

Presentation at the IIPPE 2026 Lisbon Conference, China Workshop 9 Sep.:

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Why China is not Capitalist?

If China is not Capitalist, What then? Is it Socialist? Certainly not – not yet.

There is no socialist country, and there has not been a socialist country.

There have been many attempts to build socialism in the past. Their failure does not mean that their strategies were wrong, that their attempts were fruitless, that they were corrupt traitors or that their mission is impossible.

The transformation from capitalism toward socialism is a long ongoing historical process of effort, learning, and trials - as the capitalist mode of production runs out of options and declines.

It China is not capitalist or socialist - What is China then?

To answer that question, we have to look at the transition from capitalism to socialism. It is a long muddy and complex process.

But to get a grip on it, it is useful to look at the birth of capitalism, the structures made in in the process - the DNA of the capitalist world-system, in which China became a part.

The genesis of an imperialist world-system

The dual genesis of the capitalist mode of production and the creation of a coherent world-system, was one process, stretching through centuries of European colonization, ending with the breakthrough of industrial capitalism in Britain, in the beginning of the 19th century.

The driving force in this process was imperialism, in the form of colonial exploitation.

Imperialist value-transfer is not just an interesting feature of the capitalist mode of production. Imperialism, became the midwife of capitalism, generating the original capital for the production sphere and the silver and gold from the Portuguese and Spanish colonies in South America became the coins, which nourished the circulation sphere in Northwest Europe.

Furthermore, the colonial value transfer was not only the midwife of capitalism, it also solved the fundamental contradiction in capitalism, between the need to expand production, in order to generate maximum profit on one hand, and the ability of the consumption power generated by production to absorb the commodities on the other hand.

Colonialism became the solution to the problem of overproduction. The value transfer generated by the extreme exploitation of labor in colonies made it possible for capital to raise the wage level in the imperial core, expanding the home market.

Capitalism did not only have a centrifugal power spreading its mode of production globally, but it had also a centripetal power - a gravity force – sucking value from the periphery into the core.

In this way imperialism shaped the structure of the world system.

European colonialism polarized the world system in a core – periphery structure. An imperial core with dynamic capitalism, attacking and absorbing value, developing the productive

forces, and periphery, drained form value, blocking their development of the productive forces.

The pulse of capitalism

Besides the polarization structure – the generation of the modern world system also produced another dimension. The entablement of a geographic coherent world system by colonialism generated a globalized capital accumulations process, (exemplifies with the textile industry based on cotton) but it was also the genesis of the modern capitalist national state *as the unit* of political power.

The different nation-states compete for an advantageous position in the global division of labor and struggle for the hegemonic position in the world.

The development of capitalism has been characterized by the tension between global capital accumulation on one side, and the national state, as the unit for politics on the other side. This difference, between economics, ruled by capital's law of value, and politics decided by class struggles, has generated a pulse in the world system, between alternate outbursts of economic globalization under a hegemonic power, followed by nationalist responses, both in the form of nationalist movements, national states defending their sovereignty, and interstate wars, all generated by the consequences of globalization.

The British Empire, inter-imperialist struggle, neocolonialism, national liberations struggle, neoliberal globalization, renewed geopolitical struggle.

The transitional state

The core-periphery structure, and the tension between the global accumulation process and the national states as the political framework, became the perfect match, for the intensification of unequal exchange. Unequal exchange is thriving in a framework where economy and hence prices of commodities are globalized, except the price of labour power, which is defined by politics – class struggle – within the different nation states.

So the economic/political structure, and the mechanism of unequal exchange, worked together in a mutually reinforcing process up through the 20th century - polarizing the system in a dynamic centre and an exploited periphery with a blocked development.

In the imperialist core-nations, capitalist development was able to accommodate the demands of the working class. Consequently, there was no “need”—and no successful—revolutions; capitalism had “not played out its role.”

In the nation states located in the periphery, class struggle had to incorporate an anti-imperialist aspect in order to try to escape the polarizing dynamic. This is the history of the anticolonial struggle of the Third World. Where this struggle successful is lead to the formation of special sub-category of states in the periphery – the transitional state.

The transitional state has two priorities: To uphold its existence in a hostile world system. They have been met by aggression from day one. And at the same time trying to develop its productive forces to serve the people and moving ahead building socialism, all within a world system still dominated by the capitalist mode of production. This is the history of the Soviet Union, China, Cuba and other - more or less successful attempts to do so - in the Third World.

What we have seen in the 20th century is not a competition between a socialist and capitalist mode of production. Looking at the history of the transformation from feudalism to capitalism, we find that in no instance do we encounter a “pure” bourgeois revolution.

Similarly for the transition period from capitalism to socialism, there is no “pure” socialism. Reality is always impure, full of contradictions, and historically conditioned, so demanding purity leads us to reject reality itself.

Instead of seeing each attempt to build socialism in the past two hundred years as mistakes, I see them as steps in a long transitional process. In the past Capitalism has been able to solve the contradiction within the system. As Marx writes in *The Critique of Political Economy*:

“No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society.”

I think we are reaching this stage now.

During neoliberal globalization the transfer of value grew to new heights. However, the flow of value from South to North was not the only issue at stake in the outsourcing of industrial production to the Global South. As an unintended side effect of the increased exploitation of the proletariat of the Global South, capital developed the productive forces in the South.

The periphery states encounter with neoliberalism was different from place to place. In the transitional states of the Soviet Union and Eastern Europe, neoliberal “shock therapy” broke down the former national project of developing socialism. In Africa and Latin America, where capital was in command of the political process, “structural adjustments” led to brutal exploitation and national economies in deep debt crises. Neoliberalism also penetrated deep into the Chinese economy in the 1990s, but here the outcome was different.

China used a “kung fu” strategy: absorbing the neoliberal thrust and bending like a bamboo branch, without breaking the power of the Communist Party, as happened in the Soviet Union. By keeping the political control over the central features of the economy, could China use the development of the productive forces and transfer of technology, to advance its project of “socialism with Chinese characteristics”.

By this China - broke the two hundred years old curse of polarization in under- and over-deployment in the world-system.

Not only became China – a country in the periphery - the leading industrial producer in the world. Moreover, Chinas transitional mode of production, proved to be superior to the western capitalism in qualitative terms. In the past decades China has become the technological leader across a wide range of industries. What differs the rise of China, from the transition from British to U.S hegemony, is that its transitional mode of production is demonstrating its superiority without needing to keep the rest of the world economically, politically, and militarily oppressed.

Why do I trust in China’s ability in the transformation from capitalism to socialism?

The political power is concentrated in a Communist Party which have managed to transform China from one of the poorest countries in the world in 1949 to an advanced transitional economy today The Communist Party of China is the largest “political management machines” in human history, with more than 96.7 million members. Its organizational structure reaches every corner of a country of more than 1.4 billion people. Politics is in command.

So, I am optimistic, A transfer to socialism is possible in this century. A transitional mode of production is already operative; it is capitalism superior. China has the ambition and specific

realistic plans to move ahead towards a socialist mode of production in the next decades. And China have a record of fulfilling its plans. They have the political and institutional prerequisites to do so. Time is on China's side. The capitalist hegemon - the U.S.- is in decline and cannot rule in the old way anymore.