlement, the French state class mobilised, *from above*, the same set of social forces which in the Low Countries and across the Channel had early on exchanged the mercantilist protective structures for the newly liberalised, civil space. However, Colbert's policy-by-decree failed to synchronise the private profit motive and the public interest that had worked so well in the liberal context (Padfield 2000, p. 98).

In the Anglo-French struggles for control of North America, India, and elsewhere—the wars of the 1688-1714 period, the Austrian War of Succession (in the 1740s) and the Seven Years' War (1756-63)—the English-speaking bourgeoisie, by then a transnational force as a result of overseas settlement, made the difference by being present in several of the contested arenas already (Arrighi 1978, pp. 57-8). On the basis of these initial victories the evolving Lockean West was able to fight off and subdue successive contenders challenging its political-economic primacy (cf. Thompson 1988). In the twentieth century, under US leadership, it has projected a system of imperialist global governance (Lipschutz 2009 speaks of 'imperium'), against which Westphalian-type sovereignties can only be upheld in a contender mode.

Only the EU has tentatively reproduced the combination of a transnational civil space with multiple state sovereignties lodged within it; yet its legal regime, modelled

on liberal constitutionality at the European level, is still not being taken for granted. Most EU states have developed as contender states for the greater part of their history, just as 'nationality' in Europe has ethno-territorial connotations which Lockean citizenship has largely left behind (Cohen-Tanugi 1987; Stewart 1995). Hence the former contenders continue to cultivate historic links of their own, shielding from competition—France with its former colonies, Germany with eastern Europe including Russia, Japan with south-east Asia, and so on (see my 2006). For capitalism is always political economy in which the entire arsenal of diplomacy is part of the competitive armoury for capitals of different 'nationality'—including 'transnationality' such as Anglophone, European, or Asian.

Evolution of the Contender Alternative

Class formation in societies facing the maritime liberal West has tended to converge on control over the state apparatus, which then to various degrees serves to confiscate its social basis. The state in other words condenses all social relations immediately within its own sphere, leaving little space outside its own domain for social forces to crystallise autonomously. As a result, the separation of state and society is suspended. This itself is a sign of a transformation to modernity; in the least developed countries, the state is still held 'privately' by certain social groups. Because it has not yet reached the stage of becoming general and abstract, like the *Leviathan* theorised by Hobbes, it is unable to impose itself on society at large (Migdal 1988).

The contender state class not only controls the state but through it, all forms of social mobilisation. It pre-empts these by repression or gives out the licences on which new social forces can operate within the broader state class bloc. Hence it is notoriously difficult to exchange one state class for another, because without controlling the state, its members lose their power anchorage. Compare this to the ease with which, in the Lockean context, a government can be replaced. Here political struggles among the different fractions of the governing class occur at one remove from struggles in the social sphere, the sphere of civil society in which the ruling class organises its hegemony. Hegemony is the process through which a way of life appears as the normal and natural pattern; compared to it all others appear artificial, 'willed', and fraught with problems.

The relations between the West and a contender state accordingly have evolved along two axes. One concerns international political relations: the Realist paradigm of International Relations restricts itself to this aspect. The other comprises the much more complex struggles taking place in the social sphere, in which the hegemonic effects of the Western way of life are operative. This is a matter of transnational relations, first of all within the heartland and in societies open to its influence, but also in a contender state. In the *Prison Notebooks*, Gramsci in this connection develops the concept of ‘passive revolution’ (cf. editors’ notes in Gramsci 1971, p. 46). It denotes the actions by the state class to fashion its social basis so that it can withstand the impact of the West both in the diplomatic arena, and socially, in terms of way of life. However, these initiatives also open up spaces in which class forces which actually aspire to merge into the social universe projected by the West, can take shape. Under the conditions of a society confiscated by the state, however, this axis of class formation can only take the form of what Gramsci calls, a ‘molecular advance’. This is the second aspect of passive revolution. As we will see, current transformations in China are particularly relevant in this connection although they are obviously pushing beyond the inherited frame at the same time.

The mobilisation of society behind the contender effort imposes enormous strains on the population. To begin with, it tends to be distributed ‘wrongly’ for the task—by being burdened with a state class which becomes inflated with various parasitic fractions attaching themselves to it—groups which the competitive, opportunity-rich culture of Lockean liberalism, will tend to restructure or weed out altogether, so that enrichment is streamlined into patterns structurally privileging the ruling class. Hence the passive revolution characteristic of contender state development has so often been interrupted by a evolution from below, as when the French monarchy cracked under strains of over-exploitation of the peasants, commercial rivalry with England, and war-fighting on the continent (Schama 1990, p. 62). The Russian Revolution, at a much lower level of relative development of its society (relative to the heartland’s), yet resulted from a comparable failure to maintain the mobilisation of society by an incompetent monarchy and ill-suited social structure (Lewin 1985, p. 269). Both revolutions then allowed a restructured or entirely new state class to form, compelled to resume the contender effort—from Necker to Napoleon, from Stolypin to Stalin, and suffering henceforth from the aforementioned problematic transitions of the ruling groups. The French presidential system established by De Gaulle but with actual

presidents of declining stature, the Soviet to Russian transition stabilised only by the Bonapartist figure of Vladimir Putin, illustrate how this feature of a state class unable to flexibly renew itself remains a characteristic of post-contender states.

The Chinese nationalists who toppled the Qing imperial dynasty in 1911 looked to Japan as a model of Asian modernity. Visiting Kobe in 1924, Sun Yatsen claimed that Japan would spearhead the rebirth of Asia. It had shown the way by abrogating the unequal treaties imposed by Europe and establishing the first independent Asian state. According to Sun, the Japanese victory over Russia in 1905 had been ‘the first triumph of Asian nations over the European in the past several hundred years . . . [The] Asian nations . . . therefore hope to defeat Europe and start movements for independence’ (quoted in Wang 2005). For China to join this revolution (and in our terms, adopt a contender posture) therefore implied that it establish a nation-state too, which Sun imagined would be a Han-Chinese state (Wang 2009a, p. 62).

What had worked for France, Germany and Japan, however, was always unpractical for *multinational* contender states. When the world revolution on which the Bolsheviks had counted, failed to materialise, they had to backtrack from the radical policy of national self-determination that would have created a series of socialist nation-states. After an initial period in which national diversity was encouraged to mobilise support for the revolution in the Russian periphery, the USSR under Stalin re-centralised to bring the entire society under strict state control. Officially it held on to a socialist nationality policy, under which the state is not a nation-state, but a multinational one. It did not recognise the notion of ‘minority’ either, speaking of autonomy instead (Liebich 2008, p. 246; cf. Carrère d’Encausse 1979). Yugoslavia and China after the war also adopted this policy. When Mao began the process of reorienting the CCP to a peasant base in the wake of the defeat of the urban working class in 1927, this also entailed adjusting to the long-standing Chinese tradition of a multicultural society. The encouragement of the use of non-Chinese languages and the Chinese dialects as vernacular, in part to mobilise a broad mass base for the fight against the Japanese, was one instance of this pluralism (Wang 2009a, pp. 146-7; Zhang 2010, p. 63).

When one distinguishes the contenders by political orientation, the nationality issue plays out differently too. France, Russia and China emerged from social revolution, Germany and Japan were politically conservative, ruled by aristocratic state classes which consolidated their power through a series of victorious wars and in a class alliance with the bourgeoisie (as the lesser fraction of the composite state class).

National unification in the late nineteenth century laid the foundations for this consolidation. Hence, when Germany and Italy collapsed into revolution in the closing stages of the First World War, the forces of the Right were still powerful enough to launch a counterrevolution in the case of Germany and Italy, whilst in the case of Austria-Hungary, Poland, and other post-imperial nations, Woodrow Wilson's intervention secured conservative-bourgeois rule (including nominal minority protection) in the successor states (Mayer 1967).

France's revolution, and later, Russia's and China's, threatened the Lockean heartland by potentially extending support for revolutionary-minded classes and nationalities within the West's own domain. Germany and its World War II allies on the other hand posed a challenge that the liberal heartland could not tolerate either, for fear of an imperialist redistribution of spheres-of-influence. So although the political nature of their contender posture was radically different from the revolutionary states', they were all bound to clash with the heartland states, both politically and in terms of pursuing economic policies interfering with the unimpeded circulation of capital—both in terms of the law of value (subordinating the real use-value economy to the discipline of capital, which to different degrees was suspended) and in terms of the law of relative surplus population, which presupposes the free availability of additional labour-power once a particular round of capital accumulation, resting on a particular technical base, begins to exhaust the available labour supply (Sekine 2013). Contender states like the state-socialist ones cordoned off their populations from world market movements entirely; the degree to which they impeded the restructuring of capital may be gauged from the fact that between 1980 and today, the global supply of available wage labour tripled to around three billion (Selwyn, forthcoming).

We may also look at the successive contender state episodes as a process of mutation and selection, as a historical process in its own right. Far from just 'catching-up' economically, they effectively have been developing novel and ever-more effective ways of combining state intervention, economic modernisation, and popular mobilisation, to the point where—in the case of the revolutionary contenders especially—they were challenging the heartland/contender state structure itself. However, in a number of cases, state classes pursuing centrally guided development policies also took care (for domestic as well as international reasons), to avoid attacking the capitalist element as much as possible. Mussolini's fascist experiment prior to Italy's participation in World War Two, may be considered in this light. That it was by

our definition a secondary contender, compared to the challenged posed to the West by Nazi Germany, does not diminish its importance in this respect.

In his discussion of passive revolution in Italy, Gramsci noted that by state action and through corporatism, ‘relatively far-reaching modifications are being introduced into the country’s economic structure in order to accentuate the “plan of production” element.’ Thus,

Socialisation and co-operation in the sphere of production are being increased, without however touching (or at least not going beyond the regulation and control of) individual and group appropriation of profit. [This would be] the only solution whereby to develop the productive forces of industry under the direction of the traditional ruling classes, in competition with the more advanced industrial formations of countries which monopolise raw materials and have accumulated massive capital sums (Gramsci 1971, pp. 119-20).

This more generally represents a contender posture which avoids conflict, both with the West and with the liberal bourgeoisie at home, and yet pursues ‘socialisation and co-operation in the sphere of production’. Competition with ‘the more advanced industrial formations’ (the heartland states, ‘which monopolise raw materials and have accumulated massive capital sums’) requires state intervention; yet ‘individual and group appropriation of profit’ is left intact. After China’s belated rupture with the initial state socialism, China today would appear to have come close, by various twists and turns, to this combination of an authoritarian state which nevertheless leaves a considerable space for private enrichment, whilst expressly avoiding a confrontation with the West (So 2003, p. 365).

The confiscation of the social sphere by a state class, and the incorporation of class organisation of all types and forms into the existing structures of the state (both state apparatus properly speaking and the ruling party), in China date from the 1949 Revolution. Redirected to allow the ‘plan of production’ element to serve a state capitalist or perhaps better, mixed economy development path, the current Chinese contender state class appears to have found a way of avoiding the fate of previous contenders. These have all fallen victim, at some point, to war with the West (or a crippling arms race in the case of the USSR); after which their state classes were dispossessed by a class alliance of Western governing and capitalist classes, and a local business class emerging from the process of passive revolution (or a resurgent

capitalist class suppressed in the final contender effort, as in Germany and Italy in 1945).

The actual dispossession of a contender state class has come about through two combined processes. First, transnational forces operating from the heartland will seek to link up with, activate and encourage the pro-Western forces advancing ‘molecularly’ in the target contender state in order to dominate, penetrate and integrate peripheral societies. Secondly, Western states will seek to increase the pressure—ideologically, economically and politically—on the contender state. A contender state class may also seek to adjust itself to the passive revolution and jump ship, as large sections of the Soviet *nomenklatura* did in the 1980s (Kotz 1997). Such a revolution from above does not necessarily terminate its power and privileges as a state class, as the Russian example shows. Continuing fractional struggles between groups associated with the state sector and private operators (the ‘tycoons’), will prevent a stabilisation along liberal lines; just as nostalgia for the fervour and achievements of state socialism will persist among both the state class and sections of the population, pitting them against the urban professionals and the young eager to join the universe of individual achievement and fast living. Let us now turn to China proper to consider whether the greater likelihood is that its state class will be dispossessed in the way their Soviet/Russian and eastern European counterparts were; or whether its contender state posture is mutating into something beyond the heartland/contender state of has done so already.

2. East Asian Antecedents of the Chinese Contender Posture

My argument here is that contemporary China has gravitated, partly by circumstance and partly by design, into a contender position comparable to the one sketched by Gramsci—a ‘golden mean’ which gives it a chance to survive the contest with the West on its own terms—and perhaps steer clear of dispossession because the West is no longer operating from the structurally advantaged, ‘hegemonic’ position from which it commands the process of consensus formation ‘naturally’, in the sense of plausibly and effortlessly presiding over what appears normal and necessary. The Lockean heartland is descending into a complex crisis which is not confined to the financial sphere but signals the that the social and natural limits of its way of life are being reached. By

socialist I understand a process towards a society ‘richer in collective values’ (Gramsci); not a Nietzschean, cataclysmic *Umwertung aller Werte*.

There are several characteristics that contribute to making China’s contender posture unique. Its size (in population terms, we are speaking of a country at least six times the size of any previous contender state), the role of the Overseas Chinese, the country’s geopolitical context, and others, thus are combined with a state class strategy that avoids provoking the West’s aggressive reflexes by adopting its way of life. Also its export policy feeding cheap consumer goods into the product chains that run from Asia straight into Wal-Mart stores in the US, and in which Western capital is allowed to appropriate the lion’s share of the profit, reduces friction (Merk 2011, p. 74). In addition China has underwritten the US deficit—all along building up a dollar-denominated war chest, its sovereign wealth fund.

As noted above, the superficial similarities with the Western economy that suggest China has ‘gone capitalist’, hide a more complex reality. Two legacies of past development which, like Calvinist individualism in the English-speaking West, continue to shape the collective imaginary and hence, favour certain political options more than others, may be singled out as forces keeping open the door to a resumption of a socialist course. There are the role of labour in East Asian development, and the legacy of planning and social protection.

An Alternative Modernity With Abundant Labour

The argument of an East Asian modernity parallel to but different from the Western pattern was first articulated in the 1940s by scholars of the Kyoto School in Japan, Konan Naito and Ichisada Miyazaki (that they came up with their analyses in the context of Japanese imperialism does not per se invalidate them). Miyazaki’s world-historical perspective allowed him to interpret developments in China like the digging of the Grand Canal, large-scale urbanisation, and the spice and tea trades that connected European and Asian commercial networks, in the context of a single framework of modernisation and integration (Wang 2005; below I come back to Wang’s own rejection of the linearity of the Kyoto perspective).

The Chinese transformation according to Miyazaki began in the tenth century (during the reign of the Northern Song dynasty). Early forms of national self-consciousness, expressed among others in the reinterpretation of Confucianism as a

lay ethical codex, lent this transformation the quality of an authentically Asian modernity. It was followed in Korea in the 14th and in Japan in the 17th century under the Tokugawa (Wang Hui 2009a, p. 36). Economically, these societies developed on the basis of abundant availability of labour on the land. Hence the East Asian societies of China, Korea and Japan entered the process of commercialisation of agriculture with a labour surplus and a capital shortage, whereas in plague-stricken Europe (notably in England) there was a labour shortage and a capital surplus that favoured mechanised solutions.

The characteristic East Asian, labour-intensive and capital-poor market-based regime of accumulation was first theorised for seventeenth-century Japan. As Arrighi writes,

The concept of “industrious revolution” (*kinben kakumei*) was ... originally introduced by Hayami Akira with reference to Tokugawa Japan. In his view, the freeing of the peasantry from servitude in the seventeenth century, the entrenching of family-based farming, an increase in population, and a growing scarcity of farmland had jointly contributed to the emergence of a mode of production that relied heavily on investment in human labour. Although peasants had to work longer and harder, their incomes also increased. They therefore learned to value work and developed a strong work ethic (Arrighi 2007, p. 33).

The narrative of an Asian ‘capitalism’ growing out of the Sinocentric tribute system and the silver economy as analysed by André Gunder Frank in *ReOrient*, fits into this analysis, although ‘merchant capital’ operating under a licence from the state, is probably the better phrase to denote the entrepreneurial aspect. Arrighi speaks of a ‘Smithian’ capitalism. Since in a contender state, as indicated already, market operators and capitalists always depend on licences issued by the state class (like the empire before it), we cannot speak of integral, global capital as in the liberal West as long as the authority to revoke such licences again remains intact.

The superficial similarity between the Asian work ethic and the European one therefore hides a fundamental difference. The East Asian work ethic is not a matter of supposedly Confucian values; it arises from a clear-cut economic foundation (although the codification of Confucianism in the Song era was also related to the early forms of the labour-intensive development model). East Asian development thus retains a quality of its own that cannot be reduced to the road taken by the West, and neither to opposing ‘civilisations’. This is not to say that embracing the Western lifestyle along with key mechanisms lifted out of its mode of production, would not be a shift of

enormous portent. But what is Chinese about China was not confined to unisex Mao suits or chopsticks either. As in the case of their Western counterparts, the societies of East Asia over many millennia have developed attitudes to authority and community, to nature and knowledge, and so on, which, woven into complex patterns, hold them together as relatively separate from each other. The concatenation of class compromises, achieved and renewed with each round of struggles, creates a 'genetic code' for a society that cannot be easily altered by amenities imported from abroad. Labour intensity is one such characteristic.

Now difference, however profound, does not necessarily generate conflict. Relations across societies are shaped in the course of centuries of interaction as well, with each side retaining specific memories and anticipations that can be activated with new encounters. 'The movement of the world is a process in which multiple spheres communicate and fight with each other, interpenetrate and mould each other,' Wang Hui argues.

When historians located Asia in global relations, they realised that the issue of modernity was not an issue belonging to a certain society, but the result of interaction between regions and civilisations. In this sense, the validity of the idea of "Asia" diminishes, since it is neither a self-contained entity nor a set of relations. A new idea of Asia—which is neither the beginning of a linear world history nor its end, neither self-sufficient subject nor subordinating object—provides an opportunity to reconstruct world history. This corrective must also lead to a re-examination of the idea of Europe, since it is impossible to continue to describe Asia based upon Europe's self-image (Wang 2005; cf. Cox 2002).

Today it would seem as if the intersection of a decline of the West and a rise of East Asia, that is, East Asia with its historical centre (China) again in the forefront, is creating a more balanced 'commonwealth of civilisation' as envisaged by Adam Smith (Arrighi 2007, pp. 8-10). This is also a crucial precondition for a world order 'richer in collective values', although not a sufficient one because corruption at the top may also corrupt this aspect. Equally, imperialist global governance under Western direction (Lipschutz's 'imperium'), must be turned into a democratic global governance which wrests the United Nations free from the Anglo-American tutelage imposed on it in the 1990s, and which resurrects the idea of national self-determination in its socialist form. Of course this would in due course also require a UN based on different principles of

representation (which would fundamentally affect China as a multinational state as well).

Lineages of the Chinese Planning Experience

The ‘plan of production’ aspect is inherent in all types of society, although its locus within the state/society complex will vary. Empire, too, represents a form of rule that comprises various aspects of provision for production and social protection. This was certainly the case in China. Unlike the Roman notion of ‘imperator’, initially used to denote the great army commanders and subsequently, the description of a ruler-conqueror, the term *diguo* in Chinese refers to government based on virtue, as practiced by the five (original) emperors (Wang 2009a, pp. 67-8). Later development continually recurs to this paternalistic origin, of which Confucian thought is the enduring testimony. Rulers must govern through (consensual) hegemony, ‘like wind over grass’; there must be a single ruler to ensure that people are not set up against each other, but ‘place themselves at the service of their neighbours’, and so on and so forth (cf. some of the classic statements of Confucius and others in my 2010, pp. 138-9 & *passim*).

Wang Hui’s critique of the Kyoto School notion of a linear modernity also reflects his appreciation of the socially protective role of the empire. Miyazaki and Naito interpreted the codification of Confucianism in the Song dynasty as a straightforward sign of modernisation, but Wang sees it as an attempt to preserve a *Gemeinschaft* spirit in a society moving towards *Gesellschaft* (Zhang 2010, pp. 58-9; Wang 2009a, p. 49). Still in the eighteenth century, the Chinese empire was able to protect the population from the effects of drought by supplying grain from the imperial granaries whilst maintaining a national price stabilisation system for grain to prevent speculation (Davis 2002, pp. 281-2). After the 1850s, however, the Qing emperors, weakened by the Opium Wars through which the British enforced access for narcotics, were ‘forced to abandon both their traditional mandates’—hydraulic control and grain stockpiling in the Yellow River provinces (Ibid., p. 291).

Hydraulic control is central to the notion of an ‘Asiatic mode of production’, a concept floated by Marx and Engels and intensively discussed in 1920s Soviet debates about China. Based on the absolute power that a (quasi-) imperial state derives from its role in organizing and operating irrigation systems, it was turned into a Cold War polemic against the USSR by communist renegade Karl Wittfogel in his 1950s *Oriental*

Despotism (Wittfogel 1977). But even apart from the fact that as Perry Anderson has argued, a mode of production cannot be ‘a uniform residual category’ (Anderson 1979, pp. 548-9, cf. 487), planning as such is not necessarily despotic either. Mao strongly disapproved of the notion of the Asiatic mode of production (Hough 1986, p. 47) and in the practical evolution of the Chinese planning experience would seek ways of developing a mass basis for it. This dovetailed with the struggle against the ‘*Étatsistes*’ in the Guomindang (Mao 1971a, pp. 12, 19 note 2) and the anti-imperialism that the CCP developed in the fight against the Japanese.

The adoption by Japan of the Western concept of empire in the Meiji Restoration of 1868 and its role in leading an apparent ‘Asian renaissance’, also worked to shift the Chinese *diguò* towards absolute monarchy and militarism (Wang 2009a, pp. 70-1; towards the end of the empire, the war industry had become one of the pillars of state power, *ibid.*, p. 168-9). Since the Qing emperors at the same juncture were forced to give up the traditional protective stance and infrastructure fell into disrepair, their new absolutist posture even more exposed them as foreign militaristic usurpers, fatally undermining their legitimacy. The Republic then completed the reinterpretation of empire by subscribing to Japanese concepts of reversing Western dominance by adopting Western means; and under Chiang Kai-shek, by developing its own militaristic profile. In the 1930s the paternalistic role of the state had disappeared altogether. As Eugen Varga noted at the time, the hydraulic infrastructure had fallen into complete disrepair, the import of rice and wheat was on the increase, whilst poppy cultivation for heroin was spreading under the eyes of the Guomindang government (Varga 1974, p. 277).

When Japan began its foray into north China in the 1931 and established the puppet state of Manchukuo a year later, it also inserted command-style central planning into the Chinese lineage. Japan’s own contender state/society complex was built around quasi-feudal business dynasties running integrated financial groups, the *zaibatsu* (Norman 1940), but the Kwantung Army in Manchukuo created a ‘post-capitalist’ offshoot which differed in key respects. Inspired by the Soviet planning experience, and at arms’ length from the *zaibatsu* aristocracy, the military launched a programme of railway construction (the legacy of which still accounted for 42 per cent of Chinese railway mileage in 1970) and set about constructing hydro-electrical dams that created an energy supply source outstripping that of the rest of China combined (Fingleton 2008, p. 90). In the Pacific War with the United States and its allies, the regime of

accumulation pioneered in Manchukuo, and centring on Manchurian Heavy Industries (today's Nissan), was copied into the Japanese mainland's economy. Japan's wartime leaders (Tojo, Hoshino, Matsuoka and others), all had a background in Manchukuo.

It was this regime of accumulation that was consolidated upon the defeat 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 *zaijatsu* family dynasties and their replacement by management-run *keiretsu* bank-industry networks coordinated by the Ministry of Finance (van den Berg 1995, pp. 382-3; Fingleton 2008, pp. 92-5; Hartcher 1999). After an initial round of fierce struggles with a resurgent labour movement, the reconstituted state class, governing through a one-party regime, ensured that the war economy was replicated in civilian guise. Covered by vassal status in the Cold War, the 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. 172-3), also was resurrected. In addition, forced savings, suppressed consumption, and the absence of a true leisure class, would make post-war Japan one of the most egalitarian societies in the world.

The Manchukuo legacy loomed large when Mao's armies took control of China in 1949. Chang Kai-shek had signed away the Manchurian railways to joint Soviet-Chinese control under a thirty-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 lease and Gao died in prison in 1954 (Han Suyin 1994, pp. 221-3, 230-1), but Mao's distrust both of the Russians and of command-style central planning methods (the Manchukuo version as well as the Soviet original), did not go away. Soviet central planning was aimed at capital-intensive industrialisation whereas China's strength was in abundant labour. Learning from the Soviet Union therefore should not be done in a dogmatic manner, 'transplanting everything, whether or not it is suited to our conditions', Mao would write in 1957. Heavy industry has to be flanked by a light industry operating in synergy with agriculture (Mao 1971b, p. 478; Li 2008, p. 38).

In this spirit, petty commodity production and distribution had been left in private hands all along. China had the equivalent of the New Economic Policy (NEP) which the Bolsheviks had resorted to in order to give the population a break and restart economic life, instituted right from the start (Löwy 1981, p. 116). Yet in the first two

Five-Year plan periods, more than three-quarters of investment went into industry, and only 10 percent in agriculture, forestry, and water conservation; in the original plan for 1959, this was further reduced to 7 percent (Li 1968, p. 201). 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 by warlords, the Guomindang, and the Japanese (Davis 2002, pp. 374-5), now suffered from the policy of 'leaning to one side' (the Soviet one). The 'Great Leap Forward' of 1958-59 and the communes replacing the earlier collective farms sought to reverse the trend, but the famines that struck the country as a result of the ill-conceived mobilisation drives caused mass starvation (for a critique of standard 'tens of millions' estimates as in Johnson 2002, p. 151, cf. Li 2008, pp. 39-44).

The Great Leap nevertheless worked to definitively bury the Soviet-inspired 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 actual '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 Suyin 1994, pp. 315-27). As Wang Hui notes, it was 'probably the last stage of the political sequence wherein the party-state recognized 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.

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 a democratisation of the 'plan of production' 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 through mass mobilisation 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). The Maoist legacy would henceforth recede with every decade, but today, with a resurgence of working class militancy and a parallel revival of a New Left in China, its lessons, positive and negative, are acquiring a new relevance.

3. Class Formation in the Passive Revolution

The Chinese state class has retained the initiative in the revolution from above throughout, inaugurating sometimes radical changes welcome to large sections of the population, without ever granting it the power to agree or not, other than protest (Hart-Landsberg and Burkett 2004). But 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 experiments with marketisation and liberalisation were initiated in the countryside also in order to neutralise the influence of state class fractions associated with the command economy. This created the space for market reform but also a ‘bureaucratic constituency’ associated with it (Hung 2008, p. 154). De-collectivisation called into existence a class of relatively wealthy landed entrepreneurs who have capitalised on the abundant labour supply. A petty bourgeoisie (defined as those employing not more than ten people) and actual ‘capitalists’ (with more than ten wage workers), arose along with a middle class of professionals serving the market sector (So 2003, pp. 366-8).

Members of the state class early on used their controlling roles to create ties with foreign capital and Overseas Chinese. In turn, these had to team up with party cadres to thrive as businessmen (a process called ‘wearing the red hat’). Hybrid property relations and clientelistic arrangements 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. 22-3). The International Trust and Investment Corporations (ITICs) were prominent in this movement as vehicles for joint ventures with foreign capital. They allowed party cadres to set themselves up in

business especially after the privatisation drive of the 1990s. Often degenerating into conduits for fraud and embezzlement, the central state had no qualms subjecting some of them to the very market forces they had been set up to profit from. The Guangdong ITIC (GITIC), which at the height of its activity was hailed as a paragon of capitalist innovation on account of its links with McDonalds, Pabst, and other US companies, thus was allowed to go bankrupt in the effort of reining in corruption (Breslin 2007, p. 67; *Business Week*, 9 May, 1994).

As a measure of the parallel contraction of the state sector, public spending declined from 37.2 percent of GNP in 1978 (slightly above the average for the period from 1953), to 19.3 percent in 1988 (Wang 2009b, p. 24). The political monopoly of the state class was not ultimately affected by this, but neither was the emergent class of capitalists outside the state class (but relying on patrons within it) able to challenge the existing state structures. Towards the end of the decade, however, the state class faced its first major test as to keeping control of the reform drive in the events centred on Tiananmen Square.

In the Tiananmen revolt the emergent cadre-capitalist forces nurtured by the passive revolution, joined forces with a popular movement alarmed by the announced abolition of the centrally planned price system and fearing for its social minimum, the 'iron rice bowl'. Yet as Wang Hui emphasises, those wishing to accelerate liberalisation and the dismantling of 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).

In contrast to Eastern Europe, where a comparably hybrid movement led to the integral dispossession of the state classes in the 'velvet' revolutions in the same year, the Chinese state class was able to weather the storm by repression. The absence of foreign pressure, given that the West was focused on Europe, gave the rulers in Beijing a respite, never mind the vilification to which they were subjected in the Western media. Here the usual double standards applied: Yeltsin's suppression of the elected

Duma by military means in late 1993, a brutal assault on the very sort of democracy the West advocates, was met with indifference abroad, whereas the Chinese were subjected to sanctions (Wang 2009b, p. 51, cf. 27-8). Another reason why the Chinese state class was able to accommodate popular protest in the wake of the violent repression, according to Wang Hui was its relative closeness to the people as a result of having been 're-educated' in factories and farms during the Cultural Revolution.

It took until 1992-93 before Deng Xiaoping with a symbolic 'southern tour' succeeded in breaking the impact of the conservative backlash that resulted from the repression of the Tiananmen revolt. After several years in which among other things, 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 cadre-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'. The resurgence of the bourgeois forces henceforth 'became a pretext for the strategic emergence, through systemic corruption, of contemporary China's new wealthy class' (Wang 2009b, p. 49).

By mid-decade, actual central state control of the economy, through public ownership and taxation, was again declining. In 1995 a government report raised the alarm of a possible collapse of central authority given that between 1985 and '93, the share of tax income reaching the centre had halved to approximately the level at which Yugoslavia had disintegrated (*Financial Times*, 16 June 1995). Breslin records that southern provinces such as Guangdong were notorious in this respect, passing on only 15 percent of tax income, whereas Shanghai remitted 70 percent. Financial reforms undertaken by Premier Zhu Rongji, and intended to recentralise control of the economy (whilst stopping short of reintroducing price controls and central planning as favoured by his predecessor, Li Peng), resulted in the central state cut in tax income rising again from 30 to around 50 percent. In part this was also achieved by cracking down on smuggling, rampant in Guangdong province (Breslin 2007, pp. 63-4).

The centralisation worked to transfer power from country and township levels again to the provincial level, but not so much from the provinces to the centre. As Hung Ho-fung writes, 'Throughout the 1990s, the central government tried hard to reinvigorate its power over local governments, but only with half-success... [It] strengthened its command of tax revenue vis-à-vis local governments ... [but] local

governments continued to control more than 70% of all government expenditures after the reform' (Hung 2006, p. 156; cf. Ten Brink 2010, p. 14). Although the tax take is better than it used to be, the reformed fiscal system is still unable to secure what the state needs, adding an element of potential instability which the state class will have to deal with if it is to avoid dispossession in a downturn or a political crisis.

The consolidation of state income in the later 1990s paradoxically served to deepen the capitalist turn. Both at the centre and the provincial levels the state class was using re-centralisation to intensify rather than contravene market reforms. But then, as the Pinochet example in Chile had demonstrated in the mid-seventies already, neoliberal forms are dependent on the ability of state power to intervene effectively in the social order (Fernández Jilberto 1985; Wang 2009b, p. 19). The abandoning of the two-tier currency and price policy and conflate the two exchange rates into one was part of a strategy of socially consolidating the role of China as a low-cost export platform; pegging the Renminbi to the dollar at what was effectively a 50 percent devalued exchange rate, in addition gave the Chinese an export advantage over its East Asian rivals. Interest rates could thus be kept low for development reasons without having to fear any effect on the value of the currency. Changes in the conditions for inward foreign investment such as the scrapping, in 1986, of the requirement for a compulsory local partner, underscored that the 'globalisation' perspective now took precedence in the state class strategy—although in practice, foreign penetration remains subject to manifold restrictions. Even so, the Chinese 'national interest', which until the mid-90s had been invoked to protect certain sectors from foreign capital penetration and competition, was now seen as being served by a greater opening (Breslin 2007, p. 52, cf. 47-8).

That the state class nevertheless took care to retain control over the financial levers of development, transpires in the reform of the banking system which kept policy-directed lending in place, shielding certain projects from exposure to competitive criteria. 'Political interference remains a hallmark of lending decisions' (Breslin 2007, p. 57; Ten Brink 2010, p. 31). Operating under a regime suitable for China, but often insolvent by Western standards, banks in the 1990s had to be bailed out by repair operations in which vast sums were spent on keeping the bank system afloat. With funds of such size at play, embezzlement was unavoidable. In the closing years of the decade, calls for a withdrawal of the state and the party from the bank sector altogether

were heard both from neoliberals and from others who feared the state class might become involved in corruption scandals (Hochraich 2003, p. 59; Wang 2009b, p. xxvii).

Thus an explicit capitalist interest began to be articulated, albeit that after the Tiananmen repression, the state class has not faced overt challenges on such a scale again. Indeed as the orientation towards Western export markets has intensified, the ascendant trend among the local and central state class and the cadre-capitalist class overlapping with it, according to Hung Ho-fung has been to close ranks against workers and peasants (Hung 2008, p. 156). To overcome residual resistance within the state class to fostering the capitalist revolution from above, the familiar figure of mobilising international support for domestic change was in evidence as well. Zhu Rongji, facing internal opposition to his attempts to intensify the capitalist line, on his visit to Washington in March 1999 made far-reaching concessions in order to smooth the path to WTO membership. This was reciprocated by his American interlocutors, who at this point betted on the further consolidation of the capitalist element in China. 'To some extent at least, the desire to bolster reformers and to encourage China's engagement with multilateral organisations appeared to inform US policy makers as well' (Breslin 2007, p. 97). Indeed Condoleezza Rice, soon to be George W. Bush's national security adviser and subsequently, Secretary of State, defined her key foreign policy job as 'finding peace, security, and opportunities for entrepreneurs in other countries', especially in China, given that change in that country is being led by 'people who no longer owe their livelihood to government' (quoted in *Financial Times*, 25 July 2000).

The former British colony of Hong Kong also functioned as a relay of neoliberal Western influence. Hong Kong had been a pivot in the formation of the cadre-capitalist class by facilitating the 'round-tripping' of funds from the mainland as private investment into China again (Zhou and Lall 2005, p. 45). The Hong Kong capitalists profited from the lifting of the US embargo against China following Nixon's visit, and the ensuing development into a financial centre with global connections contributed to the selection of Shenzhen as the first Special Economic Zone in 1979 (Hung 2010, p. 59).

Hong Kong's prospective incorporation into the mainland as a Special Administrative Region (SAR) in 1997 (along with Macao), offered those in the city and abroad interested in a neoliberal make-over of China itself, a chance to use last-minute changes to bolster the capitalist-minded south-eastern coastal centres against the

interior and the north-east (where the state sector is concentrated). Throughout its existence as a British colony Hong Kong had been run autocratically; now, belatedly, a limited parliamentary reform was introduced in a ploy to give the local elite a mechanism to hold its own against Beijing. After the handover, the SAR was also turned into a neoliberal showcase with the help of Western consultancies recasting its governing institutions along the lines of the 'competition state', Michael Porter's concept of a state solely concerned with fostering profitability (Sum 2009, pp. 160-1). As a result, the Chinese state class, which had cultivated its ties with local capitalists as a guarantee to retain control, over time has found itself increasingly on the defensive against a democratic movement which has the potential to align with similar forces on the mainland (Hung 2010, p. 77). Whether this will evolve into a movement of socialist, working class-based democracy or as a bourgeois movement, remains to be seen.

Current Strength and Entrenchment of the Capitalist Forces

At the turn of the millennium it was obvious that the forces intent on completing a neoliberal transformation were gathering strength. 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 16th 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' (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 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. 75-6). 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).

At some point the passive revolution in every contender state episode comes to include the moment at which the state/society complex itself becomes the target of the ‘reform’ drive. This is the phase when dispossession of the state class is placed on the agenda—by political intervention from domestic and foreign social forces, by a make-over of the state class itself through a revolution from above as in the USSR, or through a combination of the two (assuming that for the moment, war is not on the agenda as far as China is concerned). In the case of China, a ‘constitutional revision movement’ to codify private property rights, arising after the turn of the century, was an obvious writing on the wall in this respect (effectively it mainly served to legalise the illegal appropriation of public resources, Wang 2009b, pp. 46-7).

This dovetails with the fact that inequality in China has developed exponentially in the 1990s. 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). A report by the McKinsey management consultancy documents how a leisure class is gradually forming in the process, albeit *in the cities* (I also leave out the rosy projections of future expanding markets, to which we return later).

Table 1. Share of Disposable Urban Income in China, 1985-2005 (after tax, including savings)

	1985	1995	2005
≥200,000 RMB*	1.3	2.0	7.4
100,000-200,000	0.5	0.8	2.4
40,000-100,000	1.2	5.1	24.2
25,000-40,000	1.8	13.6	15.4
≤25,000	95.2	78.4	50.5

*100 RMB= \$12.5 ; Source: Farrell et al. 2006

Beijing alone has today about 150,000 residents worth more than \$1.5 million; there are now more billionaires in China (128, up from 79 in 2009) than in any country except the US, which has 400 (*International Herald Tribune*, 27-28 November 2010). As reported on the *Forbes* website (Flannery 2010), the total wealth of the 400 richest Chinese people rose by 25 percent 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 percent in 1998 to 41.4 percent in 2005 (Hung 2008, p. 162; cf. Li 2008, p. 89, Fig. 3.13). Entrepreneurs in industries that serve the consumer market continue to thrive. Pharmaceutical and health-related business are the source of a striking number of new billionaires; as social insurance is being privatised, this also implies a huge transfer of wealth to those stepping into the breach as private providers. The rise of the Internet, and the ability to exploit it by domestic companies over foreign rivals, is another factor of new enrichment (construction on the other hand is no longer the money-maker it was, as measures to slash property prices have taken effect).

However, all this has not (yet) reached the stage where a dispossession of the state class is on the agenda. Indeed if we look at some of the main indicators of international capital movements and the balance between investment and consumption, it transpires that in structural terms, China still belongs to a separate class of economy (in important respects, an East Asian class with Japan) compared to the West. Table 2 gives a sense of the structural differences. I have added India where relevant, as it is so often mentioned in one breath with China but in fact occupies a very different position.

A lot more could be said about each of these indicators, but let us establish that the East Asian regime of accumulation which characterised wartime/post-war Japan, and towards which China has gravitated by introducing market reforms, is still very much in place. Thus the state sector of China is not, as often assumed, an ailing hold-over from the central planning era. It is a vigorous, diverse bloc of companies that allows the state to continue to play a directive role in overall development (Ten Brink 2010, p. 20). And whilst the once all-powerful State Planning Commission has been replaced by the National Development and Reform Commission, this body, under the direction of Zhang Ping, still has the decisive voice in macro-economic development (*Financial Times*, 29 December 2010).

Table 2. 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%; India, 54%.
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); India \$16.9bn

Sources: (Foreign exchange/debt) Hoogvelt 2010, Wikipedia; (Investment rates) Sun Wenkai et al. 2009; (consumption) *International Herald Tribune*, 16-17 May 2009, <http://www.tradingeconomics.com/> (accessed 11 Feb 2011); (FDI). Milios and Sotiropoulos 2009.

In addition, the Chinese state class has created networks of horizontally affiliated companies, known as *qiye jituan*, modelled after the Japanese *keiretsu* model, such as Qilu (chemicals) and Baosteel. As Will Hutton writes, these strategic groups 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’ (quoted in Fingleton 2008, p. 113). Hence when Petrochina, China’s leading oil company (quoted on the Hong Kong and New York stock exchanges, and a subsidiary of the state-owned China National Petroleum Corporation, CNPC), in 2006 overtook Shell to become the sixth-largest company in the world by market value (Séréni 2007), this is something different from Exxon overtaking Shell or the other way around.

Chinese firms, then, still compete with the West on the basis of the ‘plan of production’. This can be seen, to take but one example, in the contest over control of ‘rare earths’, the group of minerals and their oxides used in advanced consumer electronics, batteries for hybrid cars, solar panels, and even advanced ammunition such as Boeing’s JDAM guided bombs. China has rare earth reserves of 36 million

tonnes (one-third of the world total), compared to 13 for the US, 11 for the CIS (Russia and Kazakhstan), and 5 for Australia, and has exploited them aggressively (and at huge environmental costs) since 1986. In 2009 it produced 120 thousand tonnes, half for use in its own industries (as well as foreign subsidiaries operating in China), the other half exported to Japan (consumption, 32 thousand tonnes). Europe consumed 13,000 tonnes, the US 11,000.

Not only the natural endowment with rare earths is to China's advantage; it also can direct its companies to act in defiance of profitability criteria, as when a Chinese group in 1995 acquired Magnequench, a loss-making GM subsidiary refining neodyme for use in cars. In 2000, when the sales condition of keeping the plant in the US expired, it was dismantled and reassembled in Tianjin (Zajec 2010, pp. 14-1). The US Congress in 2005 prevented that China would acquire Unocal (which also owns Mountain Pass, a rare earth mine in the US gone out of business because of cheap Chinese competition) on national security grounds. But China's handling of its near-monopoly is geared to its geopolitical interests too, as when it suspended rare earth exports in the conflict with Japan over the disputed Senkaku/Diayu island in September 2010. The point is that it can do all these things because under a contender state/society complex, an economy is absolved from the rules of reproduction imposed by transnational capital; just as it can resist neo-colonial appropriation, as happens for instance with the colombo-tantalite (coltan) of DR Congo for use in mobile phones (Braeckman 2006, pp. 12-3).

The state class, then, faces the ascendant bourgeois forces, within its own ranks and outside it, from a structurally advantageous position *which the bourgeois forces themselves 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). Their admission into the CCP is a sign of this strength. But to actually turn private wealth into enduring class power, an aspiring bourgeoisie must organise itself independently from current state authority and reproduce itself as a social force to which the government of the day is answerable, as in the Lockean constellation of the West.

The CCP admission therefore can also be read as a sign that the state class can absorb ascendant social forces into structures it controls. 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.

Neither have China's cadre-capitalists really integrated into the transnational capitalist class, which continues to have its bases of power in the Lockean heartland. As William Carroll documents, Hong Kong is the only part of China which interfaces directly (if even then, marginally) with the global network of interlocking directorates among major corporations, notably via London-based corporations (Carroll 2010, pp. 67 and 235, note 7). On the Trilateral Commission, the most important private planning network with an East Asian membership, seven of the eight Chinese members are academics and only one (a member of the Macao SAR executive) is linked to business (Trilateral Commission Membership 2010; by comparison, the Japanese and South Korean managerial elites are represented in force). Some of the more spectacular cases of enrichment have in fact been achieved by downgrading connections with foreign capital, not by operating as compradors. Anecdotally this would apply to the currently richest Chinese entrepreneur, Zong Qinghou, of beverage producer Wahaha, who rose to his present wealth of US\$ 8 billion after settling a dispute with Danone over control of joint ventures (Flannery 2010). Still according to *Forbes*, Wang Chuanfu, the richest Chinese entrepreneur of 2009, who operates his automaker, BYD, with a substantial minority participation of Warren Buffett's Berkshire Hathaway investment fund, on the other hand lost considerable ground again.

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. 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).

Bai Shazhou (quoted in Breslin 2009, p. 179), in this connection distinguishes between

- the largest fraction of the ascendant entrepreneurial class which is pursuing the molecular advance, and which is labelled, appropriately, ‘the Deaf and Mute type’;
- a fraction that advances through some form of collaboration with the party, via membership or otherwise (‘Alliance Capitalists’). This would be the core of the ‘cadre-capitalists’. Indeed as So writes, as the wealth and power of the cadre-capitalist stratum increase, prospective professionals too are concentrated on finding their way into this class rather than challenging it (So 2003, p. 371). Finally, there is
- the fraction willing to actually engage in a conflict with the state class (‘Challenger Type’).

The fact that this last group is still by far the smallest would suggest that the chances of the state class being dispossessed by an ascendant bourgeoisie, are remote. 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). This takes us to the working class.

The Resurgence of a Chinese Working Class

The huge mass of low-paid labour which continues to be exploited in China’s export industries, has been mobilised from the land in the course of a century, without

becoming a full-blown proletariat in the capitalist sense. Marx's analysis of formal and real subordination 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 here. The role of the state class and the patronisation of capitalists into a cadre-capitalist class, in this context can be understood as the equivalent of a capitalist class in the stage of formal subordination of labour and absolute surplus value production; whereas in developed capitalist conditions, these are crowded out by real subordination and relative surplus value. Reaching this latter stage is not a foregone conclusion though, because the state class has options which early capitalists do not have.

In early capitalist development, free 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 (which Lenin warned would erect a petty-bourgeois bastion against socialism, Wang 2009a, p. 93), 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). Yet land is still not fully privatised. Arrighi concludes from this that 'as long as the principle of equal access to land continues to be recognized 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). This obviously requires that there is a united and self-conscious working class that can force the hand of the state class in this matter.

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). For the Chinese migrant workers (estimated at around 10 per cent of the entire population), this is not the case because the factories they find themselves working in, are entirely new for them. Yet the 'global casualisation or informalisation of labour' (Robinson 2004, p. 19) that characterises the outsourcing of work across long product chains, brings back the characteristics of formal subordination such as absolute surplus value production, because the workers are no longer part of the particular capital that organises the accumulation cycle. So 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; 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, whilst 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. 60-2). Redundant state sector workers are kept on ‘off-duty’, eligible for rehiring if business picks up for a period of three years before becoming properly unemployed (So 2003, pp. 366-70; a less optimistic view in Li 2008, p. 70). 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. 197-8, emphasis added).

So taken together, a) incomplete separation from the land, b) the continuing entitlement (in principle) to residence-bound social provision, and c) social protection in the case of state sector workers, add up to conditions conducive to restoring working class strength overall and forcing a new class compromise on the state class. This process may well be underway already. Labour disputes exploded five-fold to almost 200,000 cases in 2002, and ‘public order disruptions’ were on the rise as well (Breslin 2007, p. 175). The Hu Jintao-Wen Jiabao leadership in 2004 was compelled to open up to the New Left critique of inequality and other ills of rampant capitalist

practices. In 2005, the Party launched a campaign to modernize and apply Marxism in order to comprehend and master what Hu called ‘changes, contradictions and problems in all fields’ (quoted in Arrighi 2007, p. 17).

Of course, one cannot expect an authentic Chinese Marxist approach to resurface at short notice. In the process of opening itself to bourgeois forces within and outside China, the CCP has had to depoliticise itself; it cannot at the same time remove social protection and deepen exploitation, and maintain its monopoly of political power as a communist party (Wang 2009b, pp. 12-3). Jean-Louis Rocca gives a sense of the challenges it faces when he writes that

In 2006 the state provided 25m jobs for the urban population, 9m of them to labour market entrants, 3m to migrants (that this category was mentioned at all shows how the official line has changed) and 13m to workers who had lost jobs because of restructuring in the state sector. In reality, only 11.84m work contracts with social security entitlements were created in 2006. This year [2007] 24 million young people are expected to enter a labour market with only 12m new jobs (including places left by retirees). The gap will be filled in part by unofficial jobs (Rocca 2007).

So if, what Rocca calls, ‘a trend that could be called “social capitalism” has emerged, ... which holds that while capitalism is good, it must go hand-in-hand with social policy’—this will not be enough. In early 2006, President Hu Jintao enjoined the All-China Trade Union Federation to unionise foreign-owned enterprises and joint ventures, in an obvious attempt to contain the struggles arising from the extreme forms of exploitation dictated by Western transnational capital (Sum 2009, p. 165). At the same time, the 11th Five-Year plan (2006-2010) shifted the emphasis to a more socially responsible path of development. But as social protection continues to be dismantled in spite of declarations of intent to the contrary, Chinese workers must provide themselves for many aspects of social security, such as health insurance.

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 tolerate excessive working hours and extreme conditions (Pomfret and Kim 2010). At the same time the salaried middle classes are growing concerned about inflation, which the super-rich evade by transferring assets

abroad. In late December 2010, minimum wage hikes in several urban centres including Beijing, following on a previous wave six months earlier, are testimony to a concern on the part of the state class that inequality cannot be allowed to grow further (*Financial Times*, 29 December 2010; *BBC World Service*, 28 December 2010).

Foreign capital is also seeking to adjust to the changing balance of forces by shifting from formal to real subordination of labour, and from absolute to relative surplus value production. Instead of scouring the globe for cheap labour, the foreign companies subcontracting labour processes in China and elsewhere in Asia are seeking to create quasi-Fordist labour patterns which make it possible for 'pay to be linked to productivity gains' (Adidas company statement quoted in Merk 2011, p. 92).

Real subordination of labour, which along with relative surplus value production (based on making all the elements of production including labour power cheaper by productivity gains instead of lengthening work days etc.), requires however that capital become the sovereign force in society, as it is in the West. Labour as a result would become fully socialised, that is, manual and mental labour would be integrated into what Marx calls the 'collective worker', 'whose combined *activity* expresses itself materially and directly in a comprehensive product, that is, a *total mass of commodities*' (Marx 1971, p. 226, emphasis in the original; cf. p. 200). But in practice, the restructuring of labour processes towards 'lean production' in China and other Asian manual production locations turns out to be leading to 'increased production pressures and individual stress levels' (G. Brown and D. O'Rourke quoted in Merk 2011, p. 93). This has to do with the fact that if a 'collective worker' in Marx's sense is emerging, it does so on a transnational scale, in combination with mental labour in the West. I will come back to this in the next section.

Today, the Chinese state class finds itself in a crucial position in between the forces of bourgeois privatisation and the resurgent working class, a 'Bonapartist moment'. 'Maintaining the party's monopoly on power and the position of its members as societal elites has become an end in itself in China' (Breslin 2007, p. 41). Such a position, whilst characteristic of the contender state/society complex more generally, is not one that can be maintained indefinitely; in the current conjuncture, however, a way out of it must be part of a global strategy. In such a strategy, the reconnection of the Chinese state class with the working classes has to be part of a linking up with progressive forces across the globe. The alternative would entail a full-fledged capitalist

transformation in China and the dispossession of the state class by the ascendant capitalist forces, within and outside its ranks.

4. Crisis in the West: A Chinese Miracle to the Rescue?

The current crisis heralds the end of a long historical epoch in which a heartland in the global political economy, built around a liberal constitutionality that in the course of two centuries has facilitated the formation of global capital, has entered its era of decline. In defeating a series of contender states resisting its hegemony, the liberal West has also exhausted its ability to expand further, just as capital is no longer able to foster the growth of welfare on which the neutralisation of the socialist labour movement was based in the twentieth century. There does not exist an iron law of contender state development and implosion to which China will fall victim irrespective of what its state class decides and attempts. History is about class struggles with undecided outcomes; contender states have resisted the pervasive forces of Anglophone liberalism from different angles, in each case exploiting new opportunities.

Let me, by way of conclusion, go over the different aspects of the current crisis and assess whether China can avoid being dragged along with a declining capitalism, and to what extent it can be realistically expected that it will instead revert to a socialist course.

The Limits to Capital

Capital is a revolutionary force subsuming every social practice to itself, whether in work or leisure, and incorporating for profit what it can exploit. It imposes its market discipline by imprinting the commodity form on every aspect of its social/natural substratum. Hence as Rainer Funke has argued, rather than looking for the limits of the capitalist economy within the sphere of capital itself, we must look for those limits *in the imposition of capitalist discipline on the society/nature substratum on which it rests* (Funke 1978, p. 223). In other words, the horizon of capitalist development is not to be found in overproduction, over-accumulation, or other forms of disproportional, uneven development (which produce the cyclical crises in which capital is restructured). Capital encounters its limit in the form of an inability to keep the process of commodification

going, ‘in the increasing inability of capitalism to “grow into” a pre-existing infrastructural basis’ (Ibid., p. 228; for comparable approaches, see Harvey 2006, and Luxemburg 1966).

This failure, coupled to the exhaustion of the social/natural substratum on which the market discipline of capital is being imposed, is becoming apparent in the growing malfunction of the reproductive processes of society and nature. This is the first, truly epochal dimension of the crisis. It affects the world as a whole, and both the spread of epidemics and the actual destruction of nature are signs of the impossibility to continue, let alone spread, the way of life as developed in the West.

Even if we assume that capitalist development can be replicated outside the Lockean heartland in which it originated, the exhaustive effects of the mode of production on nature and society would impact a society not organically evolved along with it, 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 planet can support a population of around 1.4 billion living the American way of life, so something has to give if China and India would join the West (as the EU, Japan, South Korea, and parts of Latin America, have done already) on this path. However one looks at it, the idea that contemporary East Asia led by China, will save capitalism as we know it, is unlikely to say the least; first because the Chinese ‘miracle’ is not all that miraculous after all, and second, because it represents a qualitatively different state/society complex.

Indeed China’s contender spurt in the first 25 years of market reform was less impressive (other than the scale on which it occurred) than Japan’s or South Korea’s in the periods of their (postwar) ascent. GNP growth from 1978 to 2004 in China was 6.1 percent a year on average; Japan’s from 1950 to 1973, 8.2 percent; South Korea’s from 1962 to 1990, 7.6 percent (*Le Monde*, 16 June 2005). Purely quantitatively, the weight of the Chinese economy is simply too little to change much in the balance. The expectation that there is another miracle of capitalist development looming on the horizon, cannot be substantiated. Even Japan has not recovered from the Asian crisis, which Western speculative finance unleashed against it in the Clinton years (see my 2006, chapter 9). China’s rise is being exaggerated, and the contender scenario conveniently forgotten. To supply the ‘oil for the lamps of China’ is again a mirage that

animates the West and the size of future markets is being touted by optimistic projections like McKinsey's in Table 1 (incomes all go up steeply after 2005).

Pressure to open up the Chinese market to Western capital has mounted at the same time and the Obama administration has taken an offensive line in this respect. But the very idea that the rise of a 'middle class' of big spenders could somehow save the depressed state of the world's consumer markets, seems remote. 'Even if China can sustain 8 percent growth while reducing investment and shifting private consumption from 40 percent to 55 percent of GDP—where it used to be and should still be—it will be several years before it can have an impact on global demand approximating that of the US,' writes Philip Bowring. 'The fact that Chinese growth has had a huge impact on commodity prices should not lead one to assume that it will play a similar role in stimulating global demand for consumer goods' (Bowring 2007).

The Chinese growth rate has depended on infrastructure and construction, and incremental consumer spending has mostly gone to food and housing. Even the high earners will not spend to the degree that Americans, used to credit-financed over-consumption, are used to. Whilst this may change over the longer run, such a rise of top-end 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' (Ibid.). This is not the same as saying that China cannot overtake the West; but it can only do so if it takes itself and the world on a different path, which should not be simply equated with switching back to a socialist course, but should rest on key elements of its collective potential whilst mobilising the specific 'Asian' sources of strength summed up in Section 2.

Here we should not forget that the contender effort is not a constant, but itself is subject to contradictions. The 'despotism of unification' (Wang 2009a, p. 51) that accompanies the contender state role, more particularly generates enormous pressures on China's multinational make-up (as it did in the cases of the Soviet Union's and Yugoslavia's). Western states have in various ways sought to exploit this by cultivating clients with an eye to grooming them as governing classes of future nation-states (for details, see the website of the National Endowment for Democracy, www.ned.org). However, the survival of the nomadic peoples on the Tibetan plateau for instance is not dependent on US subsidies or the publicity campaigns of Western celebrities. Among the WikiLeaks disclosures in late 2010 was a report on the concerns of the Dalai Lama that climate change is a more urgent issue. The Chinese state has forcibly

made nomadic Tibetans sedentary to save the grasslands from overgrazing, but simultaneously is building vast hydro-electric dams and other infrastructure which are threatening not just the nomadic way of life. The coastal economy's hunger for the provinces' resources of timber and minerals, and influx of Han Chinese migrants, all contribute to further dislocation (*The Guardian*, 18 December 2010).

Measures promised by the leadership, like building 'a socialist new countryside', or the change in the 11th Plan from fostering growth to 'harmonious, sustainable and common development for all', should not too quickly be seen as a turn away from capitalist practices; the fact that the Plan itself has been diluted to an Outline Programme, also weakens the 'plan of production' aspect (Breslin 2007, pp. 183-4). Even so the specific East Asian form of modernity has potentialities that deserve to be brought to the fore. As Victor Kiernan noted two decades 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). China's modernization spurt may in the future be seen in this light rather than as an aberration from the original state socialism.

The Crisis of Imperialism

The second dimension of the crisis concerns Western imperialism and governance through 'imperium'. Anglo-American competition in world affairs has increasingly moved to using the 'comparative advantage' of its military might (Serfati 2004). The forays into Afghanistan and Iraq, the extension of the 'War on Terror' into Pakistan, Somalia, and Yemen, all testify to the attempts by the Anglophone West to offset its loss of economic efficiency by military conquest. Keeping the military-industrial complex in the fight against an enemy which, to the extent it refers to a real entity at all, is largely of its own making, has become the central axis of US development. The role of Israel as the animator of a world-wide struggle against Islam, for which its own role in the colonisation of occupied Palestine provides the model, in this light has to be acknowledged as well (see my 2006, p. 235 & passim).

The propagation of 'national' states where multinationality must be accommodated instead, as in China, Russia, or India, or where tribal or quasi-tribal foreign relations obtain, as in many African states, from Ivory Coast to Somalia, is showing signs of slowing down and backfiring. The process of driving forward what I call the extended

reproduction of the national state form, has not just become stalled in Iraq and Afghanistan. Now that China has emerged as the main contender state, other rising powers and some holdovers from past contests are again being solicited for vassal roles, just as China itself was recruited to assist in confronting the USSR (which earlier was enlisted against Nazi Germany, and so further back in a repetitive pattern). In an interview in 2001, the International Relations scholar, John Mearsheimer, recommended forming a 'balancing coalition' with Japan, Vietnam, Korea, India, and Russia, against China (quoted in Arrighi 2007, p. 203 note). The provocative behaviour of the US and South Korea on the armistice line with the North should be judged in this light too (cf. Gray 2010)

Certainly the debacle of the West's military adventures after '9/11' has increased the manoeuvring space of China, which it has used to broaden its raw material supply across the globe. In many ways the other BRICS countries along with friendly African countries are merely the raw material supply bases of China's rise, with the exception of India but most obviously in the cases of Russia for its energy resources and Brazil for iron ore and soy—sapping the resources needed for their respective industrial development. Thus the mineral and agrarian raw materials component in Brazil's exports has risen from 30 to 46 percent in a single decade (2003-13, UN figures cited in Natanson 2014: 8).. To prevent encirclement, the state class is also using the interval in imperialist power projection to reinforce its defences (most recently, deploying ballistic anti-ship missiles that will force the US to withdraw its aircraft carrier groups from the Western Pacific, *Financial Times*, 29 December 2010).

Transformation Towards a New Economy?

The third dimension of the current crisis is constituted by what Marx calls the first of two 'moments of transformation' of the capitalist mode of production. In *Capital*, vol. III, he argues that the foundations for what he calls 'the associated mode of production', which emerges along with other forces enriching society's collective values, are laid by capitalist development itself (*MEW* 25, pp. 485-6). One, which prepares the new mode of production 'negatively', is the tendency of developed capitalism to descend into ever-more intricate webs of financial swindle. The second is the growing socialisation of labour which turns productive and reproductive process

into a single quasi-organism no longer in need of competitive capitalist pressures to keep it going.

There is little doubt that the ‘financial alchemy’ that has driven capitalist enrichment over the last three decades, has gone up in smoke (Nesvetailova 2010; Gamble 2009). If as some authors claim, we may see one more round of finance-driven growth (Sassen 2010; Patomäki 2010), this will only see the same problems return on an expanded scale, compounded by the aforementioned exhaustion of the social and natural infrastructures. In the quoted passage in *Capital*, vol. III, Marx argues that the explosion of financial fraud and the intractability of fictitious capital, will force governments to take control of the banks irrespective of their political outlook. This in fact is what has happened already in the West, except that the same states are refraining from taking any action to gear investment flows to forms of economic activity suitable to reverse the aforementioned exhaustion of society and nature. Adherence to an untenable economic orthodoxy, coupled to the power of bankers and investors resisting interference, are the most obvious explanations for this state of affairs.

In China, financial swindle on the scale seen in the West, is not possible. In that respect the country is still in the stage of plain corruption, the use of political office for economic gain, which we saw is at the heart of the formation of the cadre-capitalist class. Also, monetary policy is controlled by the aforementioned National Development and Reform Commission, not by the People’s Bank of China (which is one of 27 ministries and agencies under the direction of the State Council, *Financial Times*, 29 December 2010). With its foreign exchange holdings of \$2.4 trillion (cf. Table 2, above) and a non-convertible currency, the country is shielded from the sort of speculative forays that triggered mass corruption in other East Asian countries such as Thailand and Indonesia, and upon the withdrawal of speculative funds in the Asian Crisis left the affected countries disorganised and with massively devalued currencies.

Of course a return to state-socialist planning, associated with the command economy, is not likely. Neither should the possibilities of renewed, democratised planning be underrated though. If cybernetics, the barcode, and other tools of advanced logistics management had been available in the 1970s, Soviet-type contender formations, including China, might have salvaged their planning systems on time. British cybernetics experts working in Chile with the Unidad Popular government of Salvador Allende in the early 1970s in fact were able to insert the elements of

decentralised preference structures, experimentation, and flexible response into a cybernetic central planning project using networks of surplus telex machines (Pickering 2010).

Here the growing overseas involvement of China, aimed primarily at securing its raw material needs and often hardly distinguishable from Western imperialism in this respect, would inevitably be drawn into the planning dynamic. Suppliers would be able to look forward to five-year and longer horizons for their use of the infrastructural facilities China offers, unconditionally in many cases, in exchange for access. A second round of the New International Economic Order movement which I claim elsewhere, was the real first act of globalisation, one raising the ‘spectre of social and economic democracy’ (see my 2006, chapter 4), might become a real possibility, but this time the West would no longer have an economic response in the form of neoliberalism, which has run its course, and would have to rely on its military apparatus more directly.

The Collective Worker and the Associated Mode of Production

So what about the second aspect of the transition to the associated mode of production? Still following Marx’s analysis here, the socialisation of labour is the ‘positive’ moment in the process of which controlling financial swindle is the negative moment (‘moment’ in the sense of a weight adding to a movement, not a time fraction). Above I discussed how labour in China and elsewhere in Asia and the imperialist periphery, to the extent it is inserted into transnational product chains as subcontracted, formally subordinated labour, represents the extreme of a ‘collective worker’.

As Jeroen Merk has documented in his work on the topic, large branded companies in the West (the likes of Apple, Nike, H & M, etc.), impose capitalist discipline, not just on the design and other mental labour in corporate headquarters and their distribution and retail networks, but all along the product chain. Subcontracting implies that market discipline is imposed indirectly. Ideally, capitalist firms will seek to evade as much as possible the overhead costs and other responsibilities (from worker welfare to simple tax obligations). In the West itself, free-lance work in this sense helps to cut off labour power from any social bond that might be turned against company control. Hence, if we look at the transnational product chain as a whole, the ‘collective worker’ comes about only tentatively, via what Merk calls the ‘conductivity’ of the supply chain (Merk

2011, p. 95; cf. Merk 2004, 2009). Through this conductivity, class struggle flash-points echo along the chain as a whole. Struggles about wages and working conditions in subcontracting factories, dramatised by events like the suicides of young Chinese workers in electronics plant dormitories in 2010; anti-sweatshop campaigns surround sporting events in the West; in association with NGO activities like those of the Clean Clothes Campaign, thus combine with concerns of Corporate Social Responsibility managers in large companies, pension funds and 'green' or 'ethical' savings operations investing in them, and so on. The campaign for an Asian Floor Wage would represent, from this perspective, already a more integrated form of integral struggle transcending local issues.

The need to manage the structures of socialised labour and reproduction, has brought forth a new social stratum, the managerial cadre, which develops in the interstices of advanced capitalist society (Duménil and Lévy 1998, and my own 1998, chapter 5). As an auxiliary stratum executing directive roles, but wage-dependent like the workers they supervise, the cadre enjoy a range of material privileges and the prestige that comes with leading others. However, they also, in principle, constitute a segment of the immanent collective worker that forms in the context of the socialisation of labour; they embody, as I have put it elsewhere, the transcendence of class within the limits of class society (1998, p. 137).

This does not mean the cadre are closet Bolsheviks. Their orientation (in production, in reproduction, and as a governing class in state institutions) is necessarily determined by the overall balance of forces between capital and labour, given that as auxiliaries, they serve both of them (professional trade unionists, NGO activists, and the like, also are part of this class albeit with a different understanding of themselves). Like the bourgeoisie in the crisis of empire or royal absolutism, the cadre must be expected to move into the power vacuum that opens up in an organic crisis, in which political legitimacy and the particular economic order break down together.

Today, the cadre are still under the spell of neoliberal dogma, even if the facts on the ground contradict its prescriptions and predictions every step on the way. Yet the depth of the defeat of the Left and the disintegration of its ideology in the last three decades, have allowed the transnational ruling class to hold its own, in spite of the fact that its economic and imperialist order is crumbling. In the process, the coercive streak inherent in neoliberalism has blended with the authoritarian tendency in the cadre mindset itself. Under these conditions, a socialist perspective will necessarily have to be

resurrected as *a critique of managerialism*. Alfred Sohn-Rethel's judgement that we need 'a critique of scientific management not dissimilar in intention for our epoch of transition from Marx's critique of political economy for the classical epoch of capitalism' (Sohn-Rethel 1976, p. 33), has retained its validity. Mao expressed himself in a similar spirit in the 1960s (quoted in Li 2008, pp. 53-4, 57).

This critique, which includes the dissection of how managerial, technocratic thinking and practice govern our lives, will have to be developed in actual struggles aimed at neutralising the neoliberal perspective from which the cadre operate. This inevitably will work differently in the West, where there is a real ruling class behind the cadre, and in China, where the directive class is the actual state class, to which the cadre-capitalist class remains subordinate. Certainly this conflation into a single, visible class bloc also exposes the state class to discontent easily, turning every dispute into a straightforward political contest (So 2003, p. 372). But then the ability to steer society in a direction which it prefers, is something which the state class retains to a degree the managerial and governing cadre in the West does not.

In Table 3, I have summed up the aspects of the crisis discussed above, indicating, on the left, the current response in the West, and on the right hand, an (optimistic) scenario of a series of responses still theoretically open to the Chinese state class. These would allow it, under a reinvigorated democratic socialist compromise with the mass of the population, to join a global coalition for a more just and sustainable world. Of course this is a tall order given the vigorous advance of the capitalist forces within the country. But it is not impossible either, as long as the state class has not been dispossessed and retains the ability to respond to popular pressures by moderating or reversing the market orientation. One may dismiss the 'Chinese options' as over-optimistic and naïve. In the final analysis, however, the fate of China's contender role is bound up with the prospects of its ability to pursue a strategy which links up with the forces of democracy and socialism in the world. These forces have obviously been thrown back in the neoliberal decades, including in China itself. Yet China, and with modifications, East Asia generally, can veer back from this more readily than the West.

Table 3. The West and China in the Crisis.

Western Responses	Crisis Aspects	Chinese Options
Resuscitation of possessive individualism/ American Way of Life	Exposure of the limits to capital; exhaustion of society and nature	Green revolution building on variety of different ways of life
Balance of power strategy, imperialist aggression	Crisis of Imperialism	Building coalitions for democratic global governance and autonomy
State-Banking stalemate	Speculative Finance	Return to democratic socialist planning
Authoritarian neoliberalism	Socialisation of Labour and Cadre Governance	Evolving compromises with the working classes, democratic self-government

Referring to the sort of critique of Euro-centrism exemplified by André Gunder Frank's *ReOrient*, Wang Hui writes that 'The criticism of Euro-centrism should not seek to confirm Asia-centrism but rather to eliminate the self-centred, exclusivist, expansionist logic of dominance.'

In this sense, new Asian visions need to surpass the goals and projects of 20th-century national liberation and socialist movements. Under current historical circumstances, they must explore and reflect on the unaccomplished historical projects of these movements. The aim is not to create a new cold war but to end forever the old one and its derivative forms; it is not to reconstruct the colonial relationship but to eliminate its remnants and stop new colonising possibilities from emerging (Wang 2005).

To overtake the West can only be a meaningful exercise if cast as an attempt to unify the world's population behind a programme for survival, characterised by the 'plan of production' element and hence, 'richer in collective values'. Whether the mounting aggressiveness of the West, compounding its fiscal crisis and drawing its most belligerent states (the US, Britain, Israel, and more recently, France) into further crises, is a sign of its terminal decline, would require a separate study. What appears crucial today is that those states which for reasons of principle or expediency, are holding back from joining the imperialist rampage in the Middle East and Central Asia, explore a new way of life that is compatible with the preservation of the biosphere. For the Chinese state class, it may be the final chance to change course—not least because Western forward pressure and actual aggression are more and more mutating into a

siege of China, directly through the ‘Pacific pivot’ of a Mearsheimer coalition, indirectly by turning their aggressive designs against its raw material bases in the BRICS (Russia in the Ukraine crisis) and in Africa) .

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