

The Third Stage of Modern China

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The historical materialists describe the evolution of society across various stages: (1) feudalism; (2) capitalism; (3) socialism; and (4) Communism, for example, and the fourth stage is the North Star to which the Chinese Communist Party (CCP) aspires. Even as the path towards it has not been a straightforward one since 1949, it has nevertheless been the subject of a rich body of literature and countless intellectual debates both inside and outside China. Looking back, it was after liberating China from imperialist forces and then vying for power against the Kuomintang that the CCP under Chairman Mao Zedong launched socioeconomic initiatives that would foster a Cultural Revolution and which would push society to a Great Leap Forward. In the historical materialist schema, this would have equated to a leap from a stage 1 (feudal) society all the way to a stage 4 society. Such an attempted leap was extremely tumultuous and not so easily attainable, and so in the post-Mao era, the Premier Deng Xiaoping took a more graduated approach, aspiring towards “Socialism with Chinese Characteristics” (Stage 2-3) via the stepping stone of capitalism.

This bargain for a stage 2 society meant that the CCP would defer its aspirations for a worker’s paradise by experimenting with (partially) capitalist modes of production, using tools such as Special Economic Zones (SEZs) and a balance between private and State-Owned Enterprises (SOEs). “To get rich is glorious” pronounced Deng, and the vast economic energies of the Chinese people were mediated through the highly successful development trajectory that the country undertook. This required sacrifice on the part of the Chinese people: two generations spent their working lives in the squalid conditions of factories that manufactured both the luxuries and necessities of the world. China became the main artery of global production, and amassed record foreign reserves in the process, but only through the forbearance of a tirelessly hard-working people.

The stage 2 compromise also created a simmering fundamental contradiction: a Marxist state which was the most unequal in the world in terms of wealth distribution among the classes. China arrived at a GINI coefficient of inequality that was comparable to Africa’s (continental mean). A bustling metropolis such as Beijing or Shanghai would have the flashiest Ferraris parked in front of hawkers peddling cheap wares, and ultramodern skyscrapers would tower over the austere barracks of teeming migrants. Even the most casual observers, myself included, could see the seething resentment in the eyes of the working classes, for whom the CCP spoke, looking at a new bourgeoisie awash in materialism. In the same way that the United States harps on about being a “beacon of freedom,” and yet mass-incarcerates the largest prison population on earth (20% of the world’s prisoners); the gap between the aspirations and the reality of Stage 2 China has come to be increasingly untenable.

With this in mind, the CCP is leading a forceful but graduated transformation of China towards a truly stage 3 society, one where the capitalist forces that were unleashed by Deng Xiaoping are reined in somewhat and a society with greater class harmony is realized. Paramount in this regard is the mitigation of inequalities, the promotion of sustainability, and the curtailing of private interests. Mitigating inequalities requires the deployment of the country’s large economic reserves towards constructing a stronger and more inclusive safety net, along with reducing both the hidden and open transfer of wealth by the bourgeoisie to overseas destinations. The promotion of sustainability involves rejecting “growth at any price” GDP targets, managing social work-life balance, focusing on quality of life measures, and fostering ecological sustainability. Finally, the curtailing of private interests means tackling the niches of power that have emerged in areas such as private education, technology, culture, and Veblen (status-symbol) consumption.

On all of these fronts, China has already taken significant steps. In terms of building a wider social safety net, the central and provincial governments are targeting spending towards general welfare for lower-income households in a more concentrated manner. The government has also banned cryptocurrencies to curb money-laundering, and restricted the ability of bourgeois families to siphon their wealth abroad. On ecological sustainability, China is already a world leader but has increased the ambitions of its targets on renewables

and other sustainable approaches. It has pushed aside the “growth at any cost” mantra in its plans, and sought to deliver economic growth through productive sectors (new technologies) rather than unproductive ones (such as real estate speculation).

The government is also encouraging a shift away from the “996 mentality” (working 9am-9pm, 6 days a week) towards a better work-life equilibrium, and has extended the range of amenities in the public sphere. In terms of curbing private power, the government has exerted pressure on tech giants (Alibaba), private education (the tuition industry), and many other sectors where nodes of power have emerged. At the present time, there is an ongoing crisis in the balance sheet of China Evergrande, one of the largest real estate titans of the country. This company may pose a systemic risk, which must be deftly managed so that China does not suffer the fate that the US did after Lehman Brothers’ collapse in 2008. However, Evergrande’s difficulties seem to be punctuating path dependency by shifting public attitudes about the merits of the stage 2 capitalist society, in which some have thrived, but not others.

Looking back, the Great Leap Forward proved to be too large a jump, going from stage 1 to stage 4, for China to leap in a single bound. Therefore, a new social contract was forged that chose a path contingent on stage 2 capitalism. This created both inequalities as well as contradictions that, for all the forbearance of the Chinese people, has become increasingly undesirable. Now, the CCP sees the need for a stage 3 advancement, and is taking a swathe of measures to facilitate that transition. The proactive approach of the Chinese government, as well as recent events such as the Evergrande Crisis, mean that stage 3 of modern China may arrive sooner than one might think.

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