

China's Historical Transition and the Globalization¹

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Abstract

Affer 20 years socialist economic reform and open the door to the world, the main land of China has changed thoroughly, its economic system, traditional culture and political atmosphere all have a great change. Along with the foreign capital come into China, the world trends of globalization affects China through all of those areas. So there is a close connection between China's reform and the world trends of globalization, the world's problems, such as equality, justice and democracy are also those problems that facing China. Economic development is still the main tasks of today's China, but the whole social harmonious development is also an emergency task of it. There are two areas of harmonious development, one is inside, which deals with the relationship between different layers of people, and the other is outside, which deals with the relationship between developed countries and developing countries. We live on the same world, we have only one world, and the tasks of today's China are more and more connected with the tasks of the whole world.

Key words: *historical transition, political reform, economic reform*

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1. Economic System Transition

China's socialist system was set up in 1956, seven years after the C. C. P. (the China Communist Party) came in Power, like other traditional socialist, it was based on a backward background, or even worse, it was based on a semi-feudalism,

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semi-colonialism, and bureau-capitalism. The main characters of the traditional socialist system in China are that: in the city, state ownership and collective ownership is the main form of public ownership for the industry property. In the countryside, after land reform, which finished in 1956 by transforming the land from private hand to community, in 1958, it has developed from production team to people's commune. The private ownership existed both in the city and countryside only as small hand-industry. The arrangements of production were central planning; the allocations principal are reward according to contribution. To some extent, principally it was realized the demand of the first stage of communism judged by Marx and Engels. However this model was created by Stalin, that is, public ownership with central planning, and followed actively or passively by all of the other socialist countries. In this system all state industries were part of a single hierarchy organised along sectoral lines. At the top, the government and the party leadership constituted the centre.

1.1. Why the Historical Transition has to Happen?

It is very clear now to all observers that this kind of socialist system lacked economic efficiency, leading to great differences in economic level between capitalist countries and socialist countries. In order to avoid confusion about the concept of efficiency we have to distinguish two ways that the concept of efficiency is used. Marx criticized the capitalist mode of production for its lack of efficiency. He regarded its characteristic as „mystification“, lack of transparency, anarchy or production stagnancy, and economic crisis, which are all caused by the existence of private ownership and market competition. According to Marx, the socialist mode of production is based on public ownership and its production can be arranged or planned by authority, therefore it can overcome this kind of inefficiency.

However, in the new socialist system, the liberated productive forces did not develop as quickly as Marx thought they should have. Actually it appeared to involve another kind of inefficiency regarded by Chinese scholars as a lack of economic activity, which caused its economic development to slow down. Only for a short period did the traditional socialist system achieve great development, such as in the USSR from the 1920s to 1960s and in China up to the late 1950s. During this period people's high labouring enthusiasm was motivated by the excitement of having a new society and the new spirit, the socialist consciousness, to make a greater contribution to the new society, but it did not last long.

The beginning of the reform is exactly to deal with the problems of traditional socialist system, that is the lacking of economic activity and efficiency. The crucial line of the reform is to stimulate people's work enthusiasm by enhancing reward by remuneration, to increase the unity between people's self-interest and

public property by using contract responsibility. In general the reform of the economic system primarily is to enhance the combination of people's rights, responsibility and self-interest in the production activity by the form of contract.

With the new system of the contract responsibility, the problem of property rights is raised.

In the rural areas, sometimes the peasants have no interest in making permanent changes to the fields, which are necessary to improve their condition, since the fields are not their own property.

In the urban areas, now people are motivated by monetary incentive to pursue their own self-interest, but there is no fixed demarcation for the public property, no one is really responsible for public property, and therefore the transformation of public property into the hands of individuals is inevitable.

Further more, in order to generate the information and signalling functions of the market, in 1992 market has been introduced into China, after this, the reform has further deepened in the area of property right. On the one hand, traditional public ownership cannot go into the market, as it is, it must be change. On the other hand, private ownership has appeared and developed very quickly under the condition of the market. Meanwhile, almost all the other characters that connected with traditional socialist system have to have a change too.

Therefore, in China, since 1992, the socialist economic reform is also called historical transition. What it means by historical transition?

1.2. What is the Socialist Historical Transition?

There are at least two meanings for socialist historical transition, one is from the traditional planning economy to the market economy, and the other is from the public ownership to the multiple ownership together with the domination of public ownership.

At first the historical transition is that the planning economy has been replaced by market economy, and then market economic system force public property to be transformed into the form of multiple property, which has brought out series changes in the social system.

In China, the economic reform process can be divided into two stages.

The first is from 1978 to 1992. The main character of this stage was to introduce the system of contract responsibility, in order to enhance the relation between people's self-interest and their work, to avoid the weak point of excessively egalitarian rewards, and to introduce monetary incentives to make sure that people work hard. At the same time many economic powers have been gradually passed on from above to below, and central planning was gradually decreased, although it was still the main economic system.

The second stage is from 1992 to the present. The main characteristic of this stage is to introduce the market system, regulating the productive activity of enterprises through market information. At the same time the central planning leave more and more room to the market, but it is still play the leading role. This is called in China the „socialist market economy“.²

After the introducing of the market, on the one hand, China's economic development is faster than in the first stage, the great economic success that China has achieved is obvious to everybody now. On the other hand, market system definitely would have brought out serious difficulties for public property (in the form of the state owned enterprises and collective enterprises), and simple monetary incentive, which could serve as a lubricant for the first stage of reform, did not work, or even opposed their original purpose, in the second stage of reform.

There are two reasons for this:

- People's stimulated self-interest, together with the fact that there is no clear demarcation and no effective management for public property, can lead to the privatization of public property. This also becomes one of the main causes of serious corruption.

- Market means win or failure, who would be responsible for state property when it has lost in the market competition?

In response to these problems, China tries to resolve it by clarifying and managing public property from three ways:

- To further improve the process of separating the power between the government and state enterprises.

- To multiple public property by combining state property with foreign capital as joint adventure, which has already begun at the first stage of the reform, or to further open stock market and sells part of the stock of state property in the stock market.

- Most of the middle and small enterprises are transformed, either in the form of combination with foreign capital, or into multiple stock rights, or by selling to private individuals.

In any case some large important and crucial state enterprises are still held tightly by state, in the meaning that at least state should hold 50 per cent of its stock. But actually the result is that „the proportion of the value of the national economy in general industrial production is rapidly decreasing. In 1992, the proportion of state enterprise in general industrial production by value decreased to below 50 per cent,³ and arrived at 48.1 per cent. In 1996 the proportion was only 29 per cent“.⁴

² Or socialist market economy with China's character.

³ 50 per cent is regarded as the last line of defense for preserving socialism.

⁴ Report of the National Condition of China. China Statistical Publishing House 1998, p. 66.

Now the new ways of managing state owned enterprises and public property under the market system are still being tried. From 1999, a kind of supervisor has been sent by the State Council to state owned enterprises to oversee their management, in order to guarantee the increase of the value of state property.

Anyhow the principle that state property should play the main role in the national economy is still the idea of our policy.

1.3. New Problems have Appeared along with the Appearance of Non-public Ownership

During the historical transition, besides joint adventure enterprises, independent foreign private enterprises and China's national private enterprises have also set up and developed, and they have developed even faster than the first stage of reform. According to official report, in the countryside there are now 1.5 million private enterprises and 31 million private small hand-industries.⁵

The non public enterprises has produced and developed normally through four ways:

- To introduce foreign private enterprises into China in different forms.
- The appearance of national private enterprises both in the form of city industry and countryside enterprises.
- The transform of state property either in the stock market or into individual people's hands.

Along with the transformation of state property, especially along with the development of Non-public ownership, a lot of new problems has appeared:

- The traditional stable relations, including housing, medical treatment, pensions etc., between workers and the public ownership are ended.

Now the worker's security, for example of employment, medical treatment, pension etc. is transformed from the connection with their former stable job to the social security system. These things have originated in capitalism, but now, along with the market system, has being introduced into China.

Besides workers position has been completely changed by the transform of public ownership and the development of non-public ownership, the existence and development of non-public ownership unavoidably would have also brought about the problems of social differentials and class conflicts.

- The traditional socialist allocation form that distribution according to contribution has been changed to the form that distribution according to contribution combined with distribution according to capital.

⁵ Zhang XUEVING: The National People's Congress; Retrospective and Prospective. China Today, Vol. 50, No 3, March 20.

Actually, before the reform the principle of distribution according to contribution was replaced in practice by an excessive egalitarianism, that is no matter how much and what you have done, you almost get the same reward from your work.

The principle of socialist reform is to against excessive egalitarianism and stresses the principle of distribution according to contribution. But actually, after the reform the principle of distribution according to contribution has to be combined with the principle of distribution according to capital.

There is no problem that China's socialist economic reform has brought about great success in its economic development; there is also no problem that China's socialist economic reform has brought about many serious problems to its essence as a socialist system. Although the essence of socialism is an obscure conception, at least community, equality, justice, no class difference and no exploitation are normally accepted by most Marxists. And they are not in the contradiction with the opinion of Marx and Engels about what socialism should be, which they had expressed in the *Critique of the Gotha Programme*. Even though these concepts are seriously disputed.

Also the political privileged class had grown up rapidly, there did exist equality in the area of people's income.

Socialist economic reform and the transition from planning economy to market economy, together with the appearance of non-public ownership, has brought income difference from two areas:

Firstly, It is economic area, on this area the income difference has appeared automatically through economic activity, because market tend to create inequality automatically even under socialist system.

After we have joined W. T. O. Our market system should be more world standard, state owned property would be also put into market competition.

Secondly, reformed economic system with no-reformed political system aroused serious problems of injustice, when those people in power have controlled the procession of state property privatization, then it is easier to see what would have been happened.

2. Where is the Direction for China's Political System to be Improved?

How could China's political system to be reformed and therefore to match the reformed economic system?

It is a question concerned by all, in order to discuss the direction that China's political system could be improved, at first we have to explain what is China's socialist political system.

2.1. Socialist Political System

Before the reform, the economic system of socialism in China was one of public ownership that included state ownership and collective ownership; its political system was the dictatorship of the proletariat, led by the Communist Party of China. The state system includes three parts:

- The delegates of the People's Delegate Committee.
- The State Council.
- The People's Court and People's Procuratorate.

The delegates of the People's Delegate Committee are a system of legislative, which is supposed to „ be elected by all the people and to represent the interests of all. The State Council is the highest administrative department; the People's Court and People's Procuratorate are responsible to People's Delegate Committee.

Highly centralized public ownership is well matched by the highly centralized planning, controlled by the central authorities (i. e., the combination of the Party and the government).

2.2. Where is the New Problem with this Political System?

After the economic reforms, especially after the market system was introduced into the socialist system, not only was the planned economy were replaced by the market economy, but also was public ownership replaced by mixture ownership, such as by public ownership, multiple ownership and even private ownership.

The reformed economic system with an unreformed political system has caused many serious problems.

- One of these problems is caused by the inefficiency of the political system, for it cannot keep pace with the demands of rapid economic development. This is exacerbated by the lack of demarcation between the Party and the government.

In order to avoid this weakness, the government and the Party gradually became separated.

- After multiple ownership and private ownership came about, apart from public ownership (roughly state ownership and collective ownership), there is also mixed ownership, individuals holding stock, private ownership, and foreign capital, etc. Disharmony has appeared; because, on the one hand, it is difficult for the C. P. C. to represent the interests of all those different interest groups; on the other hand, it is difficult for all those different interest groups to express their demands.

In this situation, on the one hand, for the non-public ownership, what they do in order to pursue their own interests, sometimes, is simply to buy it from people

in power; on the other side, those persons in charge of public property use their power to transform public property into their own hands, or use their power to pursue their own interest, which cause serious corruption.

2.3. Political System cannot be Reformed with the same Principle as the Reform of Economic System

Due to the essence of political system, the path of reform for the socialist political system is different from the path of the reform for the socialist economic system. The reform of the economic system is based on the motivation of people's self-interest, and it is guided by the stimulation of people's self-interest, combined with contract responsibility.

The reform of the political system is quite different. The aim of political reform is to limit the scope of people in power to use their privilege to pursue their own or part of the people's interests, and to guarantee that they will be responsible for the whole society. So, a kind of supervision is inevitable.

Facing the problems of political inefficiency and serious corruption, instead of continually political movement, many people more and more stress a system of political supervision. But until now no effective supervision system combined with single party leadership has been found.

The Western model of democracy, such as multi-party democracy, is admired by some Chinese people, while it is criticised by others (both Chinese and Western scholars) as it is only a bourgeois democracy that is based on money. Furthermore many people doubt whether this mode of democracy can guarantee the public interests. Some Western scholars even say that the Western mode of democracy has set a negative example.

Due to a lack of ideas about how we could set out on political reform, the process of political reform has been slow. But it is already on its way; at least the system of officialdom has now been reformed from government nominating to a system of public competition by self-nomination and equal assessment.

However the strong demand for political reform has continually increased, both from ordinary people as well as the Central Party, not only because corruption has seriously increased, but also because serious corruption has hampered economic development. Obviously, compared to economic reform, reform of the political system is more important and more difficult.

We are now on the way of setting up an effective supervision system and move on towards the direction of democratic system, for trying this; there are at least two problems we have to think about:

- Could the supervision system to be functioned out the party control? If the answer is no, how could it to become an effective supervision system?

• How could we set up a democratic political system with single party system? It is still an open question.

They are those questions that not easy to answer, but the reduce of serious corruption and achieve social justice in some sense depend on how we answer those questions.

We have achieved great success in economic reform with creative thinking, so why not try political reform with creative thinking?

3. China's Historical Transition with the Globalization

China's historical transition to some extent is combined with the world trends of globalization, what will be the future outcome for China's socialist historical transition? This is of concern not only to Chinese people, but also to many Western people, especially to those who are interested in the socialist or communist cause. At least, if the prospects of China's historical transition still towards the direction of socialism depends on how we solve these new problems, and how we carry on socialist political reform.

As for the first point, the prospects of China's socialist reform depends on how we try to achieve some extent allocation and social equality under the condition of multiple ownership and the market system, and develop an effective social security system, in order to guarantee that every persons' living standard will be, to some extent, increased along with the development of the National economy.

As for the second point, the prospects of China's socialist reform depends on how the political system can be reformed, and whether a democratic political system can be set up, which could function more efficiently with the economic system and can be supervised by more people, in order to control or eliminate the growth of serious corruption, and to push forward economic development. Most importantly a democratic political system could encourage more people to be active in political affairs, especially because it gives labourers a chance to protect their own interests, in the condition of a socialist market economy.