



14th Annual Conference: The Changing World Economy, and Today's Imperialism

Istanbul Bilgi University, Türkiye

China Panel 3. China in World Capitalism

**Primitive Socialist Accumulation as Contender Development:
Comparing the political economy of development of postwar
Japan and the People's Republic of China**

Presenter: Sam-Kee Cheng,

Research Assistant Professor,

Faculty of Social Sciences, University of Macau

Skcheng@um.edu.mo

7 September 2024

Research questions

- Is China going to be another Japan? It can achieve economic catch-up but will remain as a dependent development/client state to the US?
- If China's economic development has been largely due to being a "servant" to the US, how do we explain China's continuous industrial upgrade and plan to develop new productive forces which defy the its assigned role as a cheap assembly hub for outsourced low-value added industries?
- How did this contender development to the US "hegemony" come to being? What are the differences between the political economy of development of China and postwar Japan?

Arguments

- This paper adopts Radhika Desai's Uneven and Combined Development theory to explain contender developments in US-led global capitalism.
- This paper argues that postwar Japan's economic reconstruction and nation-building was based on political dependence on the US and resulted in its limited contender development to US dominance.
- It further argues that China is able to continue and deepen its contender development in face of mounting US pressures, different to Japan, because of primitive socialist accumulation (PSA) which competes with and restricts capitalist accumulation. PSA is the backbone for China's contending development to US imperialism.

US's ascendancy to superpower but not unchallenged

- The US was producing half of the world's industrial output with just 6% of the world's population at the end of the Second World War.
- The Soviet Union's victory over Nazism and successive revolutions in the colonised world meant that anti-colonial resistance was popular and had the material and ideological backing of the Soviet Union.
- In order to rebuild the world order under its "permanent" dominance, it required a "new" form of imperialism which could accommodate the new situations without direct colonial rule—to establish US dominance through international financial system and to contain the influence of communism.
- A succession of unstable arrangements—military and economic actions—were pursued including the Korean War, the Vietnam War, the Bretton Woods system, the construction of the Dollar-Wall Street regime, deepening of financialisation, deregulation of global financial markets etc.

Uneven and combined development (UCD)

Originated from the Russian revolution. The concept was aimed to show how it was possible for the working class to overthrow Czarism and start the overturn of the capitalist order worldwide--

- Unevenness: Highly uneven distribution of industries in the world, concentrated in the leading capitalist states. Unevenness between/within regions and states. A world market occupied between leading industrialised powers.
- Combined Development: The co-existence of the most advanced capitalist industry with pre-capitalist social, political and cultural institutions within states.

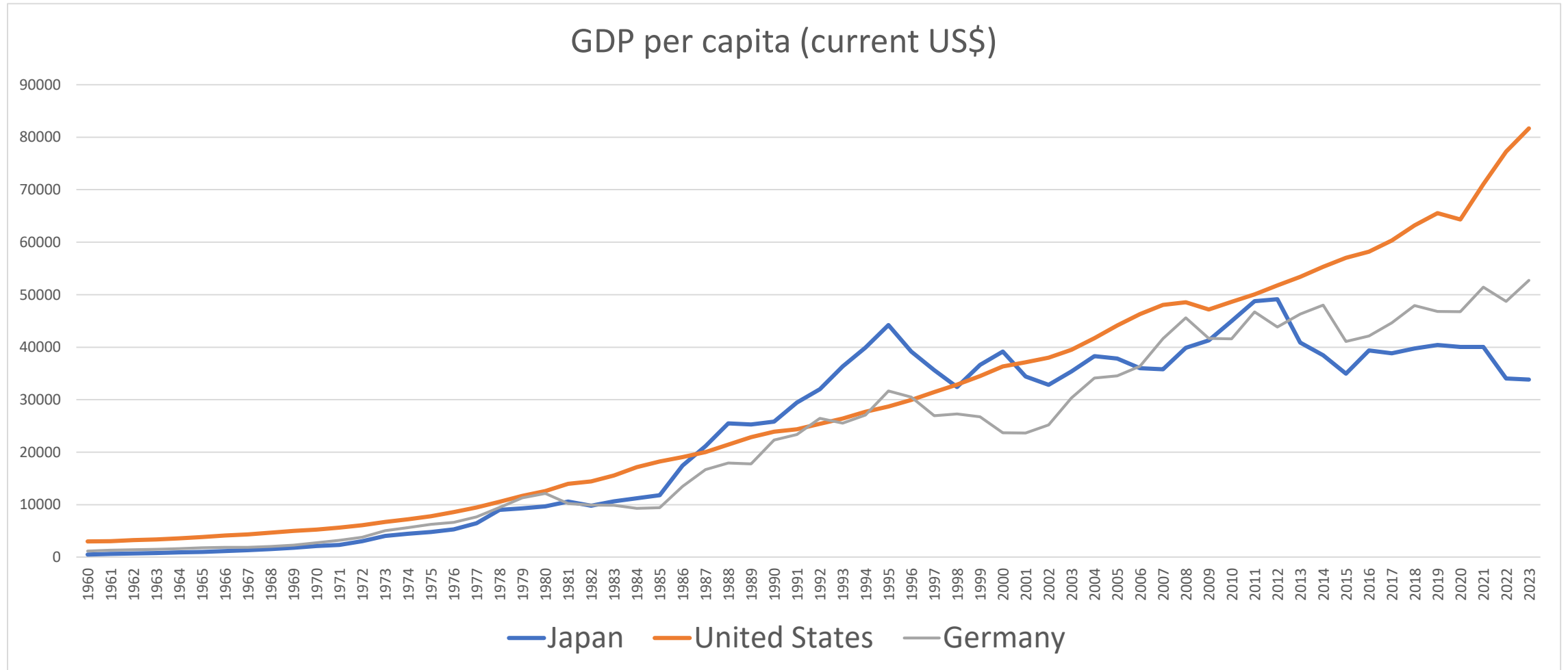
Whether the colonial regions are able to catch-up and skip the “intermediate stages” depend on their economic and cultural capacities such as “an ability to protect itself, act developmentally and mobilize and employ resources and assets effectively”. (Dunford, Gao and Liu 2021, 8)

Radhika Desai proposes a version of Combined (aka Contender) Development where backward states obtained **the political will and capacity to industrialise in order to reach the developmental level of the most advanced states** (i.e. to seek *similarity*), rather than accepting *complementarity* with the most advanced states—i.e. as a seller of material and human resources and buyer of advanced manufactured goods and valued-added services etc.

“Cold War as export financing”

- Desai argued that the Cold War was the result of the US attempt to become the British Empire in its heyday—to maintain its supreme industrial and economic position at the end of WWII (see Kennan 1948) by making the US dollar the world’s currency. This ran into the problem that most of the world did not have enough US dollars to pay for US exports, and large parts of the world were either becoming communist or moving towards independent industrial development. The US entered a recession in 1949.
- Just before the outbreak of the Korean War in 1950, the US decided to generate the required capital cycles by embarking on a gigantic programme of rearmament and military/economic aid to key frontline anti-communist regimes, and to revive West Germany and Japan as key industrial props to US power (see NSC-68 etc)
- As a result, the **US furthered its economic decline** and **built up multiple industrialised competitors** (i.e. what Desai termed Combined Development). The world has reached a stage where it is becoming increasingly difficult for the US to externalise its problems, due to profound shifts in global industrial power.
- Japan and West Germany’s industrial development arguably outpaced the US by the 1970s. They became strong contender development in the US-led world order.

Japan's GDP per capita was higher than the US from 1987 to 1997



Source: World Bank data

US productivity growth lower than Japan from 1970 to 1995

Table 1 Labour productivity growth from 1970 to 2012 (Source: OECD database)

| | Real GDP per hour worked, annual compounded growth rate | | | | |
|---------------|---|-----------|-----------|-----------|-----------|
| | 1970-1980 | 1980-1985 | 1985-1990 | 1990-1995 | 1995-2012 |
| Japan | 4.3 | 3.7 | 4.5 | 2.1 | 1.5 |
| South Korea | .. | 6.9 | 7.9 | 5.6 | 4.4 |
| United States | 1.5 | 1.7 | 1.4 | 1.3 | 2 |
| G7* | 2.9 | 2.4 | 2.2 | 2 | 1.7 |

*G7 includes Canada, France, Germany, Italy, Japan, United Kingdom, United States

The political economy of development of postwar Japan

- Japan was under US occupation between 1945 and 1952. The early period of “controlled revolution”: keeping the Emperor as a symbol under a parliamentary regime while selectively purging militarists from politics, granting extensive civil rights, giving land to the peasants and dismantling the financial-industrial oligarchy (zaibatsu) were paused with the 1949 Chinese Revolution and then reversed course with the outbreak of the Korean War in 1950.
- The focus **shifted from demilitarisation to making Japan a bulwark against communism**. Such reversal led to the eventual restoration to power of purged right-wing politicians and bureaucrats who led Japan’s industrial drive during WWII (typified by Kishi Nobusuke), who were now needed by the US to reindustrialise Japan.
- Japan was encouraged to rebuild and upgrade its industrial capacities with state-led planning and coordination of the zaibatsu (under MITI) as well as with US financial and technical assistance.
- Japan benefited from the war booms in the Korean War and the Vietnam War.
- By late 1970s, MITI recognised the need and introduced structural reforms for innovation to “move away from an industrial pattern of ‘reaping’ technologies developed in the seedbeds of the West, to a pattern of ‘sowing and cultivating’ that displays greater creativity. With the century of catch-up modernization at an end, from the 1980s onwards we will enter a new and unexplored phase.” (MITI quoted in Okazaki, 2017, p. 61).

Planting political dependence in Japan's nation-building

- However, the contender development of Japan's economic strength is limited by the political dependence on the US which is laid in its nation-building.
- The legitimisation of the conservatives and the manipulation of the history problem together with the preservation of the emperor and the manufacturing of the non-Asian identity system has made Japan dependent on the US.
- The restored Japanese elite, with US support, effected a “collective amnesia” on its state's role as a perpetrator of war crimes and suppressed dissident view—left-leaning press and intellectuals were suppressed by the state as well as powerful pressure groups.
- As the US priorities changed when “threat” of Cold War (i.e., the “facilitative conditions” for state-led national capitalism) began to cease in the 1980s, the circles of Western-trained technocrats, economists and think tanks as well as the corporations depending on foreign markets became the dominant view and pushed for market-oriented reforms.

Turning contender development into complementary development through financialisation

- Neoliberal reforms including privatisation, deregulation, liberalisation of labour market and capital markets resulted in a long period of stagnation since the late 1990s; average annual GDP growth rate from 1991 to 2022 was below 1%.
- “Japan’s sun was to rise high but not too high; high enough to cause trade problems for the allies in declining industries (textiles, light electronics, automobiles, steel), but not so high as to threaten leading-edge industries, let alone confer comprehensive industrial advantage. The logic for such a policy was hammered out in 1947, coterminous with the emergence of the cold war, and it deepened as Japan benefited from America’s wars to lock in an Asian hinterland for Japan and the ‘free world’ in Korea and Vietnam.” (Cumings, 2002, 213)
- **Net investment dropped to close to zero after 2000** while higher rates of profit in the financial sector compared to the non-financial sector continue to squeeze out productive investment and impoverishes the working class (T. Sato, 2018, 161). Its share of world GDP declined from 15% in 1990 to around 4.3% in 2015 and is expected to fall to 3% in 2060 (McCormack, 2018)!
- Japan now faces a serious demographic crisis and drifts towards militarisation (e.g. joining AUKUS, 16% rise in 2024 defense budget) and deepening neoliberalism. “Both countries [the US and Japan] have come a long way in transforming their economic relationship from one of adversity to one of genuine cooperation.” (Armitage & Nye, 2024, 7).
- The ruling class of Japan is doubling down on dependency on the US (reinforcing the anti-communist bulwark) against the rise of China as a way to achieve “normalisation” of the Japanese state.

Political independence right from the start of the PRC

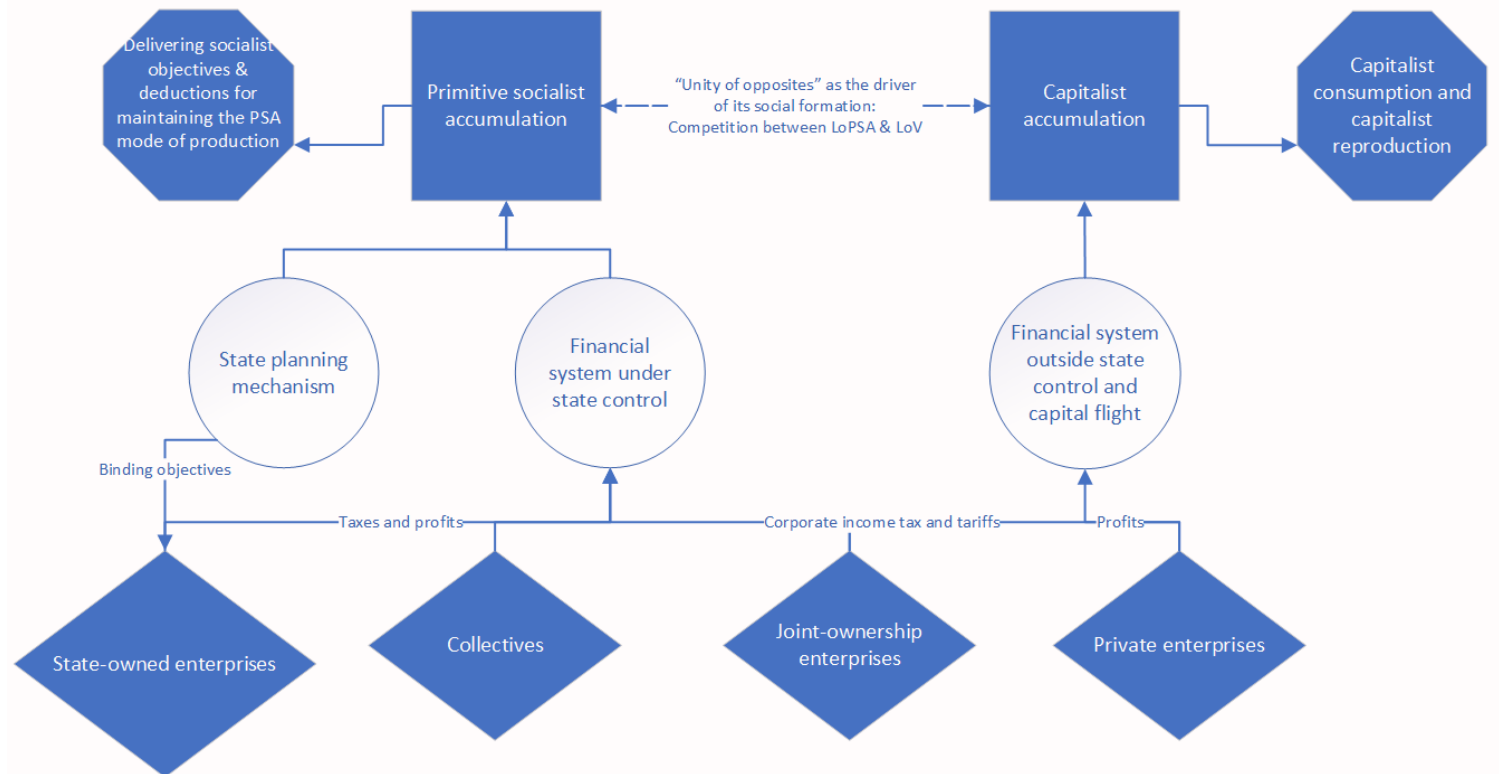
- The incapability of the landlord-capitalist class to lead the national struggle against imperialism and their nature of dependency and binding interests with imperialists was fully exposed in the KMT-led purges and massacres of communists and activists at the height of anti-imperialist national movement in the late 1920s. The CPC, as the proletarian vanguard and leader of the working masses, was the only force capable of carrying out land reform and anti-imperialist struggles.
- The victory against the KMT in 1949 meant the completion of the democratic revolution for an independent country via the establishment of a proletarian dictatorship and the beginning of the transition to socialism.
- The CPC-led PRC achieves political and national independence. The new state required a mode of production for socialist accumulation. The first FYP (from 1953) was the start of what Soviet economist Preobrazhensky would have called primitive socialist accumulation (PSA).

Primitive socialist accumulation

- In a transitional economy like China, PSA means the proletarian regime's constant competition with the domestic and international capitalist sectors. The law of value operates in conflict with the law of primitive socialist accumulation. The consolidation and growth of state-owned industries and the public sector require resources from the world economy.
- Atomised domestic capitalists, stripped of independent political agency, operate within a market established and dominated by state actors, and a financial system dominated by state banks. Capitalist profits are constrained and redirected by state planning towards social objectives. This institutional set-up underpinning the CP's policy of "**utilisation, restriction and transformation**" of **private capitalist enterprise** has remained at the core of the PRC's economy.
- The opportunity for having large-scale capitalist accumulation (CA) alongside PSA came in the late 1970s under Nixon administration to draw China into its orbit to isolate the Soviet Union. In exchange for foreign investment, concessions were made. However, the planning mechanism has been revamped instead of replaced by the market completely and the public ownership of land remains.
- China survived and excelled in the world market not by external assistance but by its particular accumulation regime established under the dictatorship of proletariat.

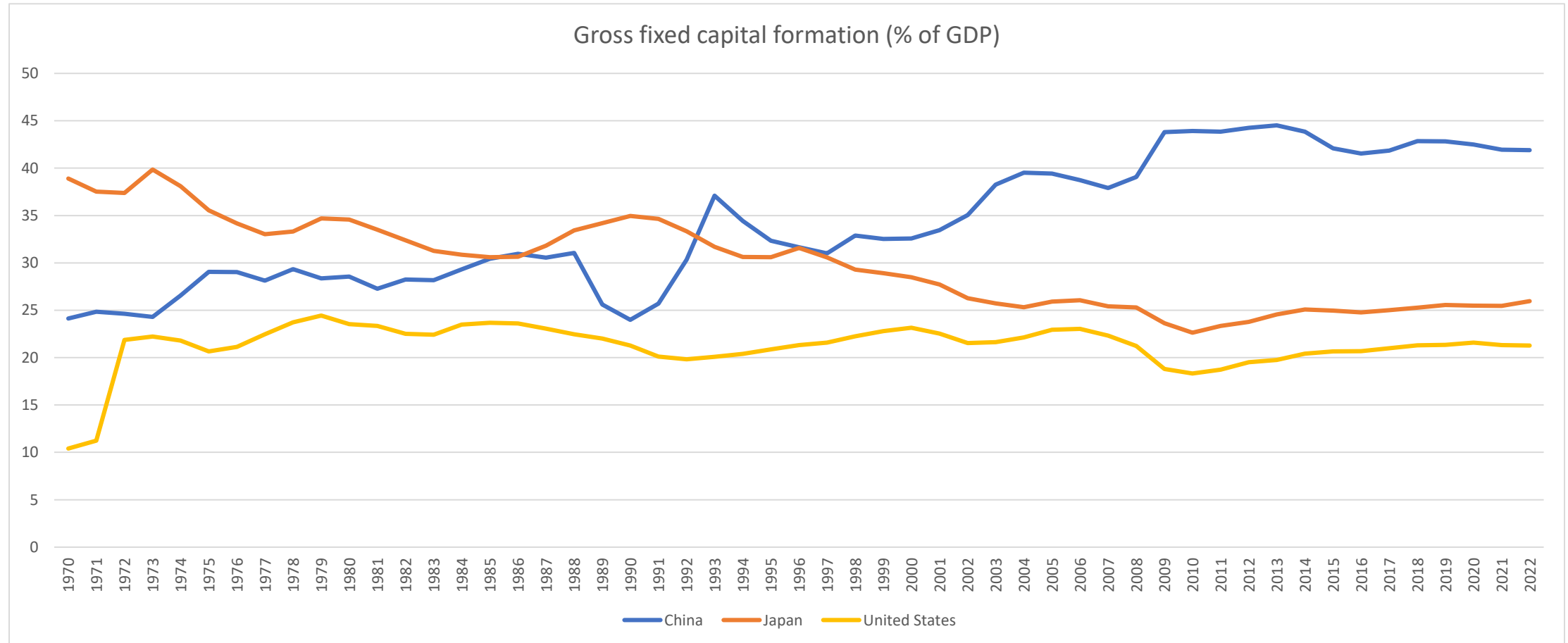
A transitional economy driven by two laws

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



- The unity of opposites
- Through the financial system under state control and the state planning mechanism, the private sector also contributes to primitive socialist accumulation (PSA)
- PSA is for delivering socialist objectives and for maintaining the current system, similar to the concept of the primary stage of socialist construction.
- CA under socialist planning competes and arguably assists, rather than displaces, socialist accumulation, although the development path is zig-zag like depending on the results of the struggle between the contending forces.
- But the contradictions and struggle between PSA and CA are constant and would never achieve an equilibrium due to competition

Sustained productive investment in China since the 2000s contrasted sharply with the US and Japan



Source: World Bank

Conclusions

- US hegemonic project fostered industrial reconstruction of former rivals such as Germany and Japan which gave rise to contender developments. But the common interests of the ruling classes in anti-communism and financialisation set limit to the extent of contender development and even turned it to complementary development.
- But China is not Japan from the start as it maintains political independence after overthrowing the US-backed landlord-bourgeois dictatorship whereas Japan's conservatives and militarists relied on US support to regain power.
- Japan's postwar economic revival was due to US's need for containment of the Communist bloc and its decades of stagnation since the 1990s was a result of the global coalition of finance capital. But China's plan to develop new productive forces and to address unbalanced growth in face of US's extensive sanctions, large-scale quantitative easings and financialisation demonstrates that China's state capacity is supported by a non-capitalist accumulation regime, namely primitive socialist accumulation for meeting socialist objectives, which provides the material basis for contender development against the US.
- Political independence and economic development are *both* crucial for sustained contender development.