

The Class Nature of the People's Republic of China

Doug Lorimer

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The Class Nature of the Chinese State

By Doug Lorimer

The purpose of this report is to motivate the adoption by the party of the “Theses on the Class Nature of the People’s Republic of China” approved by the National Committee at its October plenum last year.

Since 1993 our party has held the position that the ruling Chinese bureaucracy has been presiding over the restoration of capitalism in China. However, our policy toward China has been ambiguous: while taking an oppositional stance in our public press toward the ruling bureaucracy’s restorationist course, we have left it unclear as to whether we continued to believe that China is still a bureaucratically ruled socialist state.

In a report to the October 1997 meeting of the National Committee on “The Evolution of Economy and State in China”, the National Executive argued that the process of capitalist restoration in China was not the *unintended* consequence of concessions that the Chinese state was forced to make to secure foreign capitalist investment and access to the world market, but the consequence of a consciously restorationist orientation by the commanding personnel of the state — the ruling bureaucracy organised in the Communist Party of China — to replace China’s nationalised, planned economy with a market economy and to convert themselves into private exploiters of commodified labour power, i.e., into capitalists. The report argued that:

This report was given to the 18th Congress of the Democratic Socialist Party, held in Sydney in January 1999. It deals with the “Theses on the Class Nature of the People’s Republic of China”, submitted by the DSP National Committee for a vote at the congress. Both the report and the theses were adopted by the congress. Doug Lorimer (1953-2013) was a longtime leader of the DSP.

While the process of capitalist restoration is not yet completed in China, there is sufficient evidence for us to conclude that this is the conscious orientation of those who hold political power in China, and that therefore China, like Russia and the former Soviet bloc countries of Eastern Europe, is a *capitalist state*.

The theses that delegates are being asked to vote on today set out the theoretical framework upon which this assessment is based and provide a historical analysis of how the People's Republic of China was transformed from a bureaucratically ruled socialist state into a capitalist state.

Change in policy toward Chinese state

As was pointed out in the October 1998 NC report on the theses, much more is involved in this discussion than simply changing the class label we apply to the Chinese state. The October 1998 NC report dealt with the potential theoretical problems posed as a result of drawing the conclusion that the class nature of the Chinese state had changed, despite the fact that there had not been any fundamental change in the structure of the organs of state power in China. But much more is involved in this discussion than checking to see if the change in label is compatible with our theory. Above all, the change in label involves a change in our *policy* toward the Chinese state.

If we continue to classify China as a bureaucratically ruled socialist state then — to be consistent with our past policy toward regimes that we have applied this label to — we would continue to advocate that socialists in China and internationally should stand for a radical democratic *reform* of this state to be achieved through an antibureaucratic political revolution that would transfer control of the *existing* organs of state power — that is, the existing governmental apparatus and armed forces — from the political representatives of the privileged officials that make up the commanding personnel of these organs to a government consisting of revolutionary political representatives of the working class.

By contrast, recognising that the PRC is a capitalist state means abandoning this policy in favour of advocating the revolutionary mobilisation of the Chinese workers and poor peasants to create *new* organs of state power, that is, a new governmental apparatus and new armed forces, that can break up and replace the existing organs of state power. This change in our policy toward China, which is the basic political conclusion of the theses, flows from the analysis that is set out in the document — an analysis which argues that a qualitative change has occurred in the class nature of the People's Republic of China, i.e., that it has become a capitalist state.

We have drawn this analytical conclusion not simply on the basis of evidence that the commanding personnel of this state subjectively aim to transform themselves,

their relatives and cronies into capitalists, but on the basis of information that shows that these state officials — from the highest to the lowest echelons of the state bureaucracy — have become *materially tied* to the newly emergent class of capitalists in China. These officials are materially tied to this newly emergent bourgeoisie through the private and quasiprivate businesses that are operated by their cronies and relatives, or directly by themselves. In many ways these material ties are more direct than those that exist between the commanding personnel of the organs of state power and the owners of capitalist businesses in developed capitalist countries like Australia. The officers of the People's Liberation Army of China, for example, own and manage factories employing around 600,000 workers — factories which produce a vast range of nonmilitary goods for export, from passenger aircraft to karioke machines. The total saleable value of the PLA's business empire is estimated by Western economic analysts at about US\$10 billion.

The Chinese army officer corps' direct involvement in capitalist business activities in many ways parallels the direct involvement in capitalist businesses that characterised the Indonesian army officer corps during the 1960s. It would be absolutely fatal for socialists in China to believe that the commanding personnel of the PLA will not respond to any perceived serious threat to their bourgeois class interests as ruthlessly as the ABRI did in Indonesia in 1965-66 or the Chilean army did in 1973. That is why we believe that a reversal of the process of capitalist restoration in China cannot be achieved by the Chinese working class simply taking over the existing organs of state power and wielding them in its own interests. Rather, it will require a new proletarian social revolution in China, in which the existing organs of state power will have to be smashed and replaced by new organs of state power that are based upon the organised revolutionary mobilisation of the workers and poor peasants.

Criteria for determining qualitative change

When did the People's Republic of China become a capitalist state? Behind this question is a more fundamental one, i.e., what are the criteria that Marxists should use to determine that a qualitative change in the class nature of the PRC has occurred — from a bureaucratically ruled socialist state to a capitalist state? In the theses, we affirm that the qualitative change in the class nature of the Chinese state occurred *after* the bureaucratic regimes in the postcapitalist societies of Eastern Europe and the Soviet Union had become capitalist states. In the case of the Soviet bloc countries, identifying that a qualitative change from bureaucratically ruled socialist states to capitalist states had occurred was relatively easy because this qualitative change was accompanied by the collapse of the ruling bureaucracy's political apparatus, i.e., of the ruling Stalinist

party machine, and by the open repudiation of “socialism” by the ruling bureaucracies. In China, however, the Stalinist political apparatus remains intact and the ruling bureaucracy continues to claim that it is “building socialism”.

But even in the case of Soviet Union, closer examination of the process of the turn by the ruling bureaucracy toward orienting to the restoration of capitalism reveals that this occurred *before* the top echelons of this bureaucracy abandoned the political structures of the Stalinist regime. In the theses we note that the “ruling bureaucracy at both the level of the individual republics of the USSR and at the all-union level had endorsed the replacement of the nationalised, planned economy with a capitalist economy” a year before the August 1991 political victory of the Yeltsin-led advocates of rapid denationalisation when “the USSR Supreme Soviet approved the Russian Supreme Soviet’s ‘500-Day Plan’ for the creation of a ‘market economy’”, i.e., that the qualitative change occurred in September 1990. The theses argue that the August 1991 coup against Gorbachev by the central leaders of the CPSU was an attempt by a section of the ruling bureaucracy — based in the all-union institutions of the bureaucratic regime — to retain the authoritarian control of the central state administration in order to use it “to carry out a gradual, centrally managed transition to capitalism in which they would be able to transform themselves, their family members and close associates into the owners of big, all-union capitalist corporations”. Opposing them were those in the ruling bureaucracy who were “connected with republican, provincial and enterprise administrations” and who “sought to free themselves from the tutelage of the central administrative institutions in order to carry out a rapid process of privatisation”. The differences between these two wings of the ruling bureaucracy took the form of an open political conflict because prior to the Soviet bureaucracy’s turn toward restoring capitalism it had sought under Gorbachev to reform the bureaucratically-managed planned economy through a combination of introducing market mechanisms into the economy and the ending of repression of dissident political views, including the open expression of different views on economic policy within the bureaucracy itself.

In the theses we state that the qualitative change in China from a bureaucratically ruled socialist state to a capitalist state occurred *after* this qualitative change occurred in the postcapitalist societies of Eastern Europe and the Soviet Union. The theses state that:

The turn by the ruling bureaucracy in China toward sanctioning the transformation of the petty-bourgeois stratum that constitutes the commanding personnel in the organs of state power into owners of bourgeois property, like the somewhat earlier turn in the same direction by the ruling bureaucracies in the Soviet Union and Eastern Europe,

marks the final triumph of bourgeois reaction within the state structures of these societies and the end of any activity on their part to defend the nationalised, planned economy as a source of their power and income. The state power these bureaucracies command has ceased to be “a weapon of proletarian dictatorship”. It has become an instrument for the suppression of the resistance of the working class to the reintroduction and defence of capitalist property relations. These regimes are no longer highly deformed expressions of proletarian state power. They are now *capitalist states*.

Here we are noting a number of things. Firstly, that bourgeois reaction had already *partially* triumphed in all of the countries that had nationalised, planned economies but were politically ruled by Stalinist bureaucracies. State power in all of the bureaucratically-ruled postcapitalist societies was already under the command of a petty-bourgeois social stratum that, as we have pointed out in our party program, “was bourgeois in its attitudes and aspirations”. The rule of the petty-bourgeois Stalinist bureaucracies, our program states, did not represent a “distorted, bureaucratic form of ‘socialism’, but rather a stage on the road to capitalist restoration”.

Secondly, the turn by these petty-bourgeois bureaucratic regimes toward replacing the planned economies upon which the ruling bureaucracies were parasitic growths with market economies signalled the *final* triumph of bourgeois reaction in the political superstructures of these postcapitalist societies. Thirdly, the turn by these petty-bourgeois regimes toward replacing the planned economy with a market economy is therefore not signalled by these regimes sanctioning of the use of market *mechanisms* within the state-owned sector, for example making the incomes of the managers of state-owned enterprises dependent upon the individual profitability of these enterprises. If this were the criterion that we used to determine when these regimes became capitalist states, then we’d have to draw the conclusion that the Soviet Union became a capitalist state in 1935.

Nor is the turn by these petty-bourgeois regimes towards restoring capitalism signalled simply by the proclamation by these regimes that they *want* to create a “market economy”. If this was the criterion we used, then we’d have to say that Yugoslavia became a capitalist state when the Yugoslav Stalinist bureaucracy headed by Josip Tito publicly declared that its goal was to create a “market economy”, i.e., in 1965. What the Tito regime meant by a “market economy” was not what orthodox Marxists understand by this term, but rather an economy in which market relations between enterprises were combined with state ownership of the decisive means of production and bureaucratically centralised planning operated through economic rather than administrative means, i.e., through the central government’s budget, tax and credit policies rather than through the direct allocation of productive resources by

central ministries and planning commissions.

Instead, the criteria that we have used to judge whether and when a turn has been made by any of these bureaucratic regimes toward consciously restoring capitalism is whether the regime's officially proclaimed aim that it wants to create a "market economy" is accompanied or immediately followed by *practical policies* that allow the commanding personnel of the organs of state power to transform themselves into capitalist employers of labour-power. Thus, while the Yugoslav regime proclaimed in the mid-1960s that its goal was the creation of "market economy", this regime did not allow state officials, including enterprise managers, to become operators of private commercial and industrial businesses *until 1989*. Consequently, we would reject any suggestion that the Yugoslav regime was a capitalist state prior to 1989.

In the case of China, we point out in the theses that after the 14th congress of the Chinese Communist Party in 1992 "approved the goal of creating a 'socialist market economy' ... More and more state economic assets have been transferred into the hands of joint-stock companies owned by government officials ... The top officials in the central government have set their children up in private and quasiprivate businesses in mainland China and in Hong Kong; [and] vast numbers of lower-ranking government officials in the coastal provinces and those with family-business connections in Hong Kong have gone into private and quasiprivate business ventures with Hong Kong, Taiwanese and Western capitalist investors."

The significance of the 1992 turn

In the October 1997 NC report we noted that Li Peng, the Chinese prime minister at the time, in a speech he gave to the Beijing delegates attending the 15th CPC congress in September 1997, had explained that there had been two key changes in the regime's economic policy after the 1966-76 "Cultural Revolution".

The first change was what Li called the "important decision to take economic development as the centre of the party's basic line". This was an allusion to the December 1978 CPC Central Committee plenum, at which the supporters of the party's pre-Cultural Revolution general secretary, Deng Xiaoping, were returned to key leadership positions within the party and the government. Li described the decision "to take economic development as the centre of the party's basic line" as "the first great step in the emancipation of the mind". That is, it was the first step in the freeing of the bureaucracy from Mao's ultra-Stalinist policy of "putting politics in command", i.e., Mao's policy of subordinating economic development to the totalitarian utopia of securing total, unanimous and vocal support from every individual citizen for every pronouncement by the deified autocratic leader of the regime.

According to Li, the second great change in the orientation of the regime was signalled by Deng Xiaoping in his highly publicised tour of southern China in January-February 1992. During the tour, Deng singled out for special praise the economic dynamism of Guangdong province — at the time the most marketised in China. In 1992, only 35% of industrial production in Guangdong came from state-owned enterprises, 27% from quasiprivate, so-called “collectively-owned”, enterprises and 38% from privately-owned firms.

By 1992 Hong Kong capitalists employed 3 million manufacturing workers in Guangdong, compared with only 680,000 workers in Hong Kong itself. Guangdong’s economy was described by the US business magazine *Forbes* as a “marriage made in heaven combining the business acumen, technology and capital of Hong Kong industry with the bottomless pool of cheap Chinese labour”. An article in the October 31, 1988 issue of the US *Business Week* journal described how this capitalist paradise was built upon the remorseless exploitation of child labour, forced overtime, and government strikebreaking. It reported, for example, that in the Guangdong factories owned by Kader Enterprises Ltd, Hong Kong’s largest toy maker, Chinese workers, many of them women as young as 12 years old, worked 14-hour days, seven days a week, for the equivalent of \$US21 a month, and slept six a room in company dormitories. The article quoted a Kader executive saying: “We can work these girls all day and night, while in Hong Kong it would be impossible. We couldn’t get this kind of labour, even if we were willing to meet Hong Kong wage levels”.

In praising Guangdong’s economic performance as a model for the rest of the country to emulate, Deng was giving his approval to the “entrepreneurial” practices of the province’s government officials. An example of such “entrepreneurship” was provided in a September 1991 Associated Press report of how a “Mr Yuan Lisong” used his official position to enrich himself by privatising state wealth. According to the AP dispatch, Yuan, 48-year-old member of the Communist Party, was the deputy mayor of Dongguan City, one of the hottest centres of foreign investment in Guangdong province. He was also the managing director of the Fook Man Development Company, a Hong Kong-based firm with millions in the bank. He also sat on the board of three other Hong Kong-based companies, and was part-owner of a 500-room hotel in Los Angeles. The article observed that ordinary Chinese called such officials “fake foreign devils”, after the 19th-century nickname for Chinese compradors in the British-run opium trade. According to the AP report, the “communist” deputy mayor didn’t object to this label. “We’re making money’, he answers, slapping his thigh and slipping off his loafers.”

In his speech to the Beijing delegates attending the 15th CPC congress, Li Peng

stated that Deng's 1992 remarks praising the "entrepreneurial" activities of Guangdong provincial officials "resulted in China's moves to establish a socialist market economy as a goal in economic restructuring suggested by the 14th National Party Congress later that year". That is, at the 14th CPC congress in September 1992, the ruling circles of the Chinese state made it clear to state officials all across China that they should work toward creating a "socialist market economy" like the one in Guangdong province, i.e., a capitalist economy in which the most politically influential capitalists are members of the ruling Chinese Communist Party bureaucracy.

This qualitative change in the orientation of the regime of course did not fall from the skies. It was prepared by a whole series of *quantitative* changes in the regime's economic policies which increasingly shifted the primary source of income of increasing numbers of bureaucrats from their successes as managers of the state economy in meeting the administratively set targets of the state economic plan to their successes in privately accumulating money through illegal, speculative activities in the expanding markets created during the 1980s.

Did the qualitative change occur in 1978?

This analysis of when the qualitative change in the class nature of the Chinese state took place has been challenged by Comrade Chris Slee in his pre-congress discussion article "When Did the Chinese State Become Capitalist?", Comrade Slee notes that the December 1978 Central Committee plenum "is generally considered as marking both the rise to power of Deng and the start of the market reforms" and that from this meeting on "the market reforms proceeded step by step, beginning in agriculture and extending progressively throughout the economy". He goes on to point out that: "Corruption spread as the bureaucracy strove to accumulate wealth and turn themselves and their relatives and cronies into capitalists." Comrade Slee observes that this was the "ultimate result" of a "long process". He then sums up his argument with the following comments:

The point at which the state became an instrument to promote capitalist restoration was probably the rise to power of Deng Xiaoping in 1978. This was when the market reforms began. While initially disguised by socialist rhetoric, the logic of such a program when implemented by an authoritarian and corrupt bureaucratic regime was to lead to the restoration of capitalism.

It is certainly true that the *objective dynamic* of the introduction of more and more market relations into a nationalised, planned economy that is managed by a bureaucracy freed from any institutionalised checks by the workers, will be an expansion of official corruption (i.e., private accumulation of large amounts of money by the

state officials), which in turn will lead to attempts by these bureaucrats to “turn themselves and their relatives and cronies into capitalists”, as well as growing pressure from them for the bureaucratic regime to give official sanction to this process. But it is not logical to locate the qualitative change in the class nature of the Chinese state at the point when the process of introducing more and more market relations into the planned economy began, rather than at the point when this process of quantitative changes reached its “ultimate result”, that is, when the state gave official approval for bureaucrats to “turn themselves . . . into capitalists”. This would be as illogical as arguing that because the “ultimate result” of someone contracting a potentially fatal illness in 1978 was that they died in 1992, therefore, the qualitative change in the deceased person’s physiology, i.e., death, was not in 1992 but in 1978, when they contracted the illness.

Comrade Slee, however, appears to be arguing that China became a capitalist state in December 1978 because this was when, as he puts it, “the procapitalist Deng Xiaoping faction consolidated its hold on power and initiated its program of ‘market reform’”. This argument implies that the “Deng Xiaoping faction” of the Chinese bureaucracy was consciously committed in 1978 to the restoration of capitalism. But the only evidence Comrade Slee cites in support of such a claim is that (a) from the late 1950s on it constituted what Comrade Slee calls a “rightist faction”, opposing what he describes as the “irrational policies” of “Mao’s ultraleft faction”; and (b) that “the market reforms began” when the Deng Xiaoping faction “consolidated” its hold on power in 1978.

The problem with this line of argument is that the facts do not support it.

Deng himself had become part of the central leadership of the ruling Chinese bureaucracy in the mid-1950s when he was appointed general secretary of the Communist Party of China. After having served for 20 years as a political commissar in one or another of the party’s rural peasant armies, he had distinguished himself in the early 1950s as one of the leading organisers of China’s postcapitalist planned economy. In his capacity as party general secretary he was the reporter at the CPC’s Eighth Congress in 1956 on Nikita Khrushchev’s denunciation of Stalin at the CPSU’s 20th congress earlier that year. Deng endorsed Khrushchev’s report, calling for eliminating the “cult of the individual” from Chinese party life, and proposed a party constitution that deleted any reference to Mao and his “thought” as the party’s guide (such a provision had been put into the CPC’s constitution at Mao’s insistence at the previous party congress in 1945).

From the late 1950s Deng became closely associated with Mao’s deputy in the ruling bureaucracy’s hierarchy, Liu Shaoqi. The two of them clashed sharply with Mao in

1959, when Mao's economic adventurism in the Great Leap Forward — which called for a doubling of China's agricultural and industrial output in one year — brought the country's planned economy to the brink of collapse and led to the death through starvation of around 25 million peasants. In the wake of this disaster and with the backing of the majority of the CPC's central leadership, Liu and Deng forced Mao to stand aside from effective involvement in the administration of the party and government, with Liu replacing Mao as China's president. From 1960 to 1966 Liu and Deng directed China's economic policies back toward the methods used during the country's First Five Year Plan in 1953-57.

In 1966, at the beginning of the so-called Cultural Revolution, Mao succeeded in having both Liu and Deng removed from their leadership posts and denounced as “rightists”, as “persons in authority taking the capitalist road”, as the “No. 1 and No. 2 Chinese Khrushchevs”, and as “renegades, traitors and scabs”. Liu was among the 34,000 former party officials who were officially acknowledged in 1979 to have been “persecuted to death” (i.e., tortured to death) during the 1966-76 Cultural Revolution. Deng was sent to a forced labour camp during this period.

The nature of the differences between the Mao & Deng factions

It is thoroughly misleading to apply the label “ultraleft” to the Mao faction of the ruling Chinese bureaucracy and the label “rightist” to the Liu-Deng faction. These labels imply that these groupings were simply two different political tendencies within the working-class movement, instead of two factions within the leading circles of a petty-bourgeois social formation commanding state power.

The characterisations “ultraleft” and “rightist” obscure the real axis of the differences between these groupings. They imply that the differences between these two factions revolved around the tempo and methods to be used to advance toward socialism, rather than what policies and methods would best serve to maintain and enhance the power and privileges of a state bureaucracy that had no interest whatsoever in advancing toward socialism — toward a worldwide classless society of freely associated producers.

The policies and methods that Mao stood for from 1958 until his death in 1976 were certainly dressed up in ultraleft verbiage, but this bureaucratic despot was as little inclined toward the political conceptions of anarchism as his mentor Stalin. Mao's policies and methods were certainly “irrational” from the point of view of building socialism, but they were not irrational from the point of view of preserving and strengthening the rule of a bureaucratic caste in a country that was much poorer than

the Soviet Union in the late 1950s, or even than the Soviet Union was in the 1930s when similar policies and methods were employed by Stalin. Mao sought to emulate Stalin's methods of mass terror, totalitarian control over every aspect of the lives the entire population and the imposition of military-style production forced-marches on the peasants, the workers and the bureaucracy itself.

The policies and methods that Liu and Deng stood for and that Mao claimed were evidence that were "capitalist roaders" and "rightists" were broadly similar to the standard operating procedures adopted by the Soviet bureaucracy after Stalin's death in 1953, and particularly after Nikita Khrushchev's official announcement of "de-Stalinisation" in 1956. These involved replacing mass terror, totalitarian regimentation, and forced-marches in production with more limited forms of police repression of political dissent, relaxation of state control over people's private lives, greater freedom of cultural expression, and attempts to increase production through the use of material incentives in the form of higher pay and more access by workers to consumer goods.

For Marxists, the measure of a postcapitalist society's progress in advancing toward socialism is the systematic improvement of the material and cultural living standards of the urban and rural workers and their active involvement in deciding and administering state policy. From this standpoint, the Mao faction could in no way be considered to be to the "left" of the Liu-Deng grouping.

Both the Mao and the Liu-Deng groupings were equally committed to preserving the administration of state power in the hands of a privileged caste of party and government officials that was hierarchically organised like the officer caste of a bourgeois army, with each individual official's salary, amenities, access to consumer goods, services, and information being determined by the particular rank which they were assigned in the administrative hierarchy — which in turn depended upon unquestioningly obedience to their superiors. Where they differed was over how to maintain the rule of this bureaucratic caste.

The Liu-Deng grouping, like Stalin's successors in the Soviet Union, favoured allowing a certain amount of intellectual freedom and political disaffection among the masses as long as this did not take organised form. Bureaucratic rule was to be protected by a policy of selective repression of open public expressions of political dissent for which the specialised apparatus of the secret police would in the main be adequate. By contrast, Mao favoured the methods of bureaucratic rule applied by Stalin in the 1930s, i.e., the instilling of demonstrative political conformity on the entire population through the compulsory participation of every citizen into "criticism and self-criticism" circles where they were required to give public professions of faith in the "great leader" and to regularly denounce as "counter-revolutionaries" those not deemed sufficiently

profuse in their praise of the “great leader”. The latter aspect of this system of totalitarian social control provided a vehicle for careerism by enabling people to denounce as a “counter-revolutionary” their immediate superior in their work or party unit, in the hope of taking their post.

With regard to the systematic raising of the material and cultural living standards of the workers, Mao's position was thoroughly reactionary. He was for severely limiting the material and cultural living standards of the masses. Indeed, so contemptuous was Mao toward the material and cultural needs of the masses that he cited the priority Liu and Deng had given in the period 1960-66 to expansion of consumer goods production and their emphasis on improving the technical skills of workers as the main evidence that they were “persons in authority taking the capitalist road”. While Liu and Deng advocated a policy of relative literary and artistic freedom, Mao's attitude to the cultural needs of the masses was well-captured by his remarks to a conference on education in 1964, at which he declared:

We shouldn't read too many books. We should read Marxist books, but not too many of them either. It will be enough to read a dozen or so ... If you read too many books, they petrify your mind in the end.

Mao's approach to literature and public education provide two concrete illustrations of how this glorification of ignorance was to be applied as state policy. In 1960, some 1300 periodicals were published in China. By 1973 this had been cut to around 50. Book publishing during Mao's “Cultural Revolution” was reduced to the works of Mao, technical manuals, party documents, and a few novels, mostly written by committees of Maoist bureaucrats, on the theme of the Maoists' “heroic” struggle against the “capitalist roaders” in the party.

Under Mao, the universities were closed for five years. When they were reopened in 1972 the length of study was cut from five years to three. And of these three, one year was now to be devoted to manual labour and another year to the study of current party documents and Mao's writings.

The differences between the Liu-Deng and Mao groupings in the 1960s, however, were not confined to issues of domestic policy. They also extended to foreign policy, in particular to the question of what attitude China should take toward US imperialism's escalating war against Vietnam.

When the US began bombing North Vietnam in February 1965 and sending large numbers of combat troops to South Vietnam, the Beijing party committee organised a mass demonstration against the US at which Peng Zhen, the head of the Beijing party committee, publicly promised Chinese aid to the Vietnamese revolutionaries to drive the US out of Vietnam. Mao, however, downplayed the US actions and, in an

interview he gave to the pro-Chinese US writer Edgar Snow, declared that an acceptable solution might see US troops remaining “around Saigon as in the case of South Korea”.

Around this time, leaders of the Japanese Communist Party travelled between China, Vietnam and North Korea, attempting to organise united action in defence of Vietnam. Peng Zhen and Deng Xiaoping supported this proposal, but Mao opposed it and was able to block its implementation. In his 1972 book *The Long Revolution*, Snow revealed that Mao told him in 1965 that Liu Shaoqi and Peng Zhen had wanted to revive the Sino-Soviet alliance in support of Vietnam and this helped convince Mao that Liu and Peng had to be purged. Indeed, Peng and the Beijing party committee were to be the first victims of Mao’s “Cultural Revolution”.

The ‘Cultural Revolution’

The “Cultural Revolution” was actually initiated by the Liu-Deng faction within the CPC Politburo, when they appointed Peng Zhen to head up a “Cultural Revolution Group” consisting of five top officials, only one of whom — Kang Sheng, the head of the secret police — was a supporter of Mao. The initial “Cultural Revolution Group” called for the mass mobilisation of students under the leadership of the children of party officials. Since party officials had not been permitted to have children until after the end of the civil war in 1949, most of their children were still of high school age. The initial Red Guards that were organised to carry out the “Cultural Revolution” were consequently made up overwhelmingly of high school students. They were mobilised by the local party authorities to attack the “four olds”, that is, the “old ideas, culture, customs and habits of the exploiting classes”. Ex-capitalists became the main target of these Red Guard attacks, with many of the former capitalists having their homes ransacked, while museums and art objects were also senselessly damaged.

In May 1966, however, Mao and his supporters seized the initiative. The original Cultural Revolution Group was replaced by a new group dominated by Mao’s supporters and headed by his long-time private secretary, Chen Boda, and Mao’s wife, Jiang Qing. In June 1966 Peng Zhen was accused by them of trying to restore capitalism and was ousted from all his official posts. The Beijing party committee was deposed and its offices militarily occupied by the PLA. A significant degree of control over the press and radio was placed in the hands of the new Cultural Revolution Group, which they used to launch an all-out campaign to build up the cult of Mao.

In August 1966, the CPC Central Committee met for the first time since 1962. Half of its members did not attend the meeting and Mao and his ally, defence minister Lin Biao, packed the session with pro-Maoist PLA officers. The meeting voted to call on Chinese students to “struggle and overthrow those persons in authority who are

taking the capitalist road", i.e., party and government officials who supported the Liu-Deng group.

The Liu-Deng group within the CPC leadership had the support of the overwhelming majority of regional army commanders, and party and government officials. These men and women had been the CPC and PLA cadres who had led the peasant masses in the 1946-49 civil war to overthrow the bourgeois Guomindang regime and in the subsequent antilandlord agrarian revolution. They had led the workers in breaking the resistance of the capitalists to the nationalisation of industry, banking and commerce and had been the chief organisers of the planned economy. They therefore enjoyed a certain measure of authority and prestige among the workers and peasants. Since the existing Red Guard formations were led by the children of these officials and made up of high-school students drawn from the families of workers and peasants, the Mao faction could not count on them as reliable shock-troops for a campaign of mass terror against these officials. Nor could the Mao faction mobilise the workers and peasants themselves to do this job, since the Mao group's goal was to impose severe restrictions on the living standards of the workers and peasants.

Instead, the Mao faction mobilised new Red Guard formations under the leadership of university students and unemployed urban youth. These young people had no family connections with the great majority of the regional PLA commanders or party and government officials. Nor were they from worker and poor peasant families. They were overwhelming the children of former capitalists, landlords, rich peasants, and urban petty proprietors. The reactionary social motives driving these "anti-capitalist-roader" Red Guard groups became very evident in January 1967 when they stormed factories, farms and offices and beat up and tortured the workers and poor peasants as well as the officials and managers.

Throughout early 1967 bloody street battles raged across China between the different Red Guard formations. By July 1967 open civil war threatened when the regional army commander of the industrial city of Wuhan sent his troops to oust the Maoist Red Guards from the city in defiance of the orders of defence minister Lin Biao. In the wake of this incident, at Jiang Qing's initiative the Cultural Revolution Group called for "dragging out the capitalist roaders in the army". This call directly threatened not only the regional PLA commanders, but also Lin Biao, who had belatedly called for a restoration of public order.

Fearing that the army officers might turn against him, on September 5, 1967 Mao sent personal messages of support to the regional PLA commanders, ordering them to disarm the Red Guards. Jiang Qing rapidly did an about face, making a public speech in which she called on the PLA to fire on "mass organisations or individuals"

that refused to obey military orders.

From late 1967, Mao ordered that governmental authority throughout China was to be placed into the hands of “revolutionary three-in-one committees”, which were to consist of the local PLA commanders, “good cadres” and representatives of the “revolutionary masses”. Since it was up to the local PLA commanders to decide who the “good cadres” and the representatives of the “revolutionary masses” were, this formula provided a means for power to be restored in the regions to the party and government officials who had previously been attacked by the Maoist Red Guards.

In early 1968, fierce battles again erupted between the different Red Guard groups and civil war once again loomed when Lin Biao attempted to assert his authority over the local PLA commanders and a number of them refused his orders and supported the “anti-four-olds” Red Guards against the “anti-capitalist roader” Red Guards. In June 1968 Mao again backed off, and ordered the Cultural Revolution Group to stay out of provincial factional fights and gave the local army commanders full authority to re-establish order. A month later, under pressure from defence minister Lin and Premier Zhou En-lai, Mao reluctantly ordered the Red Guards to be dissolved altogether. “Mao Zedong Propaganda Teams” staffed by workers and led by army officers took over the university campuses, and former Red Guards were ordered to disperse to the countryside, ostensibly to “learn from the peasants”. From late 1968 Mao’s ultra-Stalinist “politics-in-command” methods of rule became institutionalised in all areas of social life.

Beijing’s rapprochement with US imperialism

In foreign policy, the period after 1968 was marked by steady rapprochement between the Mao regime and US imperialism on the basis of mutual hostility toward the Soviet Union. At the end of November 1968 the Mao regime took the initiative to begin secret diplomatic talks in Warsaw with representatives of the incoming Nixon administration. Henry Kissinger, Nixon’s foreign policy adviser and later his Secretary of State, made his first favourable comment regarding China in December 1969. Throughout 1970 Mao and his premier, Zhou Enlai, gave a number of foreign press interviews, all but inviting Nixon to visit China. In 1971 Kissinger made a secret visit to Beijing, which paved the way for Nixon’s public visit in February 1972.

This rapprochement between the Mao regime and US imperialism was accompanied by clear demonstrations from Mao that he was willing to collaborate with Washington in preserving pro-imperialist regimes in power throughout the Third World. In March 1971, China provided military aid and strong political support to the US-allied Pakistani military dictatorship’s genocidal war against the Bangladesh

independence movement. In April 1971 Beijing gave material aid and political support to the Sri Lankan government's suppression of a Maoist-led youth rebellion. In July 1971, the Mao regime supported the Sudanese military dictatorship's witch-hunt against the Sudanese Communist Party and the Sudanese trade union movement, a witch-hunt carried out under the slogan of crushing all "Communists, traitors to the fatherland, and enemies of God". In September 1973, the Mao regime was one of the first governments to recognise General Pinochet's military dictatorship in Chile after the CIA-organised coup against the social-democratic government of Salvador Allende. When Mao died in 1976, the rabidly anticommunist Pinochet declared three days of official mourning for Mao with flags on all public buildings at half-mast.

Deng, like Mao, was above all a Chinese nationalist. This is why his post-Mao regime followed the same nationalistic foreign policy as Mao's, which included covert and overt collaboration with US imperialism to support the maintenance of capitalist regimes that were willing to be friendly to Beijing. But an examination of the *domestic policies* advocated by Deng Xiaoping and his allies within the Chinese bureaucracy and implemented by them when they were in power in 1960-66, provides no evidence that they were "rightists" who favoured a restoration of capitalism in China. This was simply a Maoist slander, proven by the fact that Mao himself approved the reinstatement of Deng in January 1975 to the highest governing body of state power in China, the party's Politburo Standing Committee, as the party's vice-chairman — a position that put Deng in day-to-day control of the party and government. In that capacity, he quickly moved to reinstate to key positions of leadership in the central party apparatus and the central government ministries all of the supporters of the Liu-Deng grouping who had survived the purges of the previous decade.

In April 1976, Mao denounced Deng as a "unrepentant capitalist roader" and had him and his allies purged a second time. The concrete accusations made against Deng by the Maoist-controlled media after this second purge indicate that the policies Deng and his supporters had sought to implement in 1975-76 were similar to those they had applied in the 1960-66 period. Deng was accused of seeking to revive post-Stalin Soviet-style economic planning with its greater emphasis on consumer goods production rather than all-out concentration on heavy industry. He was accused of favouring pay increases for workers, proposing the importation of foreign machinery in order to modernise industry, opposing the Maoists' rigid censorship of art and literature, and their policy of limiting spending on university education and deporting urban high-school graduates to work in the countryside. In the decade after 1968, some 14 million urban high school graduates had been sent to work for indefinite periods in the villages as a means of avoiding increased spending on university education.

The Deng regime's 'market reforms'

Comrade Slee cites only one argument in support of the idea that the Deng faction was already "procapitalist" in December 1978 when they returned to all the key leadership positions in the party and government that they held in 1975-76: December 1978 was when the "market reforms began". But such an argument presumes that the "market reforms" implemented in the years immediately after December 1978 were in themselves "procapitalist". Again, the facts do not support such an assumption.

In December 1978 the Deng leadership approved only one "market reform": allowing peasants on the rural communes to have household vegetable plots and to sell the vegetables grown on these plots in local town markets. The same "market reform" was forced on Stalin in 1935 after his forced collectivisation of peasant farming had failed to provide any incentive to the peasantry to increase agricultural output.

In September 1980, the Deng leadership approved its second "market reform", when the State Agriculture Commission authorised the rural "people's communes" to contract work to individual peasant families. This was actually a concession forced on the regime by the spontaneous movement toward decollectivisation of farming that had been gathering momentum among the peasantry since February 1978. As the household contracting system spread, the rural communes, which were run by government-appointed officials, lost control to the peasants of concrete production issues such as cropping and labour allocation. This spontaneous movement by the peasants intensified throughout 1981-82 and was accompanied by a spontaneous revival of markets for agricultural produce and rural handicrafts. In January 1983 the regime formally approved the decollectivisation of peasant farming and by the end of 1984 the rural "people's communes" were a thing of the past.

If the act of formally approving the spontaneously-initiated decollectivisation of peasant farming is taken as proof that the Deng regime at that time was a capitalist state, theoretical consistency would demand that we conclude that Yugoslavia became a capitalist state in 1953 when the Tito bureaucracy opted for the same policy. But then, how would we square such an argument with the traditional Marxist position of opposing the forced collectivisation of family farming?

Titoite Stalinism & the Deng regime

A comparison of the policies of the Deng regime up to 1992 with those implemented by the Tito regime in Yugoslavia after 1948, when it broke with Stalin, shows many similarities. Indeed, the similarities are not coincidental. In 1981 the Deng regime began avidly studying Yugoslavia's bureaucratically-controlled system of atomised "workers' self-management" and its post-1965 combination of state planning and

markets. By 1984, the Deng regime had begun implementing a whole range of Titoist-style policies. These included allowing state industrial enterprises to keep up to 70% of their investment funds under their own control and to make their own decisions about the bulk of what they would produce. Like the Tito regime, the Deng regime also allowed the limited employment of workers in small family-owned industrial, commercial and service businesses as well as the setting up of joint ventures between state-owned enterprises and foreign capitalist investors.

Limited forms of workers' participation in enterprise management were also introduced. These took two forms. The first was annual workers' congresses (which were to review enterprise budgets and production plans, welfare and bonus funds, safety issues, wage systems and management structures and make recommendations on these to the higher levels of economic administration). The second was the authorisation of the election of factory managers by work collectives. However, as under the Titoist system of "workers' self-management" such elections were not by secret ballot and in a context where no independent forms of workers' political organisation were allowed, such elections could easily be controlled by the bureaucracy.

Like the Tito regime in Yugoslavia, the Deng regime in China in the 1980s allowed a considerable relaxation of Stalinist ideological control. As with the Tito regime, this relaxation extended to the official publication of anti-Stalinist Marxist literature. In 1984, for example, the Chinese CP's Institute of Marxism-Leninism began publishing writings by Isaac Deutscher, Ernest Mandel and Leon Trotsky.

The 1989 crackdown

At the same time, the Deng regime, like the Tito regime, was determined not to allow any forms of political organisation independent of the bureaucratic caste's control, most particularly any form of independent political organisation by workers. A graphic example of this was provided by the brutal crackdown the Deng regime launched in June 1989.

By 1988, there were clear signs that the Chinese masses were no longer the terrorised population they had been at the end of the Cultural Revolution. Workers, students and intellectuals began to stage public protests against the most conspicuous examples of official corruption and against the impact that rampant inflation of market prices was having on their living standards. Opinion surveys showed there was massive disapproval of the country's political institutions. In response, party general secretary Zhao Ziyang called for a crackdown on "bureaucratic racketeering", and the regime launched an official campaign of adulation for Mao which found broad resonance among workers who identified Mao's regime as a period when China was free of inflation, corruption, and public displays of extreme social inequality.

In the final days of 1988, racist demonstrations and eventually riots erupted on Beijing and Nanjing campuses as thousands of male Chinese students attacked African students for dating Chinese women. At the same time, leading intellectuals began to issue calls for the release from prison of Wei Jingsheng, a Beijing zoo electrician who had been jailed in 1979 for forming an independent organisation to campaign for freedom of political speech and association.

In April 1989, students mourning the death of Deng's premier, Hu Yaobang (who was seen by intellectuals as the leading advocate of political liberalisation within the party's top leadership), poured into central Beijing's Tiananmen Square. Some 10,000 students assembled in the square and demanded entry to Zhongnanhai, the heavily guarded residential compound of China's top officials, to discuss political freedoms, education funding and the disclosure of the financial records of the top officials and their children.

On April 26 the regime's main press organ, the *People's Daily*, ran an editorial based on a statement by Deng which denounced the students as "hooligans" led by "evil" people intent on fomenting "turmoil". In response, the students formed the Beijing Students' Autonomous Federation and the next day the number of demonstrators in the square reached 100,000. By early May, the social base of the demonstration broadened to include many office, shop and factory workers, with up to 150,000 in Tiananmen Square each day.

In response, the regime decided to change its tactics. Zhao Ziyang, with Deng's approval, made a conciliatory statement, calling the students' demands "reasonable" and urging a "democratic and legal" response. This statement was aimed at encouraging the dispersal of the demonstration, but it made the regime appear weak and divided and only caused the protest movement to spread to other cities.

On May 18, newly installed premier Li Peng held a nationally televised meeting with the students' representatives. When the student representatives refused to backdown, Li stormed out the meeting, and the following day announced the imposition of martial law in Beijing. But as had happened with the April 26 editorial, this get-tough stand backfired. Tens of thousands of Beijing working-class residents came out to their neighbourhood intersections to block the advance of PLA units toward Tiananmen Square. The workers pleaded with the soldiers and their officers not to act against the student protesters. By and large, the troops were sympathetic to these pleas. Meanwhile, at the top of the PLA, two marshals publicly praised the students' patriotism and seven other generals drafted a statement, signed by over a hundred senior officers, urging the PLA not to fire on the masses. In response, the military's advance through Beijing toward Tiananmen Square stopped.

On May 24, Zhao Ziyang resigned as party general secretary and the student leaders announced they would end their demonstration on May 30. The day before this, however, the most radical protest leaders — mainly workers rather than students — began to be arrested by the secret police. The arrests were triggered by a new development, one which galvanise the entire ruling bureaucracy behind Deng's demand for a military crackdown on the spreading protest movement.

On May 29, groups of workers began to demonstrate with a very different agenda from the students' demands. They focused on job security, wages, opposition to the burgeoning private enterprises, and the limitations on their power to control their workplaces. Where the students and intellectuals tended to see the solution to corruption and authoritarianism in further steps toward political liberalisation and privatisation of the economy, the workers were more inclined to think that excessive "market reform" and lack of worker power in the factories were undermining the social gains they had made under the nationalised, planned economy. Where the students had erected the "goddess of democracy", combining aspects of the traditional benevolent Chinese deity Guanyin and the US Statue of Liberty, the workers marched under portraits of Mao.

Moreover, the workers' demonstrations were accompanied by the ruling bureaucracy's worst nightmare: workers began to form independent associations to agitate for their demands and the most radical protesters in Tiananmen Square — mostly workers — declared they would stay in the square until June, when the next session of China's nominal legislature, the National People's Congress, was due to convene next door in the Great Hall of the People.

In the face of the workers' challenge, the ruling bureaucracy closed ranks and the PLA was ordered to crush the Tiananmen Square protest.

The vast majority of the estimated 1000 people killed in the Tiananmen Square massacre of the night of June 3-4, 1989 were not student protesters in the square itself, but workers in the encampments at major intersections ringing the square. And in the police crackdown that followed the regime made a clear distinction between the student and worker leaders. In an effort not to alienate the intellectuals too much from the regime, the student leaders who were caught were given jail terms. The 50 or so workers' leaders who were caught, however, were summarily executed.

The post-1989 retreat from 'market reforms' & the 1992 turn toward capitalist restoration

At the same time as sending a clear message to the workers that it would not tolerate any independent political activity on their part, the Deng regime sought to neutralise

the workers' discontent by announcing a ban on the children of high officials engaging in private business, a crackdown on official corruption, measures to tame inflation of market prices, and a redirection of investment toward state-owned enterprises and away from private and quasiprivate enterprises. This moderate and in certain respects rhetorical antimarket turn was maintained for two and half years, while the ruling circles of the Chinese state tried to work out a new course that would overcome the explosive social contradictions generated by the "market reforms" they had introduced into the planned economy during the 1980s.

Without workers' democracy and therefore organised working-class control over the economy, the "market reforms" introduced during the 1980s had created a ready-made mechanism for the private accumulation of large amounts of money by state officials. The reforms had created two parallel systems of pricing. The output of a state enterprise's production that was sold to other state enterprises was at administratively-set prices inherited from the Maoist period. These prices were generally much lower than those on the burgeoning markets, where scarcities were driving them up. Output using inputs purchased on the market at the higher market prices was supposed to be sold on the market at the market prices. However, unlike parallel lines which never touch, these two parallel economies were in contact with each other every day. There was therefore an enormous incentive for the managers of state enterprises to obtain all their production *inputs* at the administratively-set prices, but to sell all or most of their *output* on the market at the much higher market prices, and to pocket the difference. Through this mechanism, enterprise managers could accumulate large illegal private fortunes, which they "laundered" by channelling them into privately-owned businesses run by their relatives and cronies.

As such procapitalist tendencies within the ruling bureaucracy became more and more widespread, pressure mounted on the regime to allow them to become "legit". The signal that the regime intended to give official sanction to the transformation of bureaucrats into capitalists was Deng's remarks during his tour of southern China in January-February 1992. This new course — toward a full-scale restoration of capitalism — was given formal endorsement later that year by the most representative gathering of the ruling Chinese bureaucracy — the Communist Party congress.

This is why we judge that a qualitative turn was made in 1992 by the Chinese regime. The regime turned *away* from an orientation of using more and more market mechanisms to overcome the contradictions of bureaucratic management of a nationalised, planned economy *toward* an orientation of *replacing* the statised, planned economy with a capitalist economy throughout *the whole of China*. This turn in the regime's orientation signalled a *qualitative change* in the socioeconomic policy of the

state power toward the hitherto illegal transformation of bureaucrats into capitalists.

From tolerating the transformation of bureaucrats into capitalists in *certain regions* of China, such as Guangdong province, as a *by-product* of the state's attempts to correct the failings of the bureaucratically planned economy, in 1992 the socioeconomic policy of the state power switched to one of *approval* of the transformation of bureaucrats into capitalists across the *entire country* as an essential means of replacing the nationalised, planned economy with a full-blown market economy.

This analysis of how and when the People's Republic of China became a capitalist state — which is the one outlined in the theses the NC is asking delegates to adopt — is not only consistent with a historical materialist explanation of the transformation of a petty-bourgeois Stalinist regime into a political instrument of capitalist restoration. More importantly, it's consistent with the facts, with the actual evolution of the economy and state policy of the People's Republic of China.

The Class Nature of the People's Republic of China

Theses of the Democratic Socialist Party

A. Theoretical framework

1. For orthodox Marxists, as Lenin explained in his 1917 book *The State and Revolution*, the state is a centralised organisation of force separated from the community as a whole which enforces, through special bodies of armed people and other institutions of coercion, the will of one class, or an alliance of classes, upon the rest of society.

As a rule, the state is the organ of defence of the interests of the economically dominant class, i.e., the class that owns the decisive means of production. In exceptional periods when the relationship of forces between the antagonistic classes is nearly balanced, the state power may acquire a degree of independence of both the exploiting and exploited classes. Such, for example, was the regime of Napoleon Bonaparte in the early 19th century, which played off against each other the defeated feudal aristocracy; the capitalist manufacturers, bankers and merchants previously linked to the royal power; the newly liberated peasant-serfs; and the emerging class of wage workers — in order to enable the elements of the petty bourgeoisie that held state offices to transform themselves and their relatives into capitalist entrepreneurs.

2. An epoch of (potential) social revolution begins when the development of society's productive forces comes into conflict with the existing relations of production or — what is but a legal expression of the same thing — with the property relations with which they had been at work up to then. In a class society, the existing property relations are simply the socially recognised and state-sanctioned expression of the relations of production through which the economically dominant class extracts the social surplus product from the direct producers.

A social revolution is actually carried out when the political representatives of the

leading class that has emerged on the basis of the advanced productive forces creates a new state power that organises this class and its allies to break up the state institutions of the existing economically dominant class. The new state power suppresses the resistance of the economically dominant class to the implementation of measures that enable the new relations of production, corresponding to the advanced productive forces, to become socially recognised and socially dominant, in particular by replacing the old property relations with new ones.

This means, however, that for a certain period of time in a social revolution the revolutionary state power operates on an economic basis in which the old property relations still exist. Thus, for example, during the first few years of the Great French Revolution of 1789-93 the revolutionary state power created by the political representatives of the French bourgeoisie ruled over a society in which the feudal landowning nobility retained legal title to its landed estates; similarly, during the first eight months of the rule of the proletarian state power in Russia (November 1917 to June 1918) the capitalists still had legal ownership of most industrial and commercial enterprises.

3. During a social counter-revolution, the counter-revolutionary state power will for a period of time coexist with the property relations introduced by the social revolution. A social counter-revolution is possible when the victorious social revolution is geographically isolated to areas where the new productive forces (and the classes engendered by them) are still too weak to resist the economic and military pressure of the previous economically dominant class.

Historically, social counter-revolutions have occurred: (a) through the military defeat of the new ruling class by the armed forces of the old ruling class in a civil war or as a result of foreign conquest by a ruling class based on old property relations; or (b) as a result, after a social revolution, of the usurpation of state power by a privileged group existing within the new social order but economically linked to the old social order, which uses its command of state power to reinstitute the old property relations. This, for example, was the process that led to the overthrow of the independent petty-bourgeois republic of Florence by the merchant banking family of the Medicis in the 15th century. In collaboration with other wealthy merchant families, the Medicis usurped the democratic state power that had been created in 1378 by the small merchants and the free artisans (the *ciompi*) and made themselves the hereditary rulers of a re-established feudal principality (the Grand Duchy of the Medici).

4. The existence of a contradiction between the class nature of the state power and the prevailing property relations is a distinguishing characteristic of a social revolution or of a social counter-revolution. The class nature of the state power during a social

revolution or a social counter-revolution is, therefore, not determined by the property relations that are initially dominant, but by the measures that the state power adopts toward the antagonistic classes, i.e., by which class forces the state power attempts to organise and which class forces it attempts to suppress.

These measures will, of course, begin to have an impact on the actual relations of production, with more and more despotic inroads being made against the conditions of production that are necessary to the economic domination of the old ruling class and, simultaneously, with the introduction of measures that strengthen conditions for the economic domination of the class or alliance of classes that the state power organises. Thus, for example, the Workers' and Peasants' Government established by the Second All-Russia Congress of Workers' and Soldiers' Soviets in Petrograd on November 8, 1917, was a proletarian state power, despite the fact that it coexisted for some time with capitalist property relations. The proletarian class character of the new Soviet state power was evident in the fact that it organised the Russian workers to suppress the resistance of the capitalists to the introduction of measures — such as the formation of committees of workers' control in industry — that began to make despotic inroads into bourgeois property rights.

5. The proletarian class character of the Russian Soviet republic was consolidated during the second half of 1918 when the political representatives of the Russian working class (the Bolsheviks) used the state power they had seized in late 1917 to expropriate the capitalists and to organise industry on the basis of state property, centralised planning and a state monopoly of foreign trade. However, in the aftermath of the Russian Civil War and with the introduction of the New Economic Policy (with its extensive economic concessions to the petty bourgeoisie) the balance of antagonistic class forces within Soviet Russia, and between Soviet Russia and world capitalism, was such that the Soviet state power, in its capacity as mediator between these class forces, became increasingly independent of the Russian working class.

In this context, a section of the Bolsheviks commanding the state power adapted to the petty-bourgeois mentality and methods of administration of the former bourgeois officials and specialists who made up the bulk of the administrative personnel of the state organs. This adaptation was facilitated by the corrupting influence on Bolsheviks working as functionaries in the state administration of the high salaries and privileged access to scarce consumer goods that the Soviet regime was forced to grant to the former bourgeois administrative specialists in order to secure their services. Joseph Stalin, the general secretary of the Communist Party of the Soviet Union, emerged as the chief political representative of this bureaucratic tendency within the ruling Communist Party.

6. The weakening of the Russian working class during the Civil War and at the beginning of the New Economic Policy, the strengthening of the petty bourgeoisie during the NEP, and the admission in January 1924 of large numbers of politically backward workers and their ideological representatives (ex-Mensheviks) into the ranks of the CPSU enabled the Stalinist faction to marginalise the revolutionary political representatives of the proletariat within the state administration. The consolidation of political power in the hands of the Stalinist faction within the CPSU prepared the way for the rise of Stalin's Bonapartist political regime at the end of the 1920s.

Stalin's Bonapartist political regime was based upon the merging of former Bolshevik revolutionists with the former bourgeois administrative specialists into a crystallised petty-bourgeois stratum of materially privileged administrators. This bureaucratic caste utilised the state power it monopolised to ruthlessly suppress resistance by the Russian workers to an enormous extension of bourgeois norms of distribution of consumption goods in the bureaucracy's own favour.

7. Analysing the nature of this state regime in his 1936 book *The Revolution Betrayed*, the exiled Bolshevik leader Leon Trotsky pointed out that:

The Soviet bureaucracy has expropriated the proletariat politically in order by methods of its own to defend the social conquests [of the proletarian revolution]. But the very fact of its appropriation of political power in a country where the principal means of production are in the hands of the state, creates a new and hitherto unknown relation between the bureaucracy and the riches of the nation. The means of production belong to the state. But the state, so to speak, 'belongs' to the bureaucracy. If these as yet wholly new relations should solidify, become the norm and be legalised, whether with or without resistance of the workers, they would, in the long run, lead to a complete liquidation of the social conquests of the proletarian revolution. But to speak of that now is at least premature. The proletariat has not yet said its last word. The bureaucracy has not yet created social supports for its dominion in the form of special types of property. It is compelled to defend state property as the source of its power and its income. In this aspect of its activity it still remains a weapon of proletarian dictatorship.

That is, while the Stalinist bureaucracy in the USSR was "completely saturated" with "bourgeois reaction", as long as the ruling bureaucratic stratum in control of the Soviet state power did not seek to extend bourgeois norms of distribution from the sphere of consumption to that of production the USSR remained a "workers' state", though one in which there had been a bureaucratic degeneration of its governing personnel.

However, Trotsky also warned that the bureaucratic ruling caste would not indefinitely confine the bourgeois reaction it expressed to the sphere of political power and norms of distribution of consumption:

... it must inevitably seek supports for itself in property relations. One may argue that the big bureaucrat cares little what are the prevailing forms of property, provided only they guarantee him the necessary income. This argument ignores not only the instability of the bureaucrat's own rights, but also the question of his descendants. The new cult of the family has not fallen out of the clouds. Privileges have only half their worth, if they cannot be transmitted to one's children. But the right of testament [inheritance] is inseparable from the right of [private] property. It is not enough to be the director of a trust; it is necessary to be a stockholder. The victory of the bureaucracy in this decisive sphere would mean its conversion into a new possessing class.

8. Trotsky believed that without a victorious civil war against the Soviet workers the ruling bureaucratic caste could not overturn the property relations created by the proletarian social revolution of 1917-18 and convert itself into a new bourgeoisie. This prognosis was undoubtedly correct at a time, only ten years after the October Revolution, when the generation that had actively participated in the social revolution still constituted the majority of the active forces of the Soviet proletariat. However, it was undermined by the political decimation of that generation in the mass terror of the late 1930s, and its replacement over the subsequent decades by a number of generations of workers whose identification with the social conquests of the revolution was severely eroded by the bureaucracy's abuse of state property in the interests of its own social parasitism.

9. In the context of a deepening crisis in the system of bureaucratic management of the nationalised economy and an increase in the economic and military pressure of world capitalism during the 1980s as a result of the shift in the relationship of international class forces to the advantage of imperialism, the central leadership of the ruling Soviet bureaucracy headed by Mikhail Gorbachev opted for a reform process that combined the introduction of market mechanisms into the economy, bureaucratic attempts to encourage greater worker involvement in enterprise management, and the ending of repression of dissident political views.

The weakening of the central planning system and the shift to market allocation of productive resources, however, opened the way to a competitive struggle within the bureaucracy to transform state property in the means of production into private means of accumulation of capital.

This competitive struggle encountered little resistance from the politically atomised working class. In fact, most workers allied themselves with local or enterprise administrations against the central state authorities in the ensuing struggle over control and possession of productive resources and the social surplus product.

10. By 1991 the ruling bureaucracy in the USSR had divided into two main political

blocs. Those connected with the central administration sought to retain the all-union institutions of bureaucratic rule (the Communist Party, the central command of the armed forces, the central government ministries, etc.) in order to use them to carry out a more gradual, centrally managed transition to capitalism in which they would be able to transform themselves, their family members and close associates into the owners of big, all-union capitalist corporations. Those connected with republican, provincial and enterprise administrations sought to free themselves from the tutelage of the central administrative institutions in order to carry out a rapid process of privatisation of state assets. Boris Yeltsin, the popularly elected president of the Russian republic, became the chief political spokesperson for this trend within the bureaucracy.

11. In August 1991 the conflict between these two wings of the ruling bureaucracy came to a head when the leaders of the all-union apparatus of the Communist Party and the USSR government attempted a *coup d'état* to oust Gorbachev and to re-establish the authoritarian control of the central state administration.

In the ensuing political confrontation between the two camps within the bureaucracy, the Yeltsin camp was able to win the passive support of the working class by posing as the defenders of the political liberties gained under the Gorbachev reform process. With the commanders of military and police units in and around Moscow backing it, the Yeltsin camp was able to secure the neutrality of the central command of the armed forces in the confrontation, arrest the leaders of the "Communist coup", publicly humiliate Gorbachev, dissolve the Soviet Union, and begin to use the republican state machines to implement their program of rapid private expropriation of state property.

12. The political victory of the Yeltsin-led advocates of rapid denationalisation was a dramatic indication that decisive sections of the ruling bureaucracy had abandoned any defence of the property relations established by the October Revolution and were consciously committed to the restoration of capitalism, and that therefore, the state power in Russia (and in the other ex-Soviet republics) was under the command of procapitalist forces. However, the ruling bureaucracy at both the level of the individual republics of the USSR and at the all-union level had endorsed the replacement of the nationalised, planned economy with a capitalist economy a year earlier when the USSR Supreme Soviet approved the Russian Supreme Soviet's "500-Day Plan" for the creation of a "market economy".

B. Origin & evolution of the People's Republic of China

13. The People's Republic of China came into existence in October 1949 as a result of the victory of the peasant-based People's Liberation Army over the semicolonial bourgeois/landlord Republic of China regime headed by the Chinese Nationalist Party

(Guomindang) during the 1946-49 Chinese civil war. The Stalinised Communist Party of China (CPC), which organised and led the PLA, had based itself among the Chinese peasantry after the defeat of the 1925-27 Chinese national-democratic revolution. By the end of the Second World War, the CPC had become the political apparatus of a petty-bourgeois stratum of bureaucratic military commanders ruling over a rural population of 95 million people. Its political ideology was a mixture of revolutionary nationalism, peasant egalitarianism, and Stalinist petty-bourgeois anti-capitalism.

14. Upon seizing state power in mainland China in 1949, the CPC-PLA mobilised the peasant masses to carry through the anti-imperialist, antilandlord national democratic revolution. While seeking to hold back the revolutionary mobilisation of the urban proletariat against the Chinese bourgeoisie, the CPC regime expropriated the enterprises that had been controlled by the big capitalist families that headed the Guomindang (all of whom fled mainland China with the defeated ROC armies to Taiwan), and introduced measures to gain support from the urban workers (e.g., organisation of trade unions, a sliding scale of wages).

15. In the context of the threat of attack from the imperialist powers during the Korean War and of growing attempts by the Chinese urban bourgeoisie to reassert its political power by corrupting local officials of the new regime, the CPC launched a series of bureaucratically controlled mass mobilisations of the urban workers. These aimed to break the resistance of the Chinese capitalists to increasing state control over their economic activities, to levy huge fines upon them for failure to pay taxes and, in 1952-53, to nationalise industrial, financial and commercial activity. By 1953, the bulk of industrial output was in state hands and large-scale production was placed under a bureaucratically centralised system of national economic planning.

16. The First Five Year Plan, drawn up in 1953 in consultation with Soviet advisers, virtually ignored agriculture and consumer goods, allocating 70% of all investment funds to heavy industry on the Soviet Stalinist model. Despite this gross disproportion in the allocation of investment funds, as a result of the statisation of all industry and centralised planning major economic and social advances were achieved. Between 1953 and 1957, industrial output grew by at least 20% per year, famine, prostitution and opium addiction were eliminated, women won equal rights under the law, workers' wages rose for the first time in a decade, and dramatic advances were made in public health and in the eradication of unemployment and illiteracy.

17. At the same time, the CPC bureaucracy enormously extended the privileges in consumption it had institutionalised on a modest scale during its years as the ruling stratum in the rural areas under its control in the 1930s and '40s. In 1956, the central

government adopted a system of ranks for state employees that included 30 grades, with the top grade receiving no less than 28 times the pay of the bottom grade. In addition to significantly higher salaries than ordinary workers, the top state and party officials were provided with expense accounts that gave them special housing, cars, drivers, staffs (including private servants), meals, travel and access to imported luxury consumer goods. The ruling clique at the top of the bureaucratic party-state machine, headed by party Chairman Mao Zedong, began to enjoy a lifestyle resembling that of the old imperial court — living in luxurious mansions, with a vast entourage of private servants and guards, personally tailored clothes, extravagantly prepared meals, etc.

18. As with its Soviet counterpart under Stalin, the Chinese Stalinist bureaucracy exercised political power over the workers and peasants through a totalitarian system of arbitrary administrative command, rigid ideological control and a vast network of police repression of dissent operating behind a ceremonial facade of representative institutions. The contradictions between this system of Bonapartist rule and the needs of a planned economy, which requires a democracy of the producers, led to a sharp conflict within the top circles of the ruling Chinese bureaucracy in the late 1950s over the question of how to raise agricultural output.

In 1955, the privileged sectors of the peasantry sought to force up the prices of wheat and rice by withholding sales of grain to the cities. In July 1955, the National People's Congress (the PRC's ceremonial parliament) approved the already half-completed First Five-Year Plan and projected that by the end of 1957 one-third of all peasant households would be organised into "agricultural producers' cooperatives of elementary form". Twenty-four hours after the NPC adjourned, Mao overrode its decisions and ordered the immediate wholesale organisation of all peasant households into producers' cooperatives.

By 1957 this decision had been implemented, but it failed to increase sales of agricultural produce to the state and generated large-scale discontent within the peasantry. At the same time, the CPC bureaucracy's attempts to enforce rigid ideological control brought it into conflict with intellectuals and skilled workers.

A sharp conflict arose within the top echelons of the CPC bureaucracy over how to deal with this economic and political crisis. A grouping headed by Liu Shaoqi and his protege Deng Xiaoping favoured making concessions to the workers, peasants and intellectuals along the lines of the post-Stalin regime in the Soviet Union headed by Nikita Khrushchev. The dominant grouping, headed by Mao, favoured further centralisation of bureaucratic authority, tightening of the regime's ideological control over the masses, freezing of workers' wages, forced statisation of peasant farming, and decentralisation of industrial production to rural areas.

19. In 1958, the CPC bureaucracy, in the habit of commanding, and which by its very nature was incapable of involving the masses in economic planning, proceeded to act on the illusion of its own omnipotence by decreeing the implementation of Mao's administrative solution to the economic and political problems the bureaucracy's methods of rule had created. Through the "Great Leap Forward" of 1958-59 Mao and his supporters within the bureaucracy first tested out the ideas they would later implement on a more extensive scale during the "Cultural Revolution" of 1966-76. These included the compulsory involvement of the entire population in self-criticism circles where they were required to profess their faith in the CPC leadership and in the "Thoughts of Mao Zedong"; open hostility towards books, including scientific literature, that might lead to a questioning of blind faith in "Mao Zedong Thought"; antipathy toward intellectuals, schools and scientific knowledge; distrust of all things urban and foreign; a romantic idealisation of peasant life, stressing its conformity, hard physical work, and obedience to established authority; and the transfer of large numbers of lower-level party and state functionaries, technical workers and intellectuals to the countryside.

These policies were accompanied by the forced organisation of the peasantry into bureaucratically-run collective farms (the rural "People's Communes"), and extensive efforts to build from scratch and without state aid a nearly self-sufficient network of industrial production under the jurisdiction of the "People's Communes".

Mao's attempt to adapt the methods of Stalin's system of bureaucratic control over the workers, peasants and intellectuals to Chinese conditions proved to be a political and economic disaster. The peasants responded to the new regimentation and lengthening of their work hours with a passive production strike. In the cities, the workers simply refused to participate in the self-criticism circles and these were soon abandoned. By 1960, the grain harvest fell to 50% of its 1957 level and in 1959 industrial production was thrown back to its levels of the early 1950s.

In December 1958, Mao was forced to resign as China's president, to be replaced by Liu Shaoqi, and his "Great Leap Forward" was condemned at the Lushan plenum of the CPC Central Committee in July-August 1959 as "petty- bourgeois fanaticism".

20. Between 1962 and 1966, Mao and his supporters within the bureaucracy laid the basis for the ousting of the Liu-Deng grouping from power and the revival of the methods of political control over the masses first tested in the "Great Leap Forward", through the 1962-64 "Socialist Education Movement" (which promoted the cult of "Mao Zedong Thought" and appeals to hyperactive and obedient labour by workers and peasants) and the reorganisation of the People's Liberation Army as a factional tool of the Mao grouping under the command of Lin Biao.

With the backing of the PLA central command, in 1966 the Mao group launched a massive purge of its opponents within the party and state bureaucracy, denouncing anyone who questioned “Mao Zedong Thought” as an agent and supporter of capitalist restoration. Proclaimed as the “Great Proletarian Cultural Revolution”, this purge was also accompanied by the revival of the thought-control methods first used in the “Great Leap Forward”. It also replaced all mass organisations such as the trade unions, the national women’s organisation, the Communist Youth League, and the formal representative institutions (the city and provincial People’s Councils) by “Revolutionary Committees” composed of pro-Mao PLA officers and party and state functionaries who sided with the Mao grouping. These “Revolutionary Committees” did not even maintain a pretence of acting according to the PRC’s constitution and laws.

The purge, which quickly assumed the characteristics of a civil war within the bureaucracy (since in many areas local army commanders aligned themselves with the majority of party and local government bureaucrats who were targets of the purge), caused enormous dislocation in economic production and provision of government services, most particularly in public education. Between 1970 and the time of Mao’s death in 1976, i.e., during the period when the purge had been completed and the thought-control methods of the “Cultural Revolution” had become institutionalised, China’s industrial output stagnated. The officially announced figure for steel production in 1976, for example, was barely above its 1960 level. The official figure for annual per capita grain production in 1976 (319 kg) was barely above the official figure for the 1958 harvest (312 kg).

21. The form of rule implemented by the Mao regime during the “Cultural Revolution” combined elements of the old emperor system (with its demand for blind obedience to the arbitrary will, and public expressions of faith in the infallible wisdom, of the emperor) and the Stalinist system of domination of a statised economy by a materially privileged bureaucratic caste, with a system of fanatical petty-bourgeois egalitarianism for the masses. In *The Economic and Philosophical Manuscripts of 1844*, Marx had described the latter as the perspective of “vulgar communism”, which seeks the “annulment of private property” through “the abstract negation of the entire world of culture and civilisation” and “the regression to the unnatural simplicity of the poor and crude man who has but few needs and who has not only failed to go beyond private property, but has not yet even reached it”.

The policies and system of rule implemented during the “Cultural Revolution” not only had a devastating impact on China’s economy, and the living standards and intellectual life of its people, it also shattered the confidence of its intellectuals, workers, peasants and large numbers of lower-level state and party functionaries in the possibility

that social progress could be achieved through “building socialism”.

22. In the wake of the death of Mao Zedong in 1976, the policies of the “Cultural Revolution” were abandoned by the CPC regime, which quickly came under the leadership of the previously disgraced grouping headed by Deng Xiaoping. To win a measure of public support and to encourage a revival of economic growth after the devastation of the “Cultural Revolution”, the new ruling clique implemented a series of NEP-type concessions to the peasantry, granted the first rise in workers’ wages in 20 years, and began to relax the regime’s rigid control over intellectual life.

In December 1978, the Central Committee of the Communist Party of China approved the dismantling of the “commune” (collectivised farming) system and its replacement with family-based farming units that were free to sell their above-quota agricultural and handicraft products on an unofficial “free” market. This led to a rapid and massive increase in petty commodity production in China’s rural economy and the beginning of a process of primitive capital accumulation by provincial and local government bureaucrats.

Beginning in 1982, the managers of state-owned industrial enterprises were increasingly freed from the direct control of the central government ministries and oriented towards maximising enterprise profits through market competition rather than fulfilling centrally set plan targets.

Already by 1980, the ideologists of the CPC regime were extolling the supposed virtues of “market competition” as a means of regulating social production. An editorial in the June 6, 1980 *People’s Daily* (the central organ of the CPC Central Committee), for example, had declared:

Competition forces leaders of an enterprise to strive to make the enterprise grow, to improve management, to raise the quality of products, to reduce costs and to put cheap but good quality products on the market. This forms a sharp contrast with the past situation in which “products were turned out as usual whether or not they found a market”, “wages were paid as usual whether or not the enterprise made a profit or incurred a loss” and people “shared food from the same big pot” under socialism ... Such competition is sure to put the enterprises which are under bad management and running big deficits in an unfavourable position. Some might have to change leadership, some might have to close down.

23. During the period 1978-84, the official policy of the Chinese state authorities was to create a “planned economy supplemented by market regulation”. However, as in the USSR under perestroika, in the absence of democratic control by the working class of both the state authorities and the management of state enterprises, the extension of market mechanisms facilitated a process of primitive accumulation of money-capital

by provincial and local government officials and by enterprise managers. Their desire to win greater freedom to transform this money-capital into productive capital and the accumulating contradictions between the mechanisms of bureaucratically centralised planning and the growing commodification of social production led to pressures on the central state authorities for greater and more radical “market reforms”: devolution of investment decision-making to enterprise managers and state/enterprise profit-sharing, gradual freeing of prices, relinquishing of central government controls over the allocation of resources by provincial and local government authorities and enterprise managers, and the introduction of laws allowing state enterprises to be declared bankrupt and to lay off their employees.

The introduction of these measures was given ideological sanction after 1984 with the argument that China had to move toward a “planned commodity economy” in which the “law of value” was allowed to determine the day-to-day operation of economic enterprises.

24. Real market competition could not be introduced between state enterprises unless the central government was willing to allow enterprise managers the authority to eliminate the social benefits that flowed to the working class from the nationalised, planned economy created through the proletarian revolution of 1952-53, i.e., guaranteed employment to all workers, provision of public education, housing, health care, etc., from the social surplus product generated by these enterprises. (In 1996-97 the World Bank estimated that Chinese state enterprises’ social service payments equalled their “losses”, meaning that they would record profits if their workers were not provided with these basic services.)

Fear of the massive social unrest that might be provoked by any major attack on this state enterprise-based system of social services, however, led the central bureaucracy to hold off taking this course. Instead, in the face of an upsurge of worker unrest in 1988-89, which culminated in the student-led protest against official corruption in Beijing’s Tiananmen Square in mid-1989, the Deng regime sought to rewin a measure of support from the urban masses by shifting the emphasis of state production from heavy industry to consumer-goods production and large-scale imports of consumer durables. This was to be paid for through a massive increase in exports of low-technology consumer goods from joint ventures with foreign companies. These ventures were set up in selected coastal provinces utilising the huge reserves of unskilled, particularly young female, labour that were being driven out of agriculture as a result of the market-driven rise in farm productivity.

These joint ventures, and their listing on the Hong Kong stock market, also provided a means for large numbers of party and state bureaucrats, both in the central state

institutions and at the provincial level, to cement personal economic alliances with foreign capitalists, particularly those in Hong Kong, and to convert the money they had accumulated through embezzlement of state funds and assets into actual bourgeois property.

25. Since the 14th Congress of the Communist Party of China in 1992, the officially declared aim of the state authorities in China has been the creation of a “socialist market economy”, to be achieved through the dismantling of the postcapitalist state-owned and nationally planned economy that came into being as a result of the expropriation of bourgeois property in industry, banking and commerce in the early 1950s. This perspective was reaffirmed and deepened at the 15th CPC Congress held in September 1997. In his unanimously approved report to the congress, Chinese President Jiang Zemin declared that the CPC’s aim is the rapid privatising of the ownership of most medium-sized and all small state-owned enterprises through “joint-stock partnership or sell-off”, while converting some 512 major state-owned enterprises into “highly competitive, large enterprise groups with transregional, intertrade, cross-ownership and transnational operations”.

From the point of view of Marxism, the concept of a “socialist market economy” is a theoretical absurdity. A socialist economy is an economy in which the production and supply of goods is consciously regulated by society to directly meet the needs of its members through the socially planned allocation of productive resources. The precondition for this is that means of production are collectively owned by the dominant social body (the public power representing all members of society).

By contrast, a market economy exists in a society in which material production is regulated in a socially unplanned manner through the mechanism of generalised exchange according to the law of value (which adapts the production and supply of goods to social demand indirectly — i.e., independently of society’s conscious choices — through successful and unsuccessful exchanges between autonomous producers). Such an economy is a result of the fragmentation of social labour among separate (private) owners of society’s productive resources — whether this is recognised in law or not.

Such fragmentation of social labour, of course, also characterised socioeconomic formations in which petty commodity production prevailed, i.e., in which the direct producers (peasants, artisans) owned their own means of production. But a market economy is one in which commodity production is generalised, i.e., in which the majority of direct producers no longer own their means of production and are therefore compelled to sell the only productive resource they have (their labour power) to private owners of means of production. A market economy is a capitalist economy.

26. In the period since the 14th CPC congress in 1992 approved the goal of creating a “socialist market economy”, the share of state-owned enterprises in gross industrial output has fallen from 53% to 34%. Most industrial, agricultural and commercial activity is no longer directed by the central state authorities, and the central planning system has been converted into a series of compromises between the state banks and the state-owned industrial enterprises. More and more state economic assets have been transferred into the hands of joint-stock companies owned by government officials. Even the army has set up its own businesses, operating more than 400 factories producing refrigerators, TV sets and passenger aircraft for the domestic and overseas market.

The top officials in the central government have set their children up in private and quasiprivate businesses in mainland China and in Hong Kong; vast numbers of lower-ranking government officials in the coastal provinces and those with family-business connections in Hong Kong, have gone into private and quasi-private business ventures with Hong Kong, Taiwanese and Western capitalist investors. The increasing business ties that were established after 1989 between the ruling Chinese bureaucracy and the big capitalists in Hong Kong provided the economic basis for the latter's enthusiastic support for the integration of Hong Kong's fully capitalist political and economic system into the state structures of the People's Republic of China in 1997.

27. The turn by the ruling bureaucracy in China toward sanctioning the transformation of the petty-bourgeois stratum that constitutes the commanding personnel in the organs of state power into owners of bourgeois property, like the somewhat earlier turn in the same direction by the ruling bureaucracies in the Soviet Union and Eastern Europe, marks the final triumph of bourgeois reaction within the state structures of these societies and the end of any activity on their part to defend the nationalised, planned economy as a source of their power and income. The state power these bureaucracies command has ceased to be “a weapon of proletarian dictatorship”. It has become an instrument for the suppression of the resistance of the working class to the reintroduction and defence of capitalist property relations. These regimes are no longer highly deformed expressions of proletarian state power. They are now capitalist states.

C. Fundamental Tasks Facing the Proletariat in Eastern Europe, the ex-USSR & China

28. The capitalist states that now rule in China, Russia and the former socialist states of Eastern Europe do not represent imperialist bourgeoisies. They represent bourgeoisies whose financial and technological resources place them in a subordinate position

within the world capitalist system to the monopolist finance capitalists of North America, Western Europe and Japan.

These capitalist states are being integrated into the world imperialist system as semicolonial countries, victims of imperialist exploitation. It is therefore the duty of the international working class to support the working people of these countries in any struggle against imperialist domination. Insofar as the ruling classes of these countries seek to defend their national sovereignty against the dictates and encroachments of the imperialist powers, class-conscious workers should seek to support their resistance against the imperialist powers while maintaining political independence from these countries' bourgeois governments.

29. The strategic political task facing class-conscious workers in these countries is no longer that of carrying out an antibureaucratic political revolution, i.e., the revolutionary organisation and mobilisation of the working class and the small farmers to break the political power of the bureaucracy and to carry through a democratic reform of the organs of state power based on the nationalised, planned economy. The strategic political task now facing the class-conscious workers in these countries is the revolutionary organisation, education and mobilisation of the working people to break up the state institutions in these countries (governmental apparatus, police and standing army, etc.) and to replace them with new organs of state power created by the working people themselves.

This new revolutionary state power will not only have to introduce profound changes in the distribution of the national income in correspondence with the interests and will of the working masses, but also carry out revolutionary changes in the sphere of property relations — expropriation of the private fortunes accumulated by the families of the bureaucrat-bourgeoisie, reinstatement of the state monopoly of foreign trade and of a (democratically) centralised system of economic planning, and the centralisation of all large-scale means of production in the hands of the state, i.e., of the proletariat organised as the ruling class.

The working class can only be won to this perspective through the voluntary organisation of its most politically conscious and militant elements into a mass revolutionary Marxist party. Such a party is necessary not only to provide leadership in solving all the strategic and tactical problems involved in the struggle of the working class to take state power and abolish capitalism, but also in finding the correct road to creating a classless, socialist society.

30. The experience of Stalinist rule in the Soviet Union and China demonstrates that the smashing of bourgeois state power and the centralisation of large-scale means of production in the hands of a new state power that is based on the political organisation

of the working people, is a necessary but by no means sufficient condition for the building of socialism. It opens the road to the planned allocation of social resources to meeting the working people's material and intellectual needs. But without the active involvement of the working majority in the administration of the state, i.e., actual and not simply formal democracy, and its conscious commitment to building socialism, in a society in which the decisive aspects of economic life have been statised, the danger of a restoration of capitalism through the bureaucratisation of the state functionaries will be enormously magnified.

The possibility of maintaining the active involvement of the working majority in the administration of a socialist state (a workers' state that organises a statised, planned economy) depends not only upon the maintenance and deepening of democratic forms of state administration — election and recallability of all officials, restricting the remuneration of officials to no more than the remuneration of the average skilled worker, representative institutions that combine legislative with executive functions, and organisation of the population into a people's militia. It also depends upon the rapid development of the productive forces so as to rapidly be able to make the allocation of necessary consumer goods and services according to people's rational needs rather than their contribution to social labour, and thus to rapidly increase the free time they have for involvement in the administration of social life.

As long as the capitalist class continues to own and control the decisive productive forces within the world economy the possibilities of doing this in any isolated socialist state or group of socialist states will be severely limited. Humanity's advance towards socialism therefore depends decisively upon victorious socialist revolutions in the developed capitalist countries and the voluntary and consciously organised cooperation of the workers of the world.

This 1999 document and report of the Democratic Socialist Party provides a Marxist analysis of the change in the class nature of People's Republic of China from a bureaucratically deformed socialist state to a capitalist one, the culmination of changes that took place in the 1980s and early 1990s.

This change in the nature of the Chinese state means that socialists can no longer call for a radical democratic reform of this state but should rather call for its destruction and the creation of a new state, genuinely based on the Chinese workers and poor peasants.

Resistance books