

China: a Market Economy with Socialist Pretensions - Xi's Report.

This is an analysis and critique of Xi's opening report to the 20th Congress of the Chinese Communist Party where he reviews its successes and sets out its future priorities. Here is the [link](#) to the speech. (All the emphases in bold are by Brian Green.)

To begin with, it is important to understand that Xi sees himself as having rescued the CCP from itself. That he sees the CCP as the only agency which can rejuvenate the Chinese Nation, that while he sees the market as fundamental and the capitalist class as partners, he fears that without the leadership of the party China will succumb once more to external forces because of its continuing technological dependency on foreign based multi-nationals. He is also concerned about political stability which can only be guaranteed by a strong and centralised party leadership.

Xi is a modern hybrid Stalin. *"Over the past decade, we have stayed committed to Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, and the Scientific Outlook on Development, and we have fully implemented the Thought on Socialism with Chinese Characteristics for a New Era as well as the Party's basic line and basic policy."* Wow, bracketing Marx with Deng Xiaoping takes eclecticism to new heights. In fact he takes Marx's name in vain 26 times during the 64 pages of this turgid speech. In other words he abuses Marx 26 times because his proposals are the polar opposite to what Marx wrote and meant.

His programme is a caricature of the Stalinist two-stage revolution. First we will use foreign and Chinese capitalists to industrialise the country, then once the material conditions for socialism have ripened, the Party will expropriate the capitalist class then dissolve itself ushering in socialism. Except he does not mean a word of it. In his speech he sees the Party and the environment it swims in lasting for a long time, with the party on an endless road adapting to changing conditions. *"Nevertheless, the tests the Party faces in governance, reform and opening up, the market economy, and the external environment will exist for a long time to come."* *"All of us in the Party must bear in mind that full and rigorous self-governance is an unceasing endeavour and that self-reform is a journey to which there is no end."* No hint that the party will ever create the conditions for its own withering away. In this he echoes the words of Bernstein a hundred and fifty years ago; that the preservation of the party and therefore the privileged positions of those within it, is the highest goal.

The question is why is Xi such a staunch party apparatchik. Firstly, he recognised that had the party succumbed to capitalist influences and mores ten years ago leading to its implosion, China would never have emerged as an independent nation. Its greatness would have been wiped out by the penetration of western interests which would have hijacked the economy. And here one has to acknowledge that without the Party and its iron rule over the working class, China would not have industrialised, instead remaining a semi-colony.

Secondly, as with all bureaucrats he fears the working class despite his 'bowing' before it. *"China is a socialist country of people's democratic dictatorship under the **leadership of the working class** based on an alliance of workers and farmers; all power of the state in China belongs to the people."* That is the only time Xi refers to the leadership of the working class. Most times it is the leadership of the party. *"We must remain firmly committed to leadership of the Party, to the state system of people's democratic dictatorship, and to the political system of people's congresses, all of which are mandated by the*

Constitution.” In this award winning sentence for contradictions, Xi describes how the leadership of the party exercises the democratic dictatorship of the people at all times. As there can be only one leader we can correctly assume that the people’s congresses cannot be allowed to lead any opposition to the party.

Xi knows that this capitalist country, given its evolution, can only remain stable via the rule of the party. He will not put the party at risk by calling for free elections. Sure the toothless congresses can consult but they are not allowed to propose anything which undermines the leading role of the party. And in this he is supported by the capitalist class. They know as he does, that whatever restrictions the party places on them, will be nothing compared to a politically independent working class whose parties at the very least will raise the issue of free trade unions, the right to strike and so on. Xi is a student of history. He knows full well the history of Europe, when in 1848 the capitalists sought to mobilise the urban classes against the aristocracy, only to be forced to ally with the aristocracy when workers and artisans had the temerity to raise their own demands hostile to the interests of making profits.

Thirdly because Xi is a great Chinese chauvinist. Time and again his speech is all about rejuvenating and defending the Great Chinese Nation. *“Today, we are closer, more confident, and more capable than ever of reaching the goal of rejuvenating the Chinese nation.” “Development is our Party’s top priority in governing and rejuvenating China,…”* And it is all about defending China’s sovereignty. In reality it is Socialism in One Country with Chinese Characteristics. *–“ We have applied a holistic approach to national security. We have steadily improved the leadership, legal, strategy, and policy systems for national security. We have not yielded any ground on matters of principle, and we have resolutely safeguarded China’s sovereignty, security, and development interests. National security has thus been strengthened on all fronts.”* National security replaces mobilising the international working class to defend the so-called socialist conquests in China. Respect for multilateralism, a rule based international order centred on capitalist institutions such as the U.N. and the WTO, replaces building a workers’ international supporting working class struggles wherever and whenever they break out around the world. As expected he omits adding the ILO (International Labour Organisation) to his venerable list of international institutions.

Xi justifies his leadership.

This is how Xi found the party ten years earlier when he ascended the throne. *“Inside the Party, there were many issues with respect to upholding the Party’s leadership, including a lack of clear understanding and effective action as well as a slide toward weak, hollow, and watered-down Party leadership in practice. Some Party members and officials were wavering in their political conviction.” “Misguided patterns of thinking such as money worship, hedonism, egocentricity, and historical nihilism were common, and online discourse was rife with disorder.”* There is no nod to the greatest investment wave in capitalist history under his predecessor which peaked in 2012, which raised the rate of return to its highest level ever in China, which doubled the size of the economy, and which lifted the global economy out of the morass created by the Financial Crash. *“Development was imbalanced, uncoordinated, and unsustainable, and the traditional development model could no longer keep us moving forward.”* In Xi’s view all of these achievements were eclipsed by the growing influence of the capitalist class within the party at the time.

Xi then goes on to list his achievements, namely unifying the party, strengthening its leadership and re-focusing its priorities. *“We have made clear that **the leadership of the Communist Party of China is the defining feature of socialism with Chinese characteristics** and the greatest strength of the system of socialism with Chinese characteristics, that the Party is the highest force of political leadership, and that*

upholding the centralized, unified leadership of the Party Central Committee is the highest political principle.”

And he has orientated the party away from money worship, hedonism, nihilism towards serving the masses. *“We have identified the principal contradiction facing Chinese society as that between unbalanced and inadequate development and the people's ever-growing needs for a better life, and we have made it clear that closing this gap should be the focus of all our initiatives.”* Clearly this was an act of necessity not one borne of altruism. It is clear that the party was in a parlous state ten years ago and unable to fulfil its historical mission of making the Chinese nation great. It's alleged deviation from 'Marxism-Leninism' had resulted in soft-centring the party allowing great inequalities to emerge.

He reaffirms his fidelity to the market.

Xi has never deviated from the understanding that it is the market which is the final arbiter of economic activity in China and the source of its success. His idea of market socialism is more market than socialist. *“We must uphold and improve China's basic socialist economic system. We must unswervingly consolidate and develop the public sector and unswervingly encourage, support, and guide the development of the non-public sector. We will work to see that the, **market plays the decisive role in resource allocation** and that the government better plays its role.”* Thus the state only plays a supporting role.

And in case anyone has illusions that he will move against private property rights, think again. *We will build a unified national market, advance reforms for the market-based allocation of production factors, and put in place a high-standard market system. We will refine the systems underpinning the market economy, such as those for **property rights protection, market access, fair competition, and social credit, in order to improve the business environment.**”* And that includes the property rights of foreign investors. *“We will make appropriate reductions to the negative list for foreign investment, **protect the rights and interests of foreign investors in accordance with the law, and foster a world-class business environment that is market-oriented, law-based, and internationalized.**”* And again *“We will provide an enabling environment for private enterprises, protect their property rights and the rights and interests of entrepreneurs in accordance with the law, and facilitate the growth of the private sector.”* And that extends to the intellectual property rights. *“We will increase investment in science and technology through diverse channels and **strengthen legal protection of intellectual property rights, in order to establish a foundational system for all-around innovation.**”*

Xi understands the economy depends on the success of the market. He also understands the limitations of the market - that it may not be able to mobilise sufficient finance, that its goals may be short sighted, and that it could build up excesses. Which is why he is interventionist, why he seeks to combine the public sector with the private not to suffocate the private sector but to *guide* it.

This only appears paradoxical because it is viewed from the perspective of neo-liberalism in the West. Hands off the market is novel to this region. The small state is only commensurate with economies which dominate the world economy. A small state is not commensurate with subordinate economies seeking to escape the clutches of imperialism. Should China achieve technical parity, should it's multinationals compete on equal terms with the Western multinationals which dominate the world economy, then no doubt the relationship between the Chinese State and the Chinese economy will be revisited.

The shabbiness of Xi's socialism.

"We have implemented a people-centred philosophy of development. We have worked continuously to ensure people's access to childcare, education, employment, medical services, elderly care, housing, and social assistance, thus bringing about an all-around improvement in people's lives." *"We have built the largest education, social security, and healthcare systems in the world."* But what he neglects to add is that most of these are **basic** services with the rest commercialised. In case anyone doubts what Xi is promoting is a two-tier system - basic-public the rest commercial - think again. *"We will expand the coverage of social insurance programs, improve the mechanisms for financing and adjusting benefits for basic old-age insurance and basic medical insurance, and work toward provincial-level unified management of funds for basic medical insurance, unemployment insurance, and workers' compensation."* But never mind being forced to pay for private services because Xi will ensure they will be properly managed. *"We will further reform the medical and healthcare systems and promote coordinated development and regulation of medical insurance, medical services, and pharmaceuticals. We will deepen reform of public hospitals to see that they truly serve the public interest and better regulate the development of private hospitals We will institute an insurance system to support long-term care and vigorously develop commercial medical insurance."* Ah, the investment opportunities Xi gives his entrepreneurial brethren in the Tertiary Sector, reminds me of Thatcher.

Now it should be noted that in terms of GDP per capita, China's current GDP is higher than Britain's was in 1948 when the National Health Service (**NHS**) was set up. There is absolutely no financial barrier to Xi setting up a comprehensive national health service free at the point of use, except that he seeks to develop a commercial sector closer to the US model but less wasteful. Some Marxist he. Shows you how implausible the democratic dictatorship of the workers is in China. The new iron pot that Xi seeks to introduce is the miniature version, the dinky toy version.

The same could be said for housing. All those unsold and partially built projects. They could be bought up by the state and turned into social housing overnight. All migrant labourers could be given permanent urban residency status ending this *Apartheid with Chinese Characteristics* and housed in these projects. Ah silly me, forgot that would mean *there goes the neighbourhood* because of falling residential prices due to the neighbours being the wrong sort. (On a more important note, Xi's speech does not end the migrant labour on which export industries and construction depends. *"We will advance people-centred new urbanization and work faster to grant permanent urban residency to eligible people who move from rural to urban areas."* He intends to work faster but only for those who are eligible. Shame on him.)

Bonding with the working class and the youth.

Xi pays particular attention to the urban youth. And so he should. These are third generation urban youth. They have grown up amidst the skyscrapers, travelled on the high speed trains with their parents, marvelled at the bridges and dams, but because they have grown up with these achievements they are not overawed by them as are their parents, newly arrived from the countryside and more primitive circumstances. Today's youth take these marvels for granted because they are an organic part of their childhood.

They also understand what sacrifices their parents made to build these cities and infrastructure, the long hours and gruelling work that went into their construction. They do not want to repeat that experience. Xi, like rulers before him in the USA or Britain or elsewhere, faces the same incipient rebellion from this

generation. What worked on their parents will no longer work on them. This is why he talks of diversifying democracy, paying more attention to the creative qualities of the youth and enhancing the conditions for the release of this creativity, while offering more educational and vocational opportunities. And in case that does not work, more indoctrination at school. *“The most basic aim of education is to **foster virtue**. We will fully implement the Party’s educational policy, carry out the basic task of fostering virtue through education, and nurture a new generation of capable young people with sound moral grounding, intellectual ability, physical vigor, aesthetic sensibility, and work skills who will fully develop socialism and carry forward the socialist cause.”* Never knew obedience was spelt virtue.

The second element of bonding with society is the patriotic united front, or the Popular Front with Chinese Characteristics. *We have reinforced the foundations that undergird the people’s running of the country, injected fresh vitality into democracy at the community level, and consolidated and **expanded the patriotic united front**.* Xi knows that for the storms that lie ahead, society needs to be in the tent with the party. He seeks to build a Civil Society with Chinese Characteristics.

He also knows that the relationship between the bureaucracy formed by the party and the rest of society, is unequal. A bureaucracy by definition exists to control and ration available resources. He knows that the ideological strictures to ‘serve the people’ will not prevent capricious behaviour by the bureaucracy. With this in mind he is pushing for the relation between bureaucrat and citizen to be governed by the rule of law. In his speech he uses the term ‘rule of law’ 21 times as the way forward to regulate relationships in Chinese society. *“Law-based governance is important for the Party’s success in governing and rejuvenating the country, for the wellbeing of the people, and for the long-term stability of the Party and the country.* And of course this is the Rule of Law with Chinese characteristics, an interesting departure from universal rights. *We must follow a path of socialist rule of law with Chinese characteristics, develop a Chinese system of socialist rule of law, and establish China as a socialist country under the rule of law.”*

Workers’ rights

Only on two occasions in this speech does Xi deviate from the use of the word *People* to use the word workers. In contrast this Stalinist uses the term *People* 244 times in his speech. If we compare this to the ‘we the people’ U.S. Constitution, which is admittedly much shorter, it uses that term only 10 times.

Workers are people but people are not necessarily workers. This ‘Marxist’ seems to have left his class based vocabulary outside the Great Hall of the People. Worse, when he talks about workers’ rights, these are merely employment rights, and nothing more. While he pompously declares that: *“**We will rely wholeheartedly on the working class** and improve the system of democratic management in enterprises and public institutions, which takes basic shape in the form of workers’ congresses, so as to protect workers’ lawful rights and interests,”* what he really means is: *“We will improve labour laws and regulations, the mechanisms for labour relation consultations and mediation, and the systems for safeguarding workers’ rights and interests, and we will do more to protect the rights and interests of those in flexible employment and new forms of employment.”*

The real and higher workers’ rights which shape a socialist society such as the right to receive in proportion to contribution, to control production and its tempo, to collectively agree any deductions from contributions, what to produce and how, in other words all the rights which empower the free and emancipated producer, not a word. And any congress which avoids dealing with these rights is a waste of time – mere window dressing. The rights which Xi refers to once the Stalinist pomposity is stripped away,

are the meagre rights of the wage slave - the contractual right to negotiate with the employer – not the right to end the relation between those who employ and those who are employed. Workers’ rights - the real empowering all-embracing set of rights – has no place nor time for the *Leading Role of the Party*.

The storms ahead

Xi may congratulate himself on rescuing the party from the brink in 2012, but he also recognises that the most challenging five years since 1948 lie ahead. Just before his Congress, the US effectively sought to emasculate China’s High-Tech industry through a range of comprehensive embargoes having already destroyed China’s tech champion, Huawei. *“Our country has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising. Various “black swan” and “gray rhino” events may occur at any time. We must therefore be more mindful of potential dangers, be prepared to deal with worst-case scenarios, and be ready to withstand high winds, choppy waters, and even dangerous storms.”* And how to survive this coming dangerous storm. *“Upholding and strengthening the Party’s overall leadership. We must resolutely uphold the Party Central Committee’s authority and its centralized, unified leadership and see that Party leadership is exercised in all aspects and every stage of the endeavours of the Party and the country.”* I am surprised he did not describe the Party as the Second Great Wall of China.

What he did not say and what any Marxist worth their salt would say, is that only by appealing to, and mobilising the international working class, can this capitalist assault be repelled. But not a word. Not even the hint or smell of a word. What this Great Chinese Chauvinist seeks is a Remedy with Chinese Characteristics to this global threat at a time when capitalism is imploding. Surely this is the time for the Chinese proletariat to assert itself, but of course if workers take the lead what happens to the Leadership of the Party and to the Central Committee’s Authority which in Xi’s estimation is the best and only defence. And so prep the nuclear weapons and to hell with workers’ solidarity.

The green agenda.

*“We will boost green and low-carbon industries and improve the system for **market-based allocation of resources** and environmental factors.”* So Xi’s vision for green renewal is limited by the market allocation of resources. The same market which drove power stations and steel works to consume more coal due to energy disruptions caused by the war in the Ukraine. As long as the market decides, China’s green drive will have a soft underbelly. Despite this however, China’s green investment and goals stand head and shoulders above that being achieved in the West. China dominates the global production of renewable forms of energy but in common with the West it lags in the capture and storage of energy produced by these sources.

Omissions.

“We will remain committed to the fundamental national policy of gender equality and protect the lawful rights and interests of women and children.” It is good to see that implemented in practise with 0 women appointed to the 24 man central committee and therefore 0 women appointed to the 7 man politburo despite the fact that women outlive men. (Average age of politburo is 66 years old which makes them youngsters compared to Biden, Pelosi and McConnell who average 81.) Women are only mentioned twice in the speech including the quote above. But that is not accidental. Xi plagiarises Stalin from the 1930s by

declaring publicly that a women’s natural place is at home because “they play a unique role in fostering family traditions”.

“We have fully and faithfully applied the new development philosophy on all fronts, focused on promoting high-quality development,” one can only wonder if that includes the housing fiasco or getting caught with their pants down following the chip embargoes. As befits a “Marxist” (sic) he only reports successes.

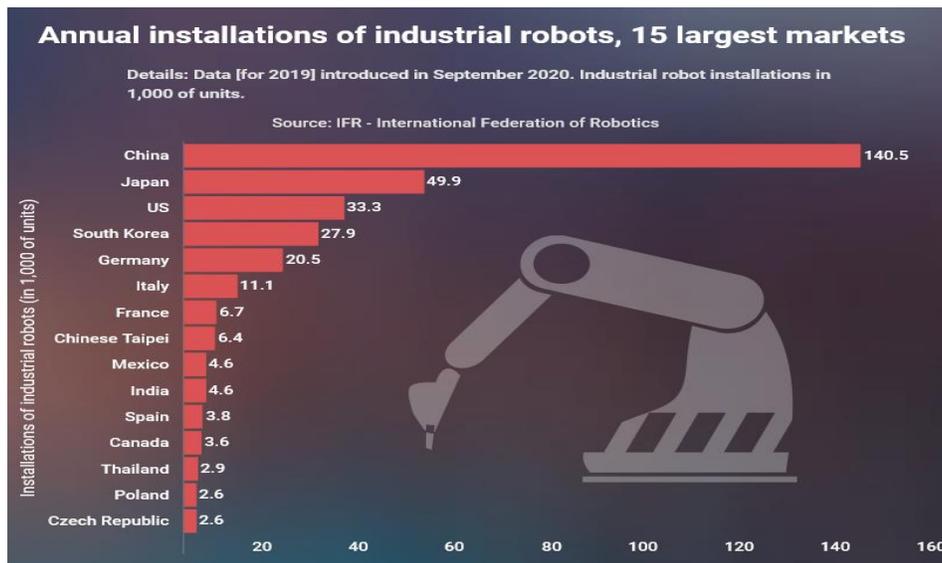
Nor is there any mention of Russia nor the Ukraine despite the fact that the outcome of the war in the Ukraine has the most profound strategic consequences for China.

Overview.

This speech, overlong and turgid, has a number of themes. The party can no longer be used for self-enrichment given the growing anger and resentment widespread throughout society especially amongst the youth. It is also a recognition that China now has an established capitalist class which is starting to monopolise its position. Xi’s talk about reigning in conspicuous consumption and rising riches is driven by political not economic imperatives, the recognition that it is destabilising. To be sure these measures seeking to reign in inequality, or what is the same thing, involving re-distributional politics, is bound to be replicated in the West.

The problem Xi has, lies outside the Hall of the People. He may have symbolically ejected his predecessor in order to illustrate the rejection of his politics, but over the ten years of his own rule, Xi has presided over a systemic fall in the rate of profit. He may have declared ‘All power to the Markets’ to allocate resources, but that market is being enfeebled by the swoon in profits.

Throughout his speech, not only does Xi lambast the rise in inequality, but in order to address it he proposes tying wage rises to productivity rises: *Ensure personal income grows basically in step with economic growth and pay rises in tandem with increases in productivity*. Here we have a Marxist who does not understand his Marxist economics. The problem facing China is not the issue of moving from a *moderately prosperous to a wealthy nation*, it’s the issue of the rising organic composition of capital. China is rapidly increasing the number of labour saving means of production. Today, quantitatively, it hosts more industrial robots than [Japan, the USA, South Korea and Germany](#) combined as the graph below shows.



And as the composition of capital rises, a greater share of the productivity so yielded needs to be devoted to profits to arrest the fall in the rate of profit. That is why a socialist market is a nonsense. Either Xi wants a market economy to discover clearing prices, or he wants a socialist economy free of rates of return. He cannot have both. The more capitalism develops the more it undermines a socialist market.

And the more the rate of profit falls which I have [shown repeatedly](#), the less wages can rise with productivity. The days of rapidly rising wages are over. It appears that not only is the Chinese Communist Party being assaulted from without, but from within, by the very capitalist beast it has unleashed.

Conclusion.

Western Marxists need to read this speech carefully. There is a lot of confusion about whether China is part-Socialist or simply an amalgam of state and private capital. Look at the detail and especially look at the proposals. There is not a hint of the suppression of capitalism by the party. There is however strong evidence of a symbiotic relationship with the market. This much is acknowledged in a recent [CNBC article](#) reviewing the new Politburo. In this speech Xi is talking of guiding and supporting the market, and when it comes to the social net, of limiting it to basic services creating the opportunity for the commercialisation of more comprehensive and expensive services. All of this is consistent with the upstream-downstream developmental model which the party has pioneered and has stuck to for over 30 year and which has created a successful capitalist economy in the face of international competition.

It is also the case that the world economy is fracturing into two economic architectures one centred on Beijing the other on Washington. This will lead to duplication and dislocation adding up to a colossal waste of the labour time of society. It will also weaken capitalism significantly just as happened in the 1930s by driving up cost prices around the world.

We need to treat Beijing and Washington differentially. The US is the aggressor. The last set of embargoes is a huge gamble for the USA. If it does not derail Chinese technological progress, and the next six months will tell, it will boomerang back against the USA. It will hasten its decline as US corporations lose one of their biggest markets and face stiffer competition in the rest. In that case, as day follows night, the US will wage war on China to rescue itself.

Thus our opposition is focused on the USA. It is the primary threat. If war is to be prevented, the US working class in particular, must be orientated towards opposing the White House, the Pentagon and the State Department's drive to war. The USA, emerging victorious from the Second World War, has been the home of reaction, responsible for all that is vile and barbaric in our world. They haven't hesitated to mobilise Islamic and Christian fascists to fight their dirty wars, they have crippled nations, and by wiping out democratic processes have opened countries to pre-feudal forms of rule. It must end.

This does not mean we enter into a united front with China. That Chinese capitalism is somehow superior to its western counter-part, when the reverse is now the case, really a question of which capitalism is the most decrepit? World capitalism is entering its deepest crisis to date, both economically, politically and environmentally, despite the rosier data on the delayed Chinese GDP. This global contraction was confirmed by the S&P Global PMI reports released on the 24th [including the USA](#), and the key [PMI for the electronic industry](#) released on the 7th October. This crisis will envelope every country including China, the USA and the EU. It will involve the deepest, most prolonged and savage attack on workers globally since the end of World War 2. That being so, whatever anti-war movement we form, to be successful, needs

to be transformed into an international revolutionary movement. We need to turn a horizontal war into a vertical war, no longer between nations but within nations, no longer against foreigners but against our own exploiters.

NO PEACE BETWEEN CLASSES
NO WAR BETWEEN NATIONS
NO TOLERANCE OF BUREAUCRACY

That Joseph Xi is the essence of Marxism.

Brian Green, 25th October 2022.

Here is a link to Xi's little red eBook in which he expounds his: [*Thought on Socialism with Chinese Characteristics for a New Era*](#), or as the sub-title says, where this political alchemist turns *Marxian Gold into Stalinist Lead*.