

## Chapter 2

# The Prospects for China

Since the time the Soviet Union collapsed, the socialist countries in Eastern Europe that were closely following it have changed their banners one by one. How about China? The first dominoes have fallen down, so how is it that China, which was behind them, still stands firm? China has thus become a hot topic. However, there are more complex questions. Not only is China not falling over, but its economy is developing miraculously. Unexpectedly, during their reform the Chinese have thrown away the traditional planned economy, and have adopted a market economy. Well then, does this not mean the country is getting on a capitalist track? Is China reforming toward capitalism or socialism?

Today, I will discuss two questions according to my own personal understanding of the situation.

### 2.1 Are the Present Chinese Reforms Headed Toward Capitalism or Socialism?

Several years ago, a Hong Kong journal reviewed China's reforms, saying, "Not to reform means to await death, while to reform means to court death." The phrases clearly meant that socialism basically does not work. If one firmly upholds socialism, then is one not simply awaiting death? If one wants to reform and to change socialism, then one is said to be turning into a capitalist. One is then promoting socialism's doom. The next issue of the journal printed a letter from a reader, which applauded the humor of the wisecrack about reforming socialism. The remark was truly witty and it made people laugh. Nevertheless, wisecracks and funny sayings do not necessarily agree with facts. They do not necessarily reflect the truth. This remark stems from a mistaken understanding of what ultimately constitutes "socialism." And even more unfortunately, this mistaken understanding of socialism is

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exactly the same as that held by some conservative “Leftist Grandfathers” in China. They oppose reform, believing that the only genuine and model socialist systems are those implemented in the past by China and by the Soviet Union, and that all of the world’s remaining socialist systems have fallen under the capitalist system. According to this kind of understanding, capitalism and socialism are antagonistic systems, which are as incompatible as fire and water: if you do not gobble me up, then I will gobble you up. However, actual developments differ. This kind of understanding was left behind long ago by the wheels of history.

The world is changing. The wheel of history rolls on. People’s understanding of things is continuously being perfected.

First of all, let us take a look at capitalism. The capitalist system has undergone constant change in the past 300 years. It has constantly improved itself. If one compares the capitalism of today with that of the latter half of the eighteenth century, one will notice that it has long changed beyond recognition. If one says that improvements carried out and changes made in a certain type of system imply that the system has lost its intrinsic qualities and, therefore, is no longer itself, well then, who knows how many times capitalism has died in the past three centuries? If the capitalist system can change continuously and yet still can be called capitalism, well then, why can’t a socialist system be reformed? Why is it that as soon as it is reformed it is said to have lost its intrinsic qualities? And why is the death knell of socialism sounded so loudly?

The question lies in what constitutes socialism, and how we recognize it.

I cannot make a long-winded, pedantic discussion here. Stated simply, as everyone knows, the word “socialism” was first coined by an Italian priest. He opposed individualism and believed that human beings have a social nature. Therefore, “socialism is the objective demand of human historical development” (See German scholar Karl Greenbeger’s *Against Socialism*, 1830). Thirty years later, the utopian Socialists Robert Owen, Saint-Simon, and Charles Fourier began to use the term “socialism” to oppose economic and moral injustices and unfairness in capitalist society at that time. They tried to establish a socialist system of public ownership superior to the private ownership system of capitalism. Karl Marx and Friedrich Engels criticized Owen and others for their fantasy of socialism. At the same time, they noted that the most ideal social system of the future would be communism. The communism in their minds was a system of public ownership to replace private ownership of the means of production, in which productivity was highly developed and in which there would be no commodities or currency. In a communist society, products would be distributed to each according to his worth; each would work as much as he could and take as much as he needed. By that time, classes and class struggle would be abolished and the state would wither away. People would develop in a fully free manner. The free development of the individual would be the precondition for the development of all mankind. This was communism in the minds of Marx and Engels. They believed that before communism could be realized, human society had to undergo a “transition stage,” namely, socialist society. So, then, what is the fundamental difference between socialism and communism? The answer lies in their different distribution systems. Under

communism, distribution will be based on one's needs. Under socialism, distribution is based on one's work.

I do not intend to quote further Marxist writings. However, when Vladimir Lenin was summing up the experience of the Paris Commune, he clearly described what socialism was in his view. To Lenin, socialism meant: (1) implementation of a system of general elections and, when necessary, the people have the right to dismiss and replace officials; (2) the wages of officials must not exceed those of skilled workers; and (3) the people are empowered to supervise the bureaucracy and thoroughly abolish bureaucratism, thereby manifesting fully the people's democracy (p. 266, vol. 3, *Selected Works of Lenin*).

Lenin became leader of the Soviet Union after the October Revolution. At the beginning he emphasized that socialism must abolish private ownership of the means of production, abolish commodity production, and abolish currency. But later, this turned out to be inapplicable. In particular, the Bolsheviks faced enormous political and economic difficulties at the time. Later, we have come to see that no one has been able to realize Marxism's earliest conception, no matter where: the Soviet Union, Eastern Europe, or China. Fundamentally, it is not possible to abolish commodity production and currencies.

We can see from the above discussion that:

1. Socialism emerged in opposition to injustices and unreasonable phenomena brought along by capitalism at the time. In the past 100 years, socialism has been pursued and yearned for by many progressive people. Why? Mainly because the pursuit of a reasonable, democratic, free, equal, and wealthy society suits the ideals of humanity's development. This is the aim pursued by socialists. This goal determines the intrinsic nature of socialism.
2. With regard to what many people have envisioned what socialism ought to be, beginning with Marx and down to the present: abolishing commodity production, abolishing currency, having a planned economy, and so on. Well, these are all means. Why did Marx propose replacing the private ownership system with public ownership of the means of production? This was based on his understanding of the social system at that time: namely, all evils and injustices within the capitalist system originated from private ownership. However, socialists do not struggle in pursuit of public ownership. The public ownership system is a means to attain an ideal society. One can have various means to attain a goal. If one day practice fully proves that public ownership cannot resolve social injustice, well, then, why not change to a different means? The question of a planned economy or a market economy is just the same. Socialist countries can also adopt a market economy; this really is a great breakthrough in the development of socialism. Marx proposed a planned economy, in which all production would be carried out according to a plan, and actual demand would determine how much should be produced, because he was targeting the anarchy in capitalist production at the time, such as overproduction and dumping wheat and milk into the seas while some people went hungry. Marx really had a good concept, but practice has proved that it actually does not work. This is because at

the levels of modern science and technology as well as in terms of administrative management, the various needs of all the people of a state cannot be calculated out clearly. Thus, the planned economy has become a subjective, blindly directed, and bureaucratic economy.

While the goal of an ideal society pursued by socialism does not change, the means to realize socialism, whether proposed by Marx or later by others, can change. Capitalism engages in market economy. Socialism has flung away the planned economy and adopted a market economy. If this is progressing toward capitalism, why is it that in many capitalist countries the means employed by many socialist countries are adopted and yet one does not say that they are advancing toward socialism? For example, one can cite housing allocation in Singapore, limited capital and high capital accumulation taxes in several countries of Northern Europe, including many Western countries tending toward welfare states, partial use of nationalization, and so on. The changes in these nearly socialist societies do not give rise to the question as to whether capitalism is doomed in these countries.

China has taken many detours and made some mistakes in the process of establishing socialism. At present, China still firmly upholds the construction of a socialist society with Chinese characteristics. China is not at all making a fresh start to pursue capitalism. Of course, I am confident that when China successfully builds up socialism with Chinese characteristics, it will be superior to capitalist societies. It is just as Deng Xiaoping said during his famous Southern Tour in 1992, "In short, if we want socialism to achieve superiority over capitalism, we should not hesitate to draw on the achievements of all cultures and to learn from other countries, including the developed capitalist countries, all advanced methods of operation and techniques of management that reflect the laws governing modern socialized production." It is my understanding that "socialism with Chinese characteristics" means two things: (1) start out according to China's actual circumstances and (2) all effective things can be brought for use in China—anything in the world that is good, regardless of whether it is from the East or the West.

Actually, if we ponder a bit more deeply, we will discover that the kind of capitalism that Marx analyzed deeply back then has now changed into something unrecognizable. The type of socialism that Marx envisaged has not yet made an appearance on earth. The perfect socialist model has not yet taken shape. At present, the relationship between socialism and capitalism is not like the antagonistic propaganda of the Cold War in which the two were as incompatible as fire and water. As early as the 1960s, the Dutch economist Jan Tinbergen, a famous Nobel Prize winner, said, "right now the capitalist and socialist systems are both in the developing stage. Many changes make it clear that there is a trend of convergence. It can even be proven that both kinds of systems are developing toward the best of certain circumstances, and developing toward a more perfect system than previously understood as purely capitalist or purely socialist." A developing trend has appeared in which the basic differences between the two will gradually lessen or be eliminated. The dynamism is one of "convergence." While the Soviet Union collapsed, China's development has conformed to this trend of convergence.

Now let me turn my attention to the second issue, that of China's reforms.

## 2.2 Can China Succeed in Its Reform?

Ten years ago, American scholars held a symposium in Washington, D.C., on the possible success of China's reform. It was said that some scholars argued that the reform would fail. They cited examples of many reforms that failed in Chinese history, including those by the Nationalist Government and by the Communist Party of China since it came to power. Although opinions at the symposium did differ, they concluded that the contemporary reform was bound to fail. Scholars who have a deep understanding of China disagreed with such a pessimistic viewpoint.

A few years later, the international media suddenly proclaimed a miracle, saying "the giant, China, is awakening" and "China's abrupt rise is compelling." For example, the May 10, 1993 international edition of the *Time* magazine carried 32-page special coverage reporting on swift economic growth and the take-off of high-grade, precise and advanced technologies in China. (For example, China holds a leading position in laser optics, biological techniques, superconductivity, radio-active isotopes, etc.) This magazine report was titled "China: The World's Next Superpower." On April 5, 1994, the French newspaper *Figaro* said that China was the only country in the world now striving to slow down the pace of its GNP rate. Since 1992, China's economic growth has maintained a stable rate of around 13 %. The government has tried to reduce it to 10 %. Such growth in China has to affect the rest of the world. In fact, China provides a real stimulus for certain industrial sectors in the world.

In the past 15 years of reform, there have been relatively large increases in China's economic growth and comprehensive national strength. This is obvious and no one can deny it. Since reform and opening up to the outside world, China has successfully completed three Five-Year Plans (namely, 1981–1985; 1986–1990; and 1991–1995). In the 8th Five-Year Plan (1991–1995) period, gross industrial and agricultural output values increased as follows: 1991, 8 %; 1992, 13.6 %; 1993, 13.4 %; and 1994, 11.8 %. For the first 9 months of 1995, the aggregate rise in gross industrial and agricultural output value was 9.8 %. The predicted annual growth rate is 10 %. Thus, China continues to remain in the front ranks among national growth rates.

Between 1978 and 1992, China's GNP increased 2.6 times. Five years ahead of plan, in 1995, China attained the initial goal of quadrupling its 1980 GNP by the year 2000. (In other words, if 1980 had a base index of 100, then by the year 2000 it should increase to 400). This growth is all the more outstanding compared to the overall situation of economic recession in Western countries.

A little more than 1 month ago, on September 28, the Fifth Plenary Session of the 14th Central Committee of the Communist Party of China formulated China's 9th Five-Year Plan (1996–2000). The main objectives for national economic and social development were defined as follows: "to quadruple 1980's per capita GNP by the year 2000." It must be noted that the per capita GNP is calculated according to the actual population. Even with strict implementation of the government's family

planning policy, by the year 2000 the population will be 300 million larger than in 1980. Under the condition of an additional 300 million people, it is by no means an easy task to quadruple the per capita GNP. Nevertheless, those who understand the actual situation generally believe that the task proposed for the 9th Five-Year Plan can be accomplished.

Concurrent with rapid economic growth, China has set up an industrial system that is complete in range. China ranks among the leading countries in the world in resource development, grain, coal and other basic industries. Since nationwide reform and opening up to the outside world, development has remained swift in the Pearl River delta, the Yangtze River delta, and Shanghai's Pudong Development Zone. The inland regions are gradually catching up.

In line with increases in people's incomes, there has been a transition in people's lives from having just enough to eat and wear toward being comparatively well-off. Consumption, production, and investment demands are rising fast. At the same time, China's trade is growing rapidly. Correspondingly, China's economic system and structures are changing steadily.

The phrase cited above, "China's abrupt rise is compelling," is correct. The momentum for growth is strong. Of course, there are problems along with development. For example, weak links in China's economic growth include a lack of capital, obsolete infrastructure, and backward agriculture. Moreover, large state-owned enterprises have poor economic results and weak vitality. Furthermore, the past 2 years have seen currency inflation, hidden unemployment, and other problems.

Knowing the above problems but underestimating the actual ability of China to resolve them, an American scholar recently published an article entitled "The Coming Chinese Collapse." He predicted that China would collapse in 10–15 years.

I think that whoever understands China's actual situation will disagree with that conclusion. Nonetheless, I believe that China should welcome articles such as the one just mentioned. Although the prediction and conclusion are wrong, such articles will help China remain cool-headed in her advance toward further success. China should not become dizzy with her achievement. Still, these articles may play a role in misleading the American people and American decision-makers.

Although the article mentioned above does not deny China's present smooth economic growth, the author does not believe that the fruits of economic growth are being shared by the broad masses of the Chinese people. Moreover, the article mentions that inflation has not been curbed effectively and that the relationship between the government and the people is not good. He contends that China's present government is weak and powerless; it has lost both its former legitimacy and its actual enforcement abilities; it does not trust the intellectual elite; and it cannot attain full employment. These are all causes of dissatisfaction in society. The author contends that direct factors leading to China's collapse will be: contradictions that will arise between those who have become rich under the current economic conditions and the poor, and between those who have become rich and the government, thereby in turn aggravating contradictions between the poor and the government. Furthermore, unbalanced regional development will create an

aimlessly wandering mass of migrants, which in turn will create contradictions between migrants and local residents. All of these contradictions, when based on conflicts between the central government and regional interests, will be exploited by local bureaucrats and locally stationed armies, leading to the destruction of the central government's political power.

I would say that while the problems mentioned by the author exist in China, the real issue is that some of these problems actually are not as serious as he imagined. He regarded some as an overall situation when they are local. Other problems he mentioned have been resolved already. Still others are in the midst of being effectively resolved.

For example, it is not precise to say that the fruits of economic growth are not being shared by the broad masses of the people. After some people get rich first, the fruits of the economy are not equally shared among the broad masses of the people. Nevertheless, standards of living have generally been raised for all the people, in both urban and rural areas. In line with the growth of the rural economy, the lives of farmers have been improved remarkably. Taking housing for example, 60 % of farming households have built new homes in the past 15 years. Between 1979 and 1994, Chinese farmers built around 10 billion square meters of housing, three times the area of the previous 30 years. However, since their quality is poor, the government is helping 900 million farmers build better houses.

We consider now the matter of currency inflation. Since the beginning of 1995, the Chinese government has made curbing inflation a major economic task along with strengthening and improving macroeconomic readjustments and controls. In September 1995, the rise in retail commodity prices fell back to 11.4 % from 23.2 % in December 1994. For the first and second quarters of 1995, the average rise in retail commodity prices was 16.6 %. It is predicted that for the entire year of 1995, these prices can be curbed to around 15 % rise. Of course, at present, the price rises are still rather high; yet, compared to the 23.2 % of 1994, they are clearly falling back. When compared with other countries undergoing economic transition—for example, in Eastern Europe, Poland's currency inflation was 33 % while it was reforming, and Russia's was 200 %—we cannot say that price controls are ineffective in China.

Let us turn now to the question of the relationship between the Chinese people, the Communist Party, and the government. The 1993 issue of the *Time* magazine mentioned earlier emphasized in particular that there was not a hint of decline in the Communist Party of China. Moreover, the number of Party members was still rapidly increasing. By the end of 1993, Party members numbered more than 52 million.

Recently, another article diametrically opposed to the opinion that China is verging toward collapse was published. Entitled "Why China Will Not Collapse," the article quotes a December 1990 survey done by Professor Andrew Nathan of Columbia University and Dr. Tianjian Shi of Duke University. I quote, "The two researchers asked respondents whether they considered their government's treatment of its citizens to be fair. The majority of the Chinese respondents, 57 %, considered their government fair, which is only slightly lower than the percentage in Germany (65 %) but is higher than in Italy (53 %) and Mexico (42 %)."

Because of time limit, I will say no more regarding such matters as the sharp contradictions between the central and local governments or the unbalanced economic growth in the coastal and inland regions of China.

Why do some people often mistakenly view Chinese affairs? I think that this is because they do not see issues in dynamic or developing terms. They consider matters as fixed and unchanging. They are also often fond of making inappropriate historical analogies. Furthermore, they do not think that Deng Xiaoping's China is very different from Mao zedong's China. There will also be many changes between Deng's China and the post-Deng China. All of these changes are gradual. They are not so clear superficially, but they are greatly different in substance.

To return to my initial point in the second half of this speech, everyone can see that China is rising abruptly. This is compelling. Nevertheless, not everything is fine. The oncoming force is tremendous; like a mountain torrent breaking loose, it does not always take a predictable path. When a mountain torrent breaks loose, it scatters the earth and makes rocks fly. Mud and sand are carried along. (In other words, the good and bad are mingled.) A mountain torrent will attack and destroy some homes, people, and animals. Reform also brings along some bad things, such as greed for money, gambling, and prostitution. Flies and mosquitoes come along too. Even within China, some people abhor the vulgar world and sigh that the present is not as good as the past. This is very natural. This is the way that history has developed. The mighty torrent is overpowering, yet the heavens will not collapse.

Society will readjust itself. Early Marxists committed a fatal mistake, namely, although they rather accurately foresaw the corruption and crises of early capitalism, what is unfortunate is that they underestimated or even fundamentally overlooked the capacity of capitalism to overcome crises by itself. Today, I hope that foreign friends who are concerned with developments occurring in China's present reform do not make the same mistakes.

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Ideal of Traditional Chinese Thinking

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