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connections

**Title: China Economic Reforms—Purposes  
and Limitations**

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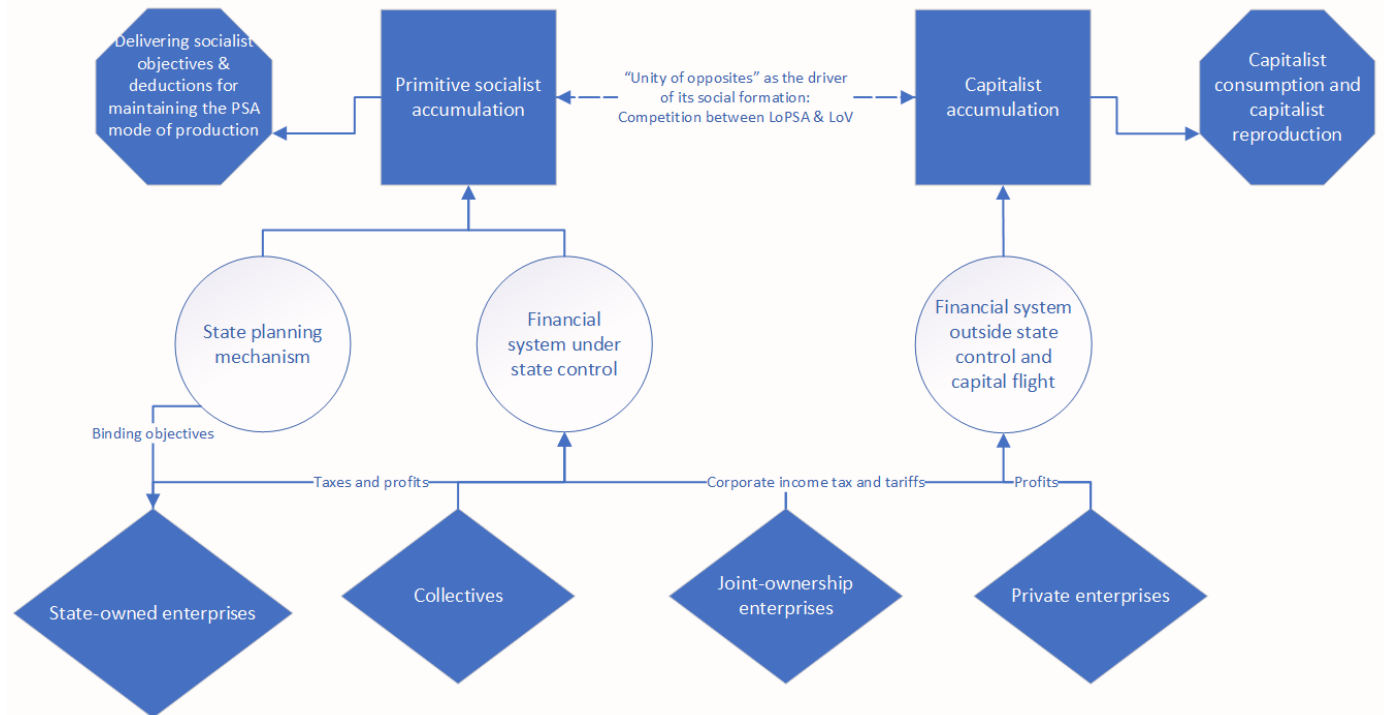
# Heterodox economists' views on China's market reforms

- Panitch and Gindin
  - Joel Andreas
  - Hart-Landsberg and Burkett
  - McNally
  - Isabella Weber
- 
- Capitalist reforms

# China is a transitional economy driven by two laws

- The unity of opposites, namely the competition between the law of primitive socialist accumulation and the law of value, is the driver of China's social formation ever since it was founded in 1949
- Through the financial system under state control and the state planning mechanism, the private sector also contributes to primitive socialist accumulation (PSA)
- PSA can be used for delivering socialist objectives and for maintaining the current system
- But the contradictions and struggle between PSA and CA are constant and would never achieve an equilibrium due to competition

## Primitive socialist accumulation and capitalist accumulation in the transitional economy under the CPC regime



# Background of economic reforms

- Changes in international developments in late 1970s; technical potential of industry introduced by the Soviet in the 1950s exhausted; the Sino-Soviet split; central planning with internal accumulation alone was deemed incapable of meeting the need for modernisation; growing public discontent as wages and consumption had been severely restrained due to the sustained and intense internal accumulation for industrialisation.
- Nixon's 1972 visit to China
- Four Modernisations (agriculture, industry, science and technology, and defence) as the undisputed priority

# The Decision on Reform of the Economic Structure (20 Oct 1984)

- Built on a series of experimental trials from 1978 to 1983 including
  - Endorsing contracting output to households in agricultural production
  - Creating special industrial zone and special economic zones
  - Reforms of state enterprises management, material allocation, wage system and bank loans
  - Decentralisation of the state's foreign trade system
  - Substituting profit remittance by taxation
- Market-based price determination
- Decollectivisation in the countryside
- Township and village enterprises
- Resurrection of the market economy (or “commodity market”)

# 实行劳动用工合同制

## Implementing the Labor Contract System

深圳经济特区建立后,为适应外商投资企业自主选择用工形式的需要,于1980年首先在中外合资企业试行劳动用工合同制。从1982年起,劳动用工制度改革开始逐步推广到国营企事业单位和国家机关。1983年至1984年,深圳全面推行劳动合同制,打破了企业干部和工人的身份界限。

1984年,深圳成立了全国第一家企业化经营的劳动服务公司——深圳市劳动服务公司,对劳动力市场进行管理。深圳通过劳动用工制度改革和劳动力市场的建立,引入竞争机制,使劳动力资源得到较为合理的配置,促进了经济高速增长。



图宾馆  
Contract system firstly in China.  
国家推行劳动合同制,打破“铁饭碗”,率先进行了劳动用工制度改革。



劳务工人们如饥似渴地学习,图为20世纪80年代末期,妈妈带着儿子去“借书”。  
In the end of the 1980s, a mother was reading in the "Evening University" while taking her son.



漂泊在高楼之间的洗墙工们  
Wall-washing workers swaying between skyscrapers

女工们下班后排队洗澡  
Female workers queued to bathe after work.

## 深圳证券交易所

### Shenzhen Stock Exchange Market

快速筹集社会闲散资金用于经济建设,深圳首创集资试点,公开向社会发售股票。宝安联合投资公司发行新中国第一张县股份制合作企业发展。1987年5月,行深圳经济特区分行批准,深圳发展银集790万元股金,开深圳股票发行市场。9月,深圳经济特区证券公司成立。12月1日,深圳发展银行股票在深圳经济特上市,揭开了深圳股票交易所的序幕。1990年12月1日,深圳证券交易所正式成立,大证券交易所之一。

1983年宝安发行的新中国第一张股票  
The first stock with certificate of the PRC issued by Bao'an in 1983

早期的证券交易所(图略)  
The place for stock exchange trading in the early period

1990年12月1日,深圳证券交易所开业。  
Shenzhen Stock Exchange opened for business on December 1st, 1990.

1990年12月1日,国务院副总理陈慕华(右一)出席深圳证券交易所开业仪式。  
Chen Muhua (1st from right), vice premier of the State Council, was present on the opening ceremony of Shenzhen Stock Exchange.



## 引进外资办企业

Running Enterprises by Introducing Foreign Capital

深圳经济特区的初期时期，主要采用“三来一补”（来料加工、来样生产、来件装配、补偿贸易）形式办工业，后来逐步发展到以自产产品为主的“三资”企业（中外合资、中外合作、外资三类外商投资企业）。通过引进外资，深圳积累了建设资金，学习了国外的先进技术和管理经验，为兴办“三资”企业，促进产业升级准备了必要的物质基础。到1985年底，深圳特区已与外商签订协议4696宗，协议投资33.5亿美元，占全国直接利用外资的六分之一。1985年底，特区已有“三资”企业1075家。



1979年12月，深圳上屋村引进美国第一家服装企业。  
Shenzhen 1979 12th month, Shenzhen Upper Village introduced the first American clothing company.



深圳市欢乐汽水厂  
热烈欢迎美国副总统  
布什先生光临参观

中港合资的第一家企业——百事可乐厂  
Sino-US Joint Venture, The First Sino-US Joint Venture



深港实业界的建立合资企业  
Shenzhen and Hong Kong industrial界的建立合资企业



深圳市电子门（香港公司投资）  
Shenzhen Electronic Door (Invested by Hong Kong Company)



1984年深圳第一座电子门  
1984 Shenzhen's first electronic door

## 确立外向型经济发展战略

Shenzhen's Development Strategy of Export-Oriented Economy

1986年2月7日，国务院批准《经济特区工作会议纪要》。特区要努力建立以工业为主、工贸结合的外向型经济。重点要从铺摊子、打基础转到抓生产、上水平、求效益。深圳按照《纪要》精神，压缩基建规模，重点扶持符合经济要求的建设项目。



浮法玻璃厂  
Float Glass Factory



1986年的重点发展企业——沙角B电厂  
Shajiao Power Plant B



深圳卷烟厂  
Shenzhen Cigarette Factory



供水厂  
Water Supply Plant

## 兴办内联企业

Setting up Inland-Associated Enterprises

20世纪80年代初，深圳特区与内地的协作主要集中在基建领域。随后，开始实行跨地区、跨行业、多层次、多形式的经济合作。短短几年内，中央40多个部委、30个省、自治区、直辖市都在深圳设立了办事机构，兴办了内联企业。深圳市很快扭转了资金、技术、人才紧缺的困难局面，为经济发展奠定了基础。内联企业成为深圳经济的重要力量之一。



深圳较早的大型内联企业——电子工业部深圳电子工业总公司  
Shenzhen's early large inland-associate enterprise - Shenzhen Electronics Industrial Corporation



1983年，轻工业部和中国国际信托投资公司联合内地18个省市的轻工业部门在深圳成立了华联控股（集团）公司。  
In 1983, the Ministry of Textile Industry and China International Trust Investment Co. (CITIC) combined the textile industry departments of 18 provinces and regions in Mainland China to set up Union Trustee of China Group Ltd. in Shenzhen.



华联大厦奠基典礼  
Inauguration Ceremony of Huailian Building



# Continuous reforms in the 1990s and 2000s

- The attempt led by the then Party Secretary Zhao to make a full transition to a capitalist market economy was suppressed
- The role of market in allocating resources reaffirmed but public ownership remain as the mainstay in the economic system
- SOEs reforms based on “grab the large, let go of the small” in late 1995
- China’s accession to the World Trade Organisation in 2001; successful integration with the world market
- SOEs become separate entities from the government and put under the management and supervision of State-owned Assets Supervision and Administration Commission (SASAC)
- Small and medium-sized SOEs privatised while “national champions” were restructured and reformed to become world-beaters
- Millions of unemployed and migrant workers from the countryside seeking non-farm income → a labour market has been created for capitalist accumulation
- SOE ownership reform signified in the 2013 Third Plenum; private parties allowed to take controlling stakes in the mixed-ownership reform e.g. China Unicom – 14 companies owned 35.2% shareholdings in 2018 mixed-ownership reform
- Beijing Stock Exchange opened in November 2021



# Successes and limitations

- Basic self-sufficiency in grain and staple food despite having only 9% of world's arable land and 6% of the freshwater resource (Xinhua, 2022)
- China overtaken USA in terms of purchasing power since 2017 (World Bank, 2022)
- China as the engine for global recovery
- China's space programme and NASA's failed moon rocket launch
- Super-rich, officials-turned-capitalists, increasing inequalities and worsened polarisation
- Women as the main casualties in decollectivisation (suicide as the leading cause of death among adult women in China rural areas, WHO report 2009)
- Worsening polarisation and inequalities (disorderly expansion of capital and powerful capitalists)
- Prevalence of capitalist ideology in the society including the cultural and economic sectors

# The dominance of the public sector

- “It is clear now that the right approach is to open to the outside world, combine a planned economy with a market economy and introduce structural reforms. Does this run counter to the principles of socialism? No, because in the course of reform we shall make sure of two things: one is that the public sector of the economy is always predominant; the other is that in developing the economy we seek common prosperity, always trying to avoid polarization. The policies of using foreign funds and allowing the private sector to expand will not weaken the predominant position of the public sector, which is a basic feature of the economy as a whole. On the contrary, those policies are intended in the last analysis to develop the productive forces more vigorously and to strengthen the public sector. So long as the public sector plays a predominant role in China’s economy, polarization can be avoided.” (Deng [1985] quoted in Bramall 2009, 336)
- Under Article 6 in the Constitution, “In the primary stage of socialism, the State upholds the basic economic system in which the public ownership is dominant and diverse forms of ownership develop side by side and keeps to the distribution system in which distribution according to work is dominant and diverse modes of distribution coexist.” (NPC 2004).
- The institutional set-up under the proletarian regime enables the “utilisation, restriction and transformation” of private enterprises to support and contribute state planning towards social objectives.

# Next stage of economic reforms

- Rebuilding the Communist Party and restoring the leading role of official ideology
  - Continuing crackdown on corruption throughout the state apparatus
  - Elimination of absolute poverty (55.75 million rural residents lifted out of poverty)
  - Campaign to “combat organized crime and root out local Mafia” which netted a significant portion of the local bourgeoisie which emerged in the last two decades
  - Egalitarian reforms in the provision of healthcare, education and housing (over 1.3 billion people with basic medical insurance and nearly 1 billion people with basic old-age insurance)
  - Enhanced regulation on private capital including overseas listing, anti-competitive practices, breach of national security
  - Programme of “common prosperity”
  - Guidelines for Further Easing the Burden of Excessive Homework and Off-campus Tutoring for Students at the Stage of Compulsory Education
- To achieve China’s socialist modernisation by 2035, having achieved the first centenary goal – to become “a moderately prosperous society” in all respects in 2021

# Conclusions

- China is a transitional economy where the law of primitive socialist accumulation and the law of value are in competition. This is the driver of its socioeconomic formation, a “unity of opposites” with capitalist and non-capitalist elements.
- Capitalism in China remains dominated by the CPC regime and its social-economic base.
- The flourishing of private enterprises leads to inequality and capitalist accumulation, but restrained by state policies and the law of PSA.
- The danger of capitalist restoration remains. However bourgeois forces have been in decline since the world capitalist crisis in 2008 and suffer further blows with the Covid shock, as the CPC and state sector mobilises to satisfy social needs, take control of sectors vacated by capitalists and impose more control on capital.
- A series of campaigns aimed at rebuilding the CP and restoring the leading role of official ideology have been underway. These recent developments show the continuing dominant role of the CP in the political economy of the PRC, and the resulting reconfiguration of public and private power and property could usher in a “new socioeconomic formation” (Jabbour et al 2021)
- The zig-zag of PRC policies since 1949, further heightened by the market reforms since 1979, signifies the oscillation between the two laws. Rising productivity of the state industry and its connection with the world market have brought deeper trading relationships and integration, as well as producing further contradictions between the two systems of accumulation.
- The banning of Chinese telecoms companies from the US market and fresh restrictions on exports of US chip technology to Chinese companies is a sign that the tolerance is waning. World imperialism in decline now determined to break PSA.
- Is China going to buckle or carry on its reforms to achieve socialist modernisation by 2035?

# A set of long-range objectives for China to basically achieve socialist modernisation by 2035

- China's economic and technological strength, and composite national strength will increase significantly. A new stride will be made in the growth of the economy and the per capita income of urban and rural residents. Making major breakthroughs in core technologies in key areas, China will become a global leader in innovation;
- New industrialization, IT application, urbanization, and agricultural modernization will be basically achieved. China will finish building a modernized economy;
- The modernization of China's system and capacity for governance will be basically achieved. The people's rights to participate and to develop as equals will be adequately protected. The rule of law for the country, the government, and society will be basically in place;
- China will become a strong country in culture, education, talent, sports and health. The well-rounded development of all people and social etiquette and civility will be significantly enhanced. China's cultural soft power will grow much stronger;
- Eco-friendly ways of work and life will be advanced to cover all areas of society. Carbon emission will steadily decline after reaching a peak, and there will be a fundamental improvement in the environment with the goal of building a Beautiful China basically reached;
- The opening-up will reach a new stage with substantial growth of the country's strengths for participating in international economic cooperation and competition;
- The per capita GDP will reach the level of moderately developed countries. The size of the middle-income group will be significantly expanded. Equitable access to basic public services will be ensured. Disparities in urban-rural development, in development between regions, and in living standards will be significantly reduced;
- The implementation of the Peaceful China initiative will be promoted to a higher level. The modernization of national defense and the military will be basically achieved;
- People will lead a better life, and more notable and substantial progress will be achieved in promoting well-rounded human development and achieving common prosperity for everyone.

# The Outline of the 14<sup>th</sup> Five-Year Plan - A New Journey Towards a Modern Socialist Country

- “The world today is undergoing momentous changes of a kind not seen in a century. The latest round of scientific and technological revolution and industrial transformation is well under way, and the global balance of power is shifting markedly...
- China is now in a stage of high-quality development and possesses notable institutional strengths...China enjoys many of the strengths and condition needed to continue developing into the future. On the other hand, unbalanced and inadequate development remains an acute issue, reform in key sectors and links still poses a daunting task, and China’s innovation capacity remains below the level needed for high-quality development...
- We must acquire a full understanding of the new features and requirements arising from the change to the principal contradiction in Chinese society and the new issues and challenges stemming from the complicated international environment...
- We must carry forward the spirit of struggle, build our ability, and prepare ourselves for worst-case scenarios. We must remain sensitive to changes, respond to them adeptly, and be ready to make adjustments when necessary. We will foster opportunities amid crises, open up new vistas amid a shifting landscape, and strive to seize opportunities, rise to challenges, and avoid pitfalls as we determinedly forge ahead.”