

Market Socialism as a Distinct Socioeconomic Formation Internal to the Modern Mode of Production

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ABSTRACT: This paper argues that, during the present historical period, only one mode of production is sustainable, which we call the modern mode of production. Nevertheless, there can be (both in theory and in practice) enough differences among the specific forms of modern mode of production prevailing in different countries to justify the identification of distinct socioeconomic formations, one of them being market socialism. In its present stage of evolution, market socialism in China and Vietnam allows for a rapid development of productive forces, but it is seriously flawed from other points of view. We argue that the development of a radically reformed and improved form of market socialism is far from being an inevitable historical necessity, but constitutes a theoretically plausible and auspicious possibility.

KEYWORDS: Marx, Marxism, Mode of Production, Socioeconomic Formation, Socialism, Communism, China, Vietnam

Introduction

To our view, the correct interpretation of the presently existing market socialism system (MS) in China and Vietnam requires a new and partly modified utilization of one of Marx's fundamental categories, that of mode of production. According to Marx, different Modes of Production (MPs) and different Social (or Social and Economic) Formations (SEFs) can be identified in different historical periods and in different parts of the world. In each territory and in each moment of time several MPs usually coexist, but one of them can be considered to prevail on the others. In the long historical time, relative stability predominates in some periods, while other periods are characterized by the transition from one prevalent MP to another one. During Marx's lifetime,

the most advanced mode of production, capitalism, was still prevailing only in a few countries. Yet, Marx confidently predicted that, thanks to its intrinsic superiority and to its inbuilt tendency towards incessant expansion, capitalism would eventually embrace the whole world.

The Marxian concepts/categories of MP, SEF, socialism, and communism, are well known, yet not always fully understood. A prime reason for this difficulty is their intrinsic intricacy and sophistication, made even harder to penetrate and even to identify by the fact that these concepts can legitimately be interpreted in different ways and at different levels of theoretical abstraction and depth. Some of these interpretations are quite intuitive but, inevitably, rela-

tively superficial as well.

At a deeper level, each one of these terms, as a signifier, refers to a very complex and holistic signified, encompassing a number of epistemic dimensions, such as the economic, the social, the anthropological, the historical and the philosophical one. Another reason, of course, is that (as it is the case for most of his revolutionary theoretical contributions) Marx formulated the above-mentioned concepts in the course of a lifelong, evolutionary, and unfinished research endeavour (See Wood 1991). As a result, their meaning can at times be interpreted as context-specific in the overall economy of Marx's scientific contribution. As a matter of fact, Marx himself was quite aware of the ultimately pioneering and embryonic degree of theoretical development of many of his ideas (especially in the cases of socialism and communism). In any case, it is an urgent theoretical necessity to reinterpret and re-elaborate these concepts in order to make them more suitable to the understanding of the 21st century world, which is of course quite different from the one where Marx and Engels lived – although some of their great intuitions and forecasts are proving to be still amazingly actual.

This paper is organized as follows. Section 1 presents a brief review of the meaning attributed to concepts such as MP, SEF, socialism, and communism by Marx and some his 20th century followers. We believe it can be instrumental in supporting the preceding observations and in justifying the distinctive use of the terms MP, SF, and socialism in the remainder of this paper, a task we undertake in section 2. Section 3 discusses some alternative interpretations of China's contemporary socioeconomic system. Section 4 concludes.

The Marxian Concepts of Mode of Production, Social Formation, Socialism, and Communism: A Review

The Concept of Mode of Production

Marx's concept of mode of production (MP) is rooted in the specific form of interaction between productive forces and social relations of production which holistically characterize and define the mate-

rial base and reproduction of human civilizations over very long periods of time: "A mode of production is an articulated combination of relations and forces of production structured by the dominance of the relations of production" (Hindless and Hirst 1975:9). Therefore, it is a key category of historical materialism: "Marx's dictum: 'The relations of production of every society form a whole' is the methodological point of departure and the key to the historical understanding of social relations" (Lukács 1923).

The concept of MP appears early in the work of Marx. His subsequent production, while always attributing to the term a quite consistent meaning, would focus to varying degrees on one or another of its multiple features and dimensions.

In *The German Ideology* (1845), for instance, Marx refers to the MP as an ontological concept that is based on the material conditions of reproduction of human existence, yet also encompasses the totality of individuals' lives:

This mode of production must not be considered simply as being the production of the physical existence of the individuals. Rather it is a definite form of activity of these individuals, a definite form of expressing their life, a definite mode of life on their part. ... The nature of individuals thus depends on the material conditions determining their production. [Marx 1845]

In *Manifesto* (1848) Marx and Engels also refer repeatedly to the concept of MP. A famous example is the passage where they state the revolutionary worldwide role of the bourgeoisie, which "compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image" (Marx and Engels 1848, I).

As is well known, the category of MP plays a central role in the preparatory work that eventually led to the elaboration of *Capital* – the *Contribution to the Critique of Political Economy* – as well as in *Grundrisse* and in *Capital* itself. In *Grundrisse* Marx further develops the category of MP, striving to establish it firmly in historical and empirical analysis (see Kelch 2007). To this purpose, a chapter

is dedicated specifically to the “forms which precede capitalist production,” i.e. to the pre-capitalist MPs, stressing that they shared with capitalism their systemic nature¹ (see Marx 1973:471). Then, Marx stresses the crucial “difference between the capitalist mode of production and all earlier ones,” its all-encompassing and universalizing tendency, and its ultimately transient nature:

There appears here the universalizing tendency of capital, which distinguishes it from all previous stages of production... it strives towards the universal development of the forces of production, and thus becomes the presupposition of a new mode of production... This tendency – which capital possesses, but which at the same time, since capital is a limited form of production, contradicts it and hence drives it towards dissolution – distinguishes capital from all earlier modes of production, and at the same time contains this element, that capital is posited as a mere point of transition. [Marx 1973:540]

In *A Contribution to the Critique of Political Economy* (1859), Marx again emphasizes the relationship between MP, material reality and human consciousness, and the transient nature of all MPs, including the capitalistic one:

The totality of... relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or – this merely expresses the same thing in legal terms – with the property relations within the framework of which they have operated hitherto. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. [Marx 1859, Preface]

1 On pre-capitalist MPs this topic, see also Hindless and Hirst 1975.

References to the MP, finally, are very numerous and crucial in *Capital*, where Marx focuses mostly on the economic dimension of the concept. The term MP is used in relation to a number of other key Marxian concepts, such as commodity, accumulation, private and public property, the division of labour in manufacturing production, and the production of surplus-value.²

The Concept of Socio-Economic Formation

Marx refers to the concept of Socio-Economic Formation (SEF) in a famous passage of the Preface to *A Contribution to the Critique of Political Economy*:

In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society. The bourgeois mode of production is the last antagonistic form of the social process of production – antagonistic not in the sense of individual antagonism but of an antagonism that emanates from the individuals' social conditions of existence – but the productive forces developing within bourgeois society create also the material conditions for a solution of this antagonism. The prehistory of human society accordingly closes with this social formation.³ [Marx 1859.]

Here, the concepts of SEF and MP are virtually indistinguishable. Yet, room is left for subsequent interpretative approaches that – without undermining the close relationship between the social and the economic spheres which constitutes one of the most fundamental legacies of Marx's thought – tended to differentiate the two concepts, along lines that are consistent with the respective different meanings of the terms “social” and “production” respectively. For instance, Lenin utilized the concept of SEF in a partly innovative way, in order to emphasize the crucial role of the analysis of the specific social and economic conditions of each country in a determined

2 See, for example, Marx 1867 (Vol I, I, I, 4, Marx 1967; Vol. I. VIII. XXXII.3, Marx 1967; Vol. I.IV.XIV.31 Marx 1967; Vol. I. IV.XIV.36, Marx 1967; Vol. III, Part VII, 31) and Marx 1894.

3 The terms social formation and socio-economic formation have been utilized as virtual synonyms in the Marxian theoretical tradition. We prefer the term socio-economic formation, rather than social form, to stress the close interaction between the social and the economic dimension central to Marx's thought (see Lorimer 1999).

period of history, as the cognitive basis of both scientific understanding and revolutionary activities. (See Lenin 1894 Part 1.)

These approaches underlined crucial MP characteristics such as objectivity, very long duration, quasi-universality, and relative exogeneity with respect to the subjective wills and activities of individual human beings, and a prevalence of the economic dimension on all the others. Conversely, the SEF is seen as a holistic concept centred chiefly on the social and cultural dimensions inside limited political, geographic and historical boundaries. Such a limitedness property can allow to consider each SEF to be internal to a given, existing MP (along with other SEFs), or in a process of transition from one MP to another. Social and economic relations in the realm of each SEF are strongly constrained by the laws of the dominant MP, yet individuals maintain a certain degree of freedom as they strive to understand and modify such relations. Eventually, organized individuals can succeed in achieving a revolutionary change, subverting the very social and economic structure of a SEF to the point of steering it towards a process of transition from one MP to another. Such a success, of course, can only be possible if the necessary objective (related to the degree of development of the relations of production of the prevailing MP inside and outside a given, specific SEF) and subjective (related to the degree of cultural, political and military organization of revolutionary forces) conditions are met.

Among major modern Marxist scholars, Althusser did the most to develop the concept of social formation. According to O'Ruairc, "In his philosophical under-labouring, Althusser seeks to make Marxist epistemology and the fundamental axioms for the study of social formations.... They can also be found in Lenin's analysis of the revolutionary situation in Russia in 1917 or Mao's distinction between the primary and the secondary aspects of contradiction" (O'Ruairc 2008).

In *Reading Capital*, the well-known text he wrote with Balibar, Althusser defines a SEF as a "totality of instances articulated on the basis of a determinate mode of production" (Althusser and Balibar 1970:207. See also Maulidiansyah 2008). Althusser

and Balibar outline a "theory of historical time" that allows "to establish the possibility of a history of the different levels considered in their 'relative' autonomy" (Althusser and Balibar 1979:104)⁴, driving the analysis to focus on "the form of historical existence peculiar to a social formation arising from a determinate mode of production" (Althusser and Balibar 1979:104).

With an approach that we regard as consistent with that of Althusser and Balibar, and also close to the meaning we are going to attach to the term SEF in the remainder of this paper, Lorimer (1999) argues that: "The SEF is... an integrated social system... the totality of relations of production in a SEF based on a distinct mode of production is almost never homogeneous - there exists alongside the dominant property form... other relations of production" (Lorimer 1999:109-111).

In sum, we conclude that - while in Marx it plays a comparatively little role and is barely distinguishable from the far more crucial role of MP - the term SEF can be reinterpreted along the lines proposed by Althusser and other 20th century Marxists in a more restrictive sense, as referring to social and economic "sub-sets" largely but not fully contained and constrained by a larger "set," constituted by the prevailing MP.

The latter is to be seen, in his original Marxian sense, as an all-encompassing category belonging to the very long period (*à la* Braudel), and which is dominated by the principle of necessity. The existence and evolution of SEFs, conversely, over long but relatively shorter periods of time, and within the boundaries imposed by the structural characteristics of the slow-changing MP, is strongly affected by changes in the superstructure, and in the consciousness and organization of social classes. Therefore, it is at least partly characterized by the principle of freedom.⁵ Consistently, in the remainder of this paper we

4 In this context the authors maintain that due to its structural properties, history allows uneven developments in different domains of different countries during the same period.

5 Marx's concept of freedom is complex, and cannot be thoroughly analyzed here. Essentially, however, for Marx freedom (in the realm of production) is freedom from material necessity: "The realm of freedom actually begins only where labour which is determined by necessity... ceases... Freedom in this field can only consist in socialized man, the associated producers, rationally regulating their interchange with

will refer to the term SEF as the specific complex of social relations of production and exchange⁶ obtaining in a certain country or group of countries during a long period of time, inside larger a global social and economic system (MP) where social relations of production and exchange can be significantly different in other countries. In this interpretative framework, the social relations of production and exchange prevailing on a global scale are decisively (but not necessarily fully) shaped by those of the strongest and most advanced countries and groups of countries, and by the hegemonic interests of their ruling classes/social groups.

Communism and Socialism

Marx admired several dynamic and modernizing features of capitalism, but criticized its defects, advocating its demise and the advent of a new MP—communism— as a result of the immanent contradictions of capitalism itself. Marx saw communism as the ultimate stage of development of human society, where, thanks to the extraordinary development of the forces of production, all human activities are the unconstrained expression of individuals' free will, and the production is fully de-linked from distribution, with the latter being guided by the principle of distribution according to need. However, Marx acknowledged that communism could not be expected to replace capitalism overnight, and that a transition through an intermediate transitional MP, commonly identified as socialism, would be necessary. Socialism was to be founded on the public ownership of means of production and on rational economic planning, as opposed to private property

Nature, bringing it under their common control, instead of being ruled by it as the blind forces of Nature...the true realm of freedom, however...can only blossom forth only with this realm of necessity as its basis. The shortening of the working day is its basic prerequisite" (Marx 1894, ch 48). It is important to note that, for Marx, true freedom could only stem from the conscious acknowledgment of necessity and the need to emancipate humanity progressively from it through collective political and social action. In our view, different SEFs are historically possible, with some being more advanced than others, also in this respect.

⁶ We prefer the term "social relations of production and exchange," slightly different from the classical Marxian term "social relations of production," in order to acknowledge more clearly the crucial role of markets (or of their non-existence). In practice, we attribute to the words "social relations of production and exchange" a meaning very similar to Marx's "social relations of production."

and the spontaneous play of anarchic market forces that characterize capitalism, and on the principle of distribution according to work. The materialistic necessity of a transitional MP (from capitalism to communism) can be theoretically explained as follows: capitalism is an MP in which the exchange value dominates the commodities use value; on the other hand, in the communist MP the commodities' exchange value disappears. As a consequence, the passage from capitalism to communism can be guaranteed solely by a transitional MP, socialism, where exchange value is still initially dominant, but is progressively superseded by use value.

The key features of the future communist society are described by Marx and Engels in many of their works, with distinctively uneven degrees of abstraction. Yet, they are mainly represented as radical negations of the correspondent, negative features of capitalism. In this respect, it is well known that Marx himself was quite aware of the purely indicative nature of what he (or anybody of his contemporaries) could fathom of the concrete traits of a society that would only arise in its full form in a distant moment of the future.

In two of his early works Marx refers to the future, full-fledged communist society as the realm of full individual freedom, and juxtaposes to it the severe limitations of "crude communism" (an embryonic and raw form of communism which might arise as the mere result of the seizing of power on the part of the proletariat and the abolition of private property). In *Economic and Philosophical Manuscripts* (1844), he argues that:

The first positive annulment of private property – crude communism – is thus merely a *manifestation* of the vileness of private property, which wants to set itself up as the *positive community system*...The category of the *worker* is not done away with, but extended to all men...Both sides of the relationship are raised to an *imagined* universality – labour as the category in which every person is placed, and *capital* as the acknowledged universality and power of the community." [Marx 1844]

In *The German Ideology* (1845) Marx writes:

In communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society

regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman or critic. [Marx 1845]

With the concept of “crude communism,” Marx appears to have forecasted (and probably seen as inevitable) the huge differences between the severely flawed reality of all the first forms of what would later be called “really existing socialism,”⁷ including presently existing MS, and the ideal of full-fledged communism. In two of his later works and in the first volume of *Capital* the end of capitalism and the advent of a classless society are seen essentially in negative terms, as the dialectical result of the immanent contradiction between the development of productive forces and the existing relations of production.

In *Critique of Political Economy*, Marx argues that:

At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or – this merely expresses the same thing in legal terms – with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. [Marx 1859]⁸

In the first volume of *Capital* this argument is developed further:

The capitalist mode of appropriation, the result of the capitalist mode of production, produces capitalist private property. This is the first negation of individual private property, as founded on the

labor of the proprietor. But capitalist production begets, with the inexorability of a law of Nature, its own negation.⁹ It is the negation of negation. This does not re-establish private property for the producer, but gives him individual property based on the acquisitions of the capitalist era: i.e., on cooperation and the possession in common of the land and of the means of production. [Marx 1867]

Thirty years after *The German Ideology*, in a famous page of the *Critique of the Gotha Program*, Marx outlines in a more detailed and practical fashion the main features of socialism and communism and the crucial differences between the two. The first phase of communist society is the one traditionally identified with socialism, i.e. the stage of humankind’s evolution characterized by the socialist MP. Conversely, communism is the highest, ultimate phase, where a fully communist MP is finally established). In this work, Marx appears rather dismissive of the socialist principle of distribution according to labour, yet he considers it necessary in the first phase:

The right of the producers is *proportional* to the labor they supply; the equality consists in the fact that measurement is made with an *equal standard*, labor. But one man is superior to another physically, or mentally, and supplies more labor in the same time, or can labor for a longer time; and labor, to serve as a measure, must be defined by its duration or intensity, otherwise it ceases to be a standard of measurement. This *equal* right is an unequal right for unequal labor. It recognizes no class differences, because everyone is only a worker like everyone else; but it tacitly recognizes unequal individual endowment, and thus productive capacity, as a natural privilege. It is, therefore, a right of inequality, in its content, like every right. Right, by its very nature, can consist only in the application of an equal standard; but unequal individuals (and they would not be different individuals if they were not unequal) are measurable only by an equal standard insofar as they are brought under an equal point of view, are taken from one definite side only – for instance, in the present case, are regarded *only as workers* and nothing more is seen in them, every-

7 “There are no communist societies in the world today, but an array of socialist societies that include capitalist elements maintained in an uneasy relation with more progressive economic trends such as public ownership of some means of production. There is no “socialist mode of production”, and so what are we to do with these socialist societies? ... we need to distinguish whether the capitalist elements or the communist elements are the main force for development.” (Brown 2006).

8 A few lines below, Marx states that “the bourgeois mode of production is the last antagonistic form of the social process of production... The prehistory of human society accordingly closes with this social formation.”

9 This concept was originally introduced in Grundrisse (see Kelch 2007)

thing else being ignored. Further, one worker is married, another is not; one has more children than another, and so on and so forth. Thus, with an equal performance of labor, and hence an equal in the social consumption fund, one will in fact receive more than another, one will be richer than another, and so on. To avoid all these defects, right, instead of being equal, would have to be unequal. But these defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby.

Quite differently,

in a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly -- only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs! [Marx 1875]

Engel's vision of communism in his later works is not different from that of Marx, although the flavour of his argument might appear to be slightly more deterministic than that of Marx:

Proletarian Revolution – Solution of the contradictions. The proletariat seizes the public power, and by means of this transforms the socialized means of production, slipping from the hands of the bourgeoisie, into public property. By this act, the proletariat frees the means of production from the character of capital they have thus far borne, and gives their socialized character complete freedom to work itself out. Socialized production upon a pre-determined plan becomes henceforth possible. The development of production makes the existence of different classes of society thenceforth an anachronism. In proportion as anarchy in social production vanishes, the political authority of the State dies out.

Man, at last the master of his own form of social organization, becomes at the same time the lord over Nature, his own master – free. [Engels 1880]

Yet, Engels too did not question the inevitability of a long and difficult journey towards communism during the evolutionary and changing era of socialism:

To my mind, the so-called 'socialist society' is not anything immutable. Like all other social formations, it should be conceived in a state of constant flux and change. It's crucial difference from the present order consists naturally in production organized on the basis of common ownership by the nation of all means of production. To begin this reorganization tomorrow, but performing it gradually, seems to me quite feasible. That our workers are capable of it is borne out by their many producer and consumer cooperatives which, whenever they're not deliberately ruined by the police, are equally well and far more honestly run than the bourgeois stock companies. [Engels 1890]

Among modern contributions on this topic (which do not appear to be numerous), Elliot (1978) is particularly useful. He identifies in Marx's writings a "typology of alternative economic systems," based on four "major organizational features":

- (1) processes for the organization of production, allocation of labor and coordination of production decisions, notably market exchange vs central planning (or other forms of nonmarket coordination);
- (2) property relations, notably private vs social ownership and control on the means of production;¹⁰
- (3) relations between work and ownership, notably separation vs coalescence of work and ownership/control;
- (4) the role of division of labor, notably division of labor in society vs division of labor in manufacturing industry, and the extent and character of division of labor. [26]¹¹

10 According to Elliot, Marx tended to perceive property and control as "coalescent" (even if he knew that already in his time they tended already to be increasingly separated from each other in the large corporations of his time). We agree with this interpretation.

11 Elliot also quotes Marx, showing that he explicitly stated that means of production had to be "transformed (at least in the first stage) into state property" (Marx 1932:181) and "united cooperative societies are to regulate national production upon a common plan." (Marx 1932:504).

We believe that probably Marx himself would have conceded that at least some 20th century (self-declaring) socialist economies did advance to some limited extent towards communism, at least in the areas of strengthening the roles of planning and public ownership and of reigning in the previously unrestrained domination of private property rights.

On the contrary, Marx's judgment would likely have been much more pessimistic with respect to the latter two dimensions. There is little doubt that Marx would have concluded that all 20th century forms of socialist-oriented societies (including presently-existing China and Vietnam) did not go further than the stage of (quite) crude communism, and would probably have agreed with Elliot's pessimistic statement: "whatever its orientation concerning market vs. planning... crude communism sustains important elements of both alienation and exploitation, and is sharply contrasted with Marx's own vision of 'true communism'" (Elliot 1978:36-37).

Yet, it is also likely that Marx would have considered this fact as unsurprising, taking into account the absolute, definitive, and probably teleological character of his concept of communism, on one hand, and the very long-term perspective typical of his own concept of history. However, a naïve hope that time will finally solve all problems would be unwarranted. In this respect, we also mention (without further exploring its very complex and crucial implications) another interesting observation of Elliot, who points towards a lingering aporia in Marx's very concept of communism. Elliot identifies an intrinsic tension/ambiguity in Marx's thought, stemming from his

juxtaposition of two key properties, not manifestly consistent, of socialist economies:...(1)"freely associated" groups of workers in control of production decisions and the allocation of labor; and (2) the formation and implementation of a central plan...to substitute for the "anarchy" of the market....Clearly, the first of these two properties have decentralized, while the second contains potentially centralized, implications. [39]

A Methodological Clarification

In the previous sub-sections we adopted an historical/philological approach, briefly reviewing the meaning and implications of a few key Marxian concepts – such as those of MP, SEF, socialism, and communism – according to Marx himself. Of course, in doing so we had no pretension whatsoever at being exhaustive, nor actually original.¹² On the contrary, we see it as an introductory exercise, that can now allow us to move to a methodologically different kind of approach (see below, Section 2). We adopt this approach, that is to some extent a formal and logical (albeit non-mathematical) one, in order to utilize some of these Marxian concepts in a partly innovative way. Our hope is to provide a modest, preliminary, and of course debatable contribution to the understanding of a major topic: the core features, laws of motions, and internal consistency constraints of the only form of socialism that we deem to be sustainable and practically achievable (at least, in a medium- to long-term temporal framework).

In this respect, we would like to stress again that the theoretical firepower we are endowed with in such a vast and intellectually dangerous enterprise is at best only that of dwarfs standing on the shoulders of giants. Only in virtue of this privileged position dwarfs might on occasion be able to see further than giants themselves. This said, we are also aware that, most likely, our argument would not (as a thought experiment) be approved by Marx himself. Possibly, he might be bemused, or even disturbed, by our attempt to venture in those very cookshops of the future he so carefully tried to avoid.¹³ Yet, he would also probably concede that, as we are now in that future, somebody should at least try to give some advice on how to cook an acceptable meal. Without need to recur to such a heroic conjecture, we are also aware that our ideas are quite different from those of the majority of Marxian scholars and of socialist and communist militants (with whom we share basic

¹² We believe that our interpretation of such fundamental categories is a rather simple and straightforward one (as far as such adjectives can apply to the ideas of a unique thinker as Marx was). This is not to deny that diverging interpretations are possible, and, of course, perfectly legitimate.

¹³ Marx famously ridiculed the idea that he could be expected to write "receipts... for the cookshops of the future" (Marx 1873).

ethic and humanistic aspirations, as well as much of our theoretical and analytical formation).¹⁴

As will become clear from the remainder of this paper, our argument in fact departs from that of Marx on several grounds, and especially with respect to a key issue: the intrinsically transitional nature of socialism. We see socialism as a sustainable and long-lasting socioeconomic system, that represents a concrete and even urgent opportunity in the reality of the early 21st century.

Eventually, human societies can and should also advance progressively towards transforming into material reality more and more elements of the traditional communist program (see Marx 1875). However, we can presently fathom this process only in very broad conceptual terms.

On one hand, from an objective, “positive” viewpoint (see below, p. 29), there is still a need to keep developing productive forces, thereby reducing the socially necessary labour time. This goal, of course, must be pursued while attaching utmost priority to the harmonious co-existence of humankind with the natural environment – an elementary condition for long-run sustainability. On the other hand, from a subjective and ethical viewpoint, social and humanistic consciousness is to be enhanced, in order to promote the coalescence of a democratic consensus favourable to a less consumerist and fetishistic, and more egalitarian and environment-friendly form of economic development.

Progress along both these avenues cannot be achieved without maintaining a sufficiently ample policy space, that can allow to shift progressively an ever-increasing share of collective wealth towards non-market, needs-based forms of the provision of social and environmental goods and services. In this respect, however, there is an inescapable caveat. There is a necessary condition that must be respected for such a virtuous process to be practicable and

sustainable: the enlargement of the policy space cannot ignore the objective constraints imposed by the operation of the law of value, as doing so would unravel the basic laws of motion of socialism itself. As will become clear in the following section, this approach implies the need to reconsider the very category of mode of production, and a partly novel theoretical approach centered around the concept of socialism as a socioeconomic formation, rather than as a full-fledged mode of production per se.

Market Socialism as the Only Sustainable Form of Socialism in Our Time

The Modern Mode of Production (MMP)

Our argument in this section begins with the following working assumption, which we regard as axiomatic: historical experience has shown that the high and ever-increasing degree of complexity of modern economies, linked as it is to continuous and stratified knowledge accumulation on the part of numerous and diverse agents, does not allow for simplistic or over-centralized solutions to the core problem of governance. Soviet-style command economies proved to be too rigid to be able to absorb from outside, internally generate and diffuse innovations in a satisfactory manner, due inter alia to the empirical and conceptual contradictions intrinsic to the very attempt to build one socialist country as an island in the midst of a capitalistic world. Twenty-first century socialist countries should realize that, under the objective conditions likely to prevail in the present historical era – to be seen (à la Braudel) as a period of long duration – the role of coordinating ordinary economic activities must be entrusted to the market to a large extent. Therefore, in a medium- to long-term historical perspective, only one mode of production is sustainable, which we propose to call simply and neutrally the “modern mode of production” (MMP). In the framework of the MMP, however, several alternative forms can develop as a result of various factors.¹⁵

14 A fortiori, our reasoning and goals are light-years away from those of the innumerable apologists of capitalism, and especially of its ultimate and most dangerous brand, neoliberalism. Contrary to ourselves, these sycophants incessantly repeat the mantra “no other world is possible.” Therefore, it is absolutely vital for them to argue that if it might superficially appear that something different from capitalism can (and, to some extent, does) exist, and even work passably well, it cannot be anything different from a primitive, lousy, and ephemeral way to achieve the same old shit.

15 The most important of these factors is class struggle, focused on the control of the power relations determining the extraction, appropriation and utilization of the surplus value.

Our approach implies to consider all major contemporary social and economic systems as different forms of the MMP. As opposed to the previous ones, this mode of production is critically based on the production of surplus value, capital accumulation, and technical progress, as well as on the pervasive role of market exchanges/relations:¹⁶ these elements, if a number of ancillary conditions are satisfied, allow for a continuous increase in per capita production for a relatively long period of time.¹⁷

The concept of MMP can be applied both at the global and at the national level, but must be understood very differently in the two opposite contexts. At the global level, each historical phase is marked by the prevalence of one specific type of MMP.¹⁸ So far, each phase has been fundamentally capitalist in nature, and the present one is also strongly characterized by the categories of imperialism and global quasi-monopolistic competition. Nations' degrees of freedom in the area of economic and social policies are obviously constrained, but not completely negated, by the international economic and political forces of global capitalism. As a result, at the national level, a limited but significant range of different variants of the MMP can coexist, at least for a certain period of time. In this paper we focus precisely on one of these variants.

Positive and Normative Characteristics of Social and Economic Systems

National forms of the MMP differ among themselves to varying degrees. One convenient way to concep-

16 The extraction of surplus on the part of dominant classes, of course, has been in existence long before: it presents different characteristics in the MMP, as in this mode of production the generation of surplus value is linked to the existence of a labour market, to which workers participate as formally free agents.

17 In the long run, all presently-existing forms of MMP are likely to prove not sustainable, due mainly to environmental and entropic considerations, unless they are profoundly reformed. In the very long run, it is also likely that the survival of human civilization might eventually require radically revolutionary changes in production and exchange relations, changes of such a quantitative and qualitative magnitude as to imply a transition to a radically new and diverse mode of production, which can be thought of as an authentic and mature form of socialism, or as a far more advanced stage of communism that has finally superseded that of crudeness. However, at the present stage we can hardly envisage its concrete features, and therefore we must leave this task to the future generations.

18 With the term "phase" we refer to one of several stages of development of the same mode of production.

tualize these differences consists in classifying their social and economic systems¹⁹ according to their position in a multidimensional space, determined by vectors that describe key structural economic and social characteristics.²⁰ Such characteristics have both positive and normative²¹ components, and can be quantified *strictu sensu* only in some cases, while in others they can be evaluated only tentatively, on the basis of heuristic assessments that are arbitrary to some extent.

Socioeconomic vectors belong to two categories. The vectors of the first category represent structural features of social production relations, and are thus essentially positive in nature. One of the most important vectors describes the relative weight of the State and of the market respectively in regulating economic activities²² – taking for granted that the space of possible states of the world excludes the extremes "no state" and "no market" as they are not sustainable. Another structural vector describes the distribution of the ownership of the main means of production. A third vector, strictly related to, yet not

19 Our attempt can be compared to Elliot's "typology of alternative economic systems" discussed in section 1 (see Elliot 1978). However, Elliot's goal was that of interpreting Marx's own view in an epistemologically correct fashion. Conversely, our approach, while inspired by the Marxian theoretical tradition, is a diverse and independent one, stressing the elements of continuity rather than those of reciprocal negation between different socioeconomic formations.

20 According to such a mathematical metaphor, most of these vectors are to be imagined as continuous. Of course, the continuity of the vectors and the "density" of the multidimensional space containing all theoretically possible features of socioeconomic systems has nothing to do with the advisability or not of adopting certain forms of political action (revolutionary vs. reformist/gradualist) on the part of political organizations trying to modifying the existing socioeconomic setting in a socialist direction, in the context of a concrete historical situation.

21 The distinction between positive and normative enquiry (i.e. between focusing on "what is" and on "what should be" respectively) is an ancient one, and has its roots in Aristotle. This useful methodological distinction, however, cannot be translated into practice in a fully dichotomic way in the realm of social sciences. We basically agree with Yuengert on the need to avoid "any unwarranted imperialism of economics," and to accept with some humility - without prejudice for its relative methodological autonomy - that economic science cannot isolate itself from social ethics, and should rather ultimately be seen as hierarchically subordinated to the latter (see Yuengert 2000).

22 This vector is positive by itself, as it describes objective features of the world as it is. However, the way different observers assess it is inevitably influenced by ex ante normative principles, as is always the case in the realm of social sciences. Actually, liberals (in the European sense of the word) and conservatives consider a very minor role of the State as an intrinsic virtue by itself. Socialists, on the contrary, tend to see public intervention in the economic sphere as a potential tool to achieve goals such as rational planning, social justice, and environmental sustainability.

identical to the second one, identifies the class(es), or social group(s) controlling the economy as whole, and determining the joint process of accumulation and technical progress. Other vectors could be identified, referring to other, less crucial positive aspects of a country's economic and social reality.

The vectors of the second category are normative, and represent the degree of achievement of intermediate (e.g., GDP growth, energy consumption, speed of technical change) and final goals (such as poverty elimination, universal satisfaction of basic needs, equity in opportunities, an ethically and socially satisfactory income distribution, environment protection).

In this context, each country's socioeconomic system can be identified by a given point in the multidimensional space described above. Many of both the positive and normative characteristics described by the corresponding vectors can be seen as determining a higher or lower level of "socialisticness" of a country's specific version of MMP. Necessarily, even the categories which might allow to define a country's socioeconomic system "more socialist" than that of another country are arbitrary to a large extent, and not all observers can necessarily be expected to agree on their choice. Nevertheless, it is likely that the majority would accept two very schematic criteria, each one valid only in its own sphere (positive and normative respectively).

The positive criterion is simple: the more relevant the socioeconomic role of the State, seen holistically as a synonymous for the public domain as a whole²³ – both in the area of the organization and coordination of production and exchange (along a market vs planning) and in the area of property relations (along the continuum of private vs social ownership and control of the means of production)²⁴ – the more a country's system is "socialistic." Under the normative criterion, the degree of "socialisticness" of a SEF is directly cor-

23 The "public domain" is meant to encompass, in the broadest possible fashion, not only the central government, but also local governments, cooperatives, collectives, and all other forms of non-private organizations and associations.

24 See above, p. 24. Our positive criterion embodies Elliot's two first "major organizational features," those which we considered more "objective" and "economic" in nature with respect to the latter two.

related to the effective and measurable achievement of the traditional and relatively less traditional goals of the international socialist movement, such as low social and economic inequality (both in terms of possibilities and of outcomes), the universal satisfaction of basic needs, environmental sustainability, and the like. However, it is conceptually also linked to the degree of achievement of less measurable social and political goals, such as individual freedom, workers' self-organization and direct control on their own labour and production conditions, the superseding of the division between manual and intellectual work, and the progressive overcoming of workers' alienation.²⁵

Taking into account that social production and exchange relations are extremely complex, and that history itself is often contradictory in nature, there is not necessarily a bi-univocal correspondence between the positive and the normative sphere respectively. Yet, the two are significantly related to each other. The relationship between systemic structure and economic and social outcomes can be seen as a specific form of the more general relationship between means and ends in the historical-social domain.

Market Socialism as a Distinct Socioeconomic Formation

According to our conceptual framework, different countries separated by a distance not inferior to an arbitrarily established threshold in the multidimensional space described above, can be considered as belonging to different subsets of the quasi-universal MMP.²⁶ Utilizing (with some caution) the Marxian

25 Our normative criterion broadly embodies Elliot's third and fourth major organizational features.

26 It might be argued that there is still at least one country, North Korea, which features a mode of production radically different from the MMP. However, we believe that the North Korean "model" is not historically sustainable, apart from being obviously not defensible from a normative viewpoint. The extraordinary surviving capacity of Cuba, on the other hand, shows at the same time the maximum potential and the inevitable limitations of a socioeconomic system which is still based at the core on traditional command economy principles. In our view, Cuba's state socialism is not sustainable either in its present form, and therefore is in need of deep structural reforms (see Gabriele 2010). To a considerable extent, this appears to be also the view of Cuba's leadership, that – battling severe internal resistances and external constraints – is trying to carry out a comprehensive program of structural reforms.

term discussed in Section 1, we call these subsets “socioeconomic formations” (SEFs). In our view, the presently-existing Chinese economic and social system (and the Vietnamese one, that shares with it several structural characteristics) can be considered as historically new and diverse socioeconomic formations with respect to the typical capitalist one prevailing in most other countries.²⁷

We also argue that the term “market socialism” (MS) is at least partially apt to define them, with the big caveat that the word “socialism” must be interpreted a weak, strictly positive sense.²⁸ In this respect, however, it is important to specify that the key priority of our argument is to defend the possibility of existence of MS as a distinct socioeconomic formation at a theoretical level. Only secondarily (from a logical vantage point) we also argue that real-world China and Vietnam do in fact represent crude historical realizations of MS. Among other things, this perspective allows us to consider as a realistic eventuality that in other parts of the world (such as, in particular, Cuba, and possibly, other countries in Latin America) other practical realizations of the MS model progressively take place and eventually consolidate, even in a relatively short-term scenario. Clearly, they will differ in many ways from those of China and Vietnam, and hopefully they will be less imperfect, especially in the domain of social policies.

The structural feature which allows to significantly differentiate MS from the standard capitalist model is as follows:

The State²⁹ is endowed with a high degree of direct and indirect control of the means of production, and, as a result, social production relations are

different from those prevalent in capitalism. This statement implies that, at a lower level of abstraction, a “market socialist” and a capitalist system differ essentially in two key aspects. The first one is that in a market socialist system the role of the State is both quantitatively larger and qualitatively superior, thereby allowing the public sector as a whole to exert an overall strategic control over the country’s development path, especially in crucial areas such as setting the economy-wide rate of the accumulation and determining the speed and direction of technical progress. The second difference is that in a market socialist system, although capitalists endowed with private ownership rights on some means of production do exist, they are not strong enough to constitute a hegemonic and dominant social class, as it happens in “normal” capitalist countries. [Gabriele 2010:326]

The difference between capitalism and MS is a significant and meaningful at the macroeconomic and systemic levels, but does not necessarily manifest itself at lower levels, those which are subjectively relevant for individual human beings. Even in a purely theoretical dimension, this implies that the minimum necessary conditions for the existence of what we call market socialism are far less ambitious and much more modest than those that Marx and most of his followers would have considered adequate to justify the use of the very term “socialism.” The most evident reason is that under forms of MS (or, at least, in its most crude and underdeveloped stages) individual workers face social production relations which are essentially market-determined, and therefore are not subjectively different from capitalistic ones.

Turning to what is practically happening in the real world, it is (unfortunately) evident that this is in fact the case in China and Vietnam.³⁰ Still, in our view, in spite of the substantial persistence of workers’

²⁷ Depending on the magnitude of the imaginary threshold referred to above, other distinct socioeconomic formation could be identified, such as, for instance, the Scandinavian social-democratic model, or the peculiar Singaporean form of quasi-State capitalism.

²⁸ In a way, the term “market socialism” could be seen as redundant. Socialism needs “for definition” a market, since the exchange value does not disappear in this MP, that is supposed to be a transitional one.

²⁹ The term “State” we refer not only to the central bureaucratic machine, but to all public institutions, including the most peripheral ones. Thus, a strong role for the State in the economy is to be seen exclusively in the public-private continuum, and does not imply a higher or lower level of centralization. In China, for instance, provinces enjoy a high degree of autonomy.

³⁰ It can be pointed out, however, that - notwithstanding the boom of the private sector - the absolute majority of Chinese and Vietnamese workers is still constituted by independent farmers, workers of SOEs and other public enterprises, and civil servants. These social groups are not subject to capitalist exploitation in the Marxian sense. This argument, however, cannot be pushed very far, as the existence of MS is not by itself predicated to any arbitrary quantitative characteristic (such as, for instance, the relative share of total employment generated by public enterprises).

alienation under the presently-existing form of MS, it is a fact that the role of key agent of the accumulation and economic development process (as well as of holder of political and military power) is played by the Party, not by the bourgeois class. The Party is an organization which does not privately own the main means of production from a legal point of view. Yet, it exerts a strong form of strategic control on them through a network of public and semi-public bodies, in the context of a complex, multi-layered system of property rights.

We warn readers that this point is a central one in our argument. There is little doubt that the Party did control directly the means of production during pre-reform times. However, nowadays, to gauge that the Party maintains such strategic control on the economy,³¹ on one hand, and has not transformed itself into a new form of capitalistic bourgeoisie,³² on the other hand, constitutes a value judgment proceeding from a holistic assessment.

Again, we stress that our concept of MS is a purely positive one, centred on the economic role of the public sector. It acknowledges the seriousness of real-world social and environmental problems and contradictions, and ignores the crucial (albeit not strictly “economic”) issues of workers’ participation, alienation, and democracy. At this stage, some readers might be tempted (understandably) to argue that the concept of MS is just a fig leaf covering another kind of animal, and a very old one indeed: State capitalism. The two concepts can in fact be seen as rather close to each other.³³

However, we prefer the term MS, for two main reasons. First, the term State capitalism has a long

history, and it has been applied with various meanings to many socioeconomic formations which are quite different from contemporary China and Vietnam (from the USSR, to the US, and again to contemporary Russia³⁴). It is thus bound to be interpreted in confused and contradictory ways. Second, even taking for granted the pursuit of scientific objectivity on the part of all honest social scientists, it is fair to acknowledge that the language itself is not a totally neutral tool, and the choice of one term over another does imply to some extent a form of value judgment, as we mentioned above. The choice of the term MS suggests the underlying assumption that China and Vietnam cannot be seen (at least, for the time being) as fully de-linked from their past socialist history, and that they should rather be considered as relatively sustainable socioeconomic formations. (see Schettino 2006:1) To our view, such socioeconomic formations do contain elements of socialism and, more importantly, embody significant potentialities, which might allow them to evolve towards a superior and less contradictory socialist direction. Other observers, of course, might not share our value judgment, which does not, in any case, exclude the opposite eventuality (i.e., an overall irreversible capitalistic degeneration, which might eventually become unstoppable some time in the future).³⁵

The MS, in theory, can allow to overcome an intrinsic drawback of capitalism: the potential contradiction between savings and investments which is caused by the appropriation in financial form of the socially-generated surplus value on the part of an extremely tiny social class – the bourgeoisie. This class is not endowed with effective internal coordination mechanisms to undertake long-term key economic decisions (such as the determination of the rate of capital accumulation), and each of its members has little alternative from relying on the myopic signals stemming from the market.³⁶

31 This point is controversial, but it appears to be accepted by a significant and growing number of independent observers. There is little doubt, however, that the role of the State in China’s economy, and that of large State-controlled industrial enterprises in particular, has been growing in strength during the present decade. See, among others, Morel 2006; Naughton 2007, 2008; Dodson 2008; Li and Xia 2008; Mayberry, Wang and Suh 2006; Haggard and Huang 2008; Gabriele 2010.

32 Notwithstanding the severity of well-known degenerative phenomena such as corruption and the collusion between local party leaders and with private enterprises.

33 Actually, for instance, one of us has used the term State capitalism to refer to some concrete aspects of China’s economic reality: “China’s modus operandi (in the global geopolitical/economic arena characterized by latent inter-imperialistic conflicts) would be hard to define as anything different from State capitalism” (Schettino F., 2006).

34 See, for instance, Trotsky 1936; Cliff 1974; Grinder and Hagel 1977; Ilarionov 2006.

35 See, for instance, Gabriel 2006.

36 Modern, large, semi-monopolistic transnational corporations enjoy a significant and increasing degree of market power and ample planning capabilities. These advantages allow them to alleviate the negative consequences of those exclusively market-based, atomized investment decisions typical of less advanced forms of capitalism, but only to a point.

Conversely, under the presently-existing form of MS, the State has the capability to affect and determine the rate of investment, to an extent which is significantly larger than under typical capitalist conditions. This advantage is made possible by the availability of a vast array of tools for controlling directly and indirectly the production and utilization of the socially-generated surplus value, and by the absence of a properly structured and politically hegemonic national bourgeois class.

In the present epoch, characterized by the availability of sophisticated and ever more powerful calculation devices, such a direct and indirect strategic control on the main means of production and on the *loci* of generation and reproduction of technical knowledge enables (at least in principle) the State to formulate and implement an advanced form of planning, focusing on the speed and the qualitative characteristics of the accumulation process. This potentiality is the key historical element of superiority of MS with respect to capitalism, seen from a theoretical viewpoint.

Of course, potentiality is not synonymous to necessity. Even under MS, the State might fail to exploit properly its long-term planning capabilities, or use them only in an inadequate and/or distorted fashion. Actually, in our view, the potential advantages of MS have been exploited so far in real-world China and Vietnam only to a limited extent. Nevertheless, in our view, the extraordinary dynamism of the Chinese economy (and, to a slightly lesser extent, of the Vietnamese one) is mainly attributable to the structural characteristics of MS. In sum, MS allows in theory (and, gauging from the last three decades' experience, also in practice) to achieve more effectively than under a standard capitalist regime a key intermediate goal: the rapid development of productive forces. This goal, which is particularly important for less advanced countries, is synthetically measured export, in a notoriously inadequate fashion, by the GNP³⁷

37 The awareness of the inadequacy of (conventionally measured) GNP growth, mainly because this indicator ignores or seriously underestimates environmental costs, is widespread in China. Due to one of the paradoxes typical of the present phase of great and fast changes, statistical progresses towards a realistic estimate of the "green GNP" are more advanced in China than in most industrialized countries. In practical terms, huge investments are being earmarked towards last and next generation environmental-friendly technologies. So far, however, such theoretical and practical advances are insufficient

rate of growth.³⁸

Moreover, without going beyond the frontier of theoretical possibilities offered by the structural characteristics of MS, a high degree of public control on most of the surplus potentially implies relevant distributive and, more generally, normative advantages in the realm of the rational planning of an important portion of final consumption. MS, in fact, potentially allows to minimize the superfluous consumption of those privileged classes which, under capitalism, capture non-labour incomes, and to earmark the corresponding resources towards public and/or social consumption. As a result, the degree of satisfaction of basic needs through public, non-market supply of social services could be distinctively and structurally higher than under standard capitalistic conditions. Both from the side of production and from that of consumption, a similar line of thought would suggest an analogous superiority of MS in minimizing negative environmental externalities.

Unfortunately, it is plain that this second set of potentialities of MS is far from being exploited nowadays in real-world China and Vietnam. Market-oriented reforms generated new class contradictions, which were nonexistent (or anyway of very minor importance) during the command economy era, when paradoxically Mao theorized the intensification of class struggle in the post-revolutionary period.³⁹ Such contradictions have not been even officially acknowledged until a few years ago and, in absence of an adequate subjective intervention of political power, they have gone progressively out of control – at least until the early 2000s. The Chinese Communist Party (CCP) itself manifested serious forms of opportunistic degeneration, and economic policies were vitiated by an excessive and myopic priority

to rein in China's huge environmental problems.

38 Our focus is far from the debate on the ultimate advisability (or not) of economic growth per se. However, broadly speaking, we believe that there is nothing wrong by itself in pursuing growth and development goals, provided growth is seen as a progressive widening of technical possibilities apt to satisfy legitimate human needs, among which an adequate and sustainable relationship with the environment figures prominently. This approach is quite different from endorsing an indefinite and uncontrolled expansion of commodities production, thereby progressively destroying the natural environment, as it typically happens where capitalistic relations of production and exchange prevail.

39 A similar set of class contradictions is emerging in Vietnam as well.

accorded to quantitative growth. Notwithstanding the extraordinary improvement of living standards for most Chinese people, the Party underplayed the worsening of the welfare and livelihood conditions for consistent, underprivileged groups of the population, especially in poor rural areas. More importantly, the CCP also underestimated the gravity of the relative impoverishment of the majority of the people, as an inevitable consequence of the excessive growth in the incomes of new, dynamic, but still relatively small social groups.

The perverse spiral towards an ever-worsening distribution of incomes went virtually out of hand, essential public services such as health (and, to a lesser extent, primary and secondary education) were partially privatized and ended up in a parlous state,⁴⁰ and pollution reached alarming proportions. The latter problem is, in the long term the most severe and intractable one. It stems largely from an array of objective constraints, and admits no easy fixes. On the other hand, the quasi-destruction of China's and Vietnam's previously excellent⁴¹ basic public services during the 1980s and 1990s has little objective, economic justification. Actually, it could have been avoided by investing just a small fraction of the newly-created wealth, and stands in contrast with the positive experience in this area of a number of both socialist and capitalist countries, both developed and developing.⁴² Therefore, the decay of public health in China and Vietnam is mainly the ominous consequence of a major step backward in the sphere of the

40 This stark statement refers mainly to the severe degradation of their very public nature, related to the crucial goal of assuring to everybody non market-based, universal and egalitarian access to health and education (see, among others, Gabriele and Schettino 2008a,b). Semi-privatization and marketization of public services, moreover, produced (not differently, in this case, from what happens in capitalist countries) other evils, such as loss of economies of scale, perverse profit-oriented oversupply, and corruption.

41 Of course, relatively to the very modest degree of development of production forces in Maoist China.

42 Cuba, a socialist developing country that has been performing quite poorly in broad economic terms due to an array of endogenous and exogenous factors, has managed to maintain and even enhance its public health and education systems under extremely negative circumstances—even if its state socialist model is probably not ultimately sustainable (see above, Note 26). The same can be said of many developed and even developing capitalist countries which, while been spared Cuba's unique hardship, were far from resembling economic dragons and experienced noticeable social regression trends during the last quarter of the 20th century, such as for instance Italy and Costa Rica.

superstructure (i.e., the prevalence of blind market fundamentalist drive), a major ideological and policy mistake that has eventually been admitted in rather frank terms by the present Chinese leadership.⁴³

In sum, the presently-existing form of MS has substantially failed so far to translate the achievement of an intermediate and instrumental goal – GNP growth – into final social and “humanistic” goals (where the latter is a series of reasonable objectives, which are not class-based but of crucial importance for humankind as a whole, the main one being establishing an adequate and sustainable relationship between the sphere of human activities and that of the natural environment).⁴⁴

43 In a major and well-publicized 2005 report, China's Ministry of Health stated that “The decisive factor for the success in the health system during the planned economy period is that government plays the dominant role....In general economic activities, the disadvantages of letting government play the dominant role in planned economy system are serious. However, in health sector, due to its characteristics, the dominant role of the government is absolutely necessary...China's health system has changed greatly and made great progress since the reform and opening up, but the problems are also serious. Overall speaking, the reform was unsuccessful... Reform has made service basically provided through commercialized and market-oriented mode. The cause of the problems roots in that the commercialized and market-oriented development violated the basic requirements and basic rule of the development of health system. ... One of the problems is contradiction of the nature of public product of health service and the commercialized and market-oriented service mode. Different from the general consumptions, quite a lot of health services have the nature of public goods or quasi-public goods.” (Ministry of Health 2005). In the second half of the 2000s, after an unusually long debate, a major public sector-centred plan to strengthen the health sector was launched. Public expenditure on health increased hugely, both in absolute and in relative terms (the share of health expenditure on GDP rose from 1.76% in 2006 to 1.91 in 2008, and kept on an upward trend thereafter (see China Digital Times 2008, Trading Economics 2010). Yet, public expenditure on health in China is still too low with respect to what would constitute a socially optimum level.

44 The CCP has acknowledged the need for a deep restructuring of the presently-existing form of MS in China. Aiming to build a “harmonious society,” the Party claims to be ready to frame its present and future economic policies attaching a higher degree of priority to the satisfaction of basic needs. (including health, see above, Note 48), the improvement of income distribution, the lessening of regional imbalances, and the protection of the environment, and a lower degree of priority to GDP growth. These good intentions have been partly reflected in the practical investment choices of the 11th plans Five-Year Plan (2006-2010), and more so in those of the 12th Plan (2011-2015) (see People's Daily 2005, 2010; Fan 2006; China.Org 2010).

Other Interpretations of Contemporary China

A Radical Critique

The literature on China's socio-economic system is immense. Most of it is constituted by non-theoretical analyses carried out by mainstream economists. There are, however, some studies that, from different viewpoints, try to interpret contemporary China utilizing fully or in part the Marxian conceptual approach, and hence categories such as capitalism, exploitation, socialism and market socialism.⁴⁵ In this section, we briefly refer to some of these latter contributions.

A minority of observers interpret China's model in a way that is quite similar to ours (see, for instance, Sheying 2003). Most don't. Among the left-wing critics of the China "model," the most authoritative are possibly Hart-Landsberg and Burkett (2004, 2005, 2010). Their core thesis is that the "identification by progressives with China and its "socialist market economy" represents not only a serious misreading of the Chinese reform experience but, even more important, a major impediment to the development of the theoretical and practical understandings required to actually advance socialism in China and elsewhere" (Hart-Landsberg and Burkett 2004).

Hart-Landsberg and Burkett's position is clearly diametrically opposite to ours.⁴⁶ By itself, it is of course legitimate. In this paper, we have repeatedly argued that, from a methodological and epistemological viewpoint, the interpretation of such a complex phenomenon as that constituted by contemporary China is necessarily subjective to a large extent – even if the observer tries her best to apply a scientific analytical approach, within the limits to which this is possible in the domain of social sciences. *A fortiori*,

this caveat applies to the use of terms, or labels, that are so politically, historically, ideologically and even emotionally charged such as socialism.⁴⁷ Thus, it is not surprising the fact that many (probably, most) progressive analysts hail China's impressive advancements in terms of material satisfaction of the people's basic needs, but see China's model as capitalist (or state-capitalist), rather than market-socialist (see, for instance, Smith 1997, Yasheng 2008).

This said, it is (in our view) clear that Landsberg's and Burkett's argument is predicated on a number of unsustainable interpretations of distinct aspects of China's reality and of statements that are squarely contradicted by plain stylized facts. For instance, the authors write, "China's market reforms have led not to socialist renewal but rather to full-fledged capitalist restoration, including growing foreign economic domination." They also argue that "the weakening of central planning led to ever more reliance on market and profit incentives, which in turn encouraged the privileging of private enterprises over state enterprises and, increasingly, of foreign enterprises and markets over domestic ones."

The latter statement is contradicted by abundant evidence showing the growing strength and dominant position of China's large public industrial enterprises (see the Appendix). With respect to the former statement, to talk about a China increasingly dominated by foreigners at a time when its economic and political influence is growing exponentially (and one industrialized capitalist country after the other is forced to come cap in hand to beg China to bring in some badly needed capital, or to buy part of its foreign debt) is very weird. Actually, only in one area it could have been plausible until recently to argue that China's economy was significantly dependent on foreign (industrial) capital: exports. Foreign TNCs have traditionally contributed a very large share of China's booming exports. Of course, this fact by itself is far from meaning that China's economy as whole was "dominated" by foreigners. However, as China's domestic enterprises have become progres-

45 There is another very different stream of theoretical literature on market socialism, most of which was written long time before the Chinese government began to implement the first market-oriented agricultural reforms in the late 1970s (see, for instance, Lange 1936). Due to its complexity and its only indirect relation with our main focus, we do not discuss it in this paper.

46 Landsberg and Burkett refer to the work of several other Marxist scholars who substantially share their view (see Hinton 1990, Meisner 1996, Weil 1996, Greenfield and Leong 1997, Smith 1997, Cheng 1999, Foley 2002, Yufan 2002, Landsberg's and Burkett's book was also praised by other renowned Marxists such as Minqi Li, Harry Magdoff and John Bellamy Foster (see MRP 2010).

47 We would like to support our cautious approach quoting the famous answer of Zhou Enlai when asked to evaluate the impact of the French revolution in 1971 (too early to say). Unfortunately, it has been demonstrated that Zhou was misunderstood, as he was actually referring to the 1968 students' riots in Paris (see Financial Times 2011).

sively stronger both in absolute and in relative terms (see Appendix), they are now forecasted to overtake foreign-invested companies as the dominant exporters from China since 2012 (see EIU 2011).

More reasonably, albeit in an excessively pessimist tone, the authors identify what they see as the “considerable costs of the pro-market transition (rising unemployment, economic insecurity, inequality, intensified exploitation, declining health and education conditions, exploding government debt, and unstable prices).” Yet, there is a lot of confusion of truths, half truths, and false statements in these few lines. Unemployment has risen only during relatively short periods, and on average has not constituted a major social problem. Conversely, the increase in inequality is undeniable, and in our view (along with deteriorating health care) it has been the most negative consequence of China’s reforms. Economic insecurity increased for many – although in context where the most extreme form of economic insecurity, death caused by starvation, became a relic of the past, an achievement that unfortunately cannot be claimed by pre-reform Chinese socialism⁴⁸ – and some workers in the private sectors did find themselves in a situation of increased exploitation, albeit accompanied by rapidly increasing real wages. Access to public health and education services worsened dramatically in the 1980s and 1990, yet major improvements in income, nutrition, housing, and other welfare-related domains allowed basic health and education indicators to keep improving. It is, however, true that progress in the crucial area of health was severely hampered by the dismantling of the “system of rural clinics and ‘barefoot doctors’ (paramedics)...in favor of a fee-for-service system,” that Lippitt (2005) rightly defines as “shameful”⁴⁹ and “unnecessary.” In the 2000s, policies in this area changed and public health in particular was strengthened (see the Appendix). Finally, in comparison with most developed and developing capitalist countries, it is very odd to argue that China’s growth has been

characterized by a particularly alarming level of government debt or by extraordinarily unstable prices.

In a roundtable debate on their book that took place in 2005, Hart-Landsberg and Burkett restated their main argument, but also incurred in a still more blatant factual error, talking about “stagnant or declining real wages” (Hart-Landsberg and Burkett 2005:600). The opposite, of course, is true (see the Appendix). More recently, Hart-Landsberg and Burkett published a new version of their book (Hart-Landsberg and Burkett 2010) In spite of the mounting evidence to the contrary that has been accumulating in the late 2000s – including, among others, the myriads of publications documenting China’s rapid productivity growth, technological advances, and massive infrastructural investments⁵⁰ – they still see China embarked in a “foreign-dominated development path,” in which growth has “not been due to efficiency gains but rather to deliberate erosion of the infrastructure.... The transition to the market has been based on rising unemployment, intensified exploitation, declining health and education services, exploding government debt, and unstable prices.”

The discussion generated by their intellectual “provocation,” however, was very interesting. Some of the participants supported their argument. Others, while criticizing the major shortcomings of China’s social policies, acknowledged the impressive gains made in terms of poverty reduction and in many other areas, and – more importantly – argued that there was not (according to both theory and logic) an inevitable trade off between economic growth and social progress under market socialism. In other words, the weakening of public health and of other essential public services and the excessive increase in income inequalities that took place in China could have been avoided, without substantially hampering economic growth (see Cooper 2005; Lippitt 2005). Of course, it is a well-known characteristic of economic science that it cannot be based on rig-

48 The famine largely caused by the great Leap Forward caused tens of millions of deaths.

49 We agree with Lippitt also in considering that such a major policy blow was also “unnecessary,” and that it was not (as Hart-Landsberg and Burkett maintain) an inevitable consequence, or corollary, of market-oriented reforms in agriculture.

50 See, among others, Wan 1995; Wu 1995; Hu and Khan 1997; Felipe, 2005; Holz, C. 2002, 2006; Felipe and McCombie, 2002, 2010; Gabriele 2002, 2008, 2010; Heytens and Harm. 2003; He and Qin. 2004; Gabriele and Khan 2008, 2010; Kui-Wai Li and Yun 2007; Springut, Schlaikjer and Chen 2011; EIU 2011; NBR-MST 2010; NBR 2011.

orous counterfactual scenarios. Taking into account this inevitable constraint, we do agree with this interpretation.

The Debate on Arrighi's *Adam Smith in Beijing* and the Primitive Accumulation Hypothesis

Another interesting debate followed the publication of a major book by the late Giovanni Arrighi (Arrighi 2007). In general terms, our approach is completely different from that of Arrighi, and in particular does not rest on the acceptance of his interesting but debatable interpretation of the long-term evolution of the relationship between China and the West since the Middle Ages, which in turn is theoretically based (to a large extent) on an original reading of Smith (1976). However, our view of the structural differences between capitalism and market socialism has elements in common with (although is not identical to) that proposed by Arrighi in the last part of his book. Arrighi saw “the recent rise of China as a progressive development” (Campling 2010), and argued that the presently-existing Chinese economy is a “non-capitalist market economy” rooted both in China’s ancient economic history and in its more recent revolutionary tradition. In the words of one of his harshest critics, Arrighi’s argument that China is a “non-capitalist market economy” rests on the “relation between the power of the state and the power of capital” (Pradella 2010), rather than on the detailed analysis of specific production relations among different social groups. Arrighi also argued that China has achieved “accumulation without dispossession.” Therefore “so long as the principle of equal access to land continues to be recognized and implemented in China.... In spite of the spread of market exchanges in the pursuit of profit... the nature of Chinese development is not necessarily capitalist” (Arrighi 2007:24). Another similarity between our argument and that of Arrighi is his insistence on the provisional nature of his own interpretation of China’s system, and on the necessity to re-think the meaning of basic categories such as capitalism and socialism themselves: “The social outcome of China’s titanic modernization effort remains indeterminate, and for all we know, socialism and capitalism as understood on the basis of past experience may not be the most useful notions

with which to monitor and comprehend the evolving situation” (Arrighi 2007:24).

In a 2010 symposium organized by the historical materialism journal, various Marxist scholars discussed Arrighi’s book, praising the greatness of the author’s vast intellectual enterprise but disagreeing with most of his ideas.

Introducing the debate, Campling observed that “The main thrust of *Adam Smith in Beijing* is a projection of this line of argument to the possibility of the (re-)emergence of China as a ‘non-capitalist’ centre in world-development and an end to Western hegemony over the world-system” (Campling 2010:33).

Chase-Dunn praised the depth of Arrighi’s work, and agreed with him in seeing China as “a somewhat more progressive force in world-politics than many other powerful actors (Chase-Dunn 2010:49). Yet, Chase-Dunn was skeptical about the non-capitalist nature of China’s system, and criticized the environmental impacts of China’s development and state repression in Tibet. However, he believed that China could still be on time to evolve towards “a different model of market-state socialism...based on fairly and evenly distributed shares in large firms” (Chase-Dunn 2010:49). He was aware that similar attempts in European formerly socialist countries led only to quick capitalist restoration, but he thought this approach could work in China thanks to its unique characteristics.⁵¹

Panitch criticized Arrighi’s view of China as non-capitalist because he saw it as based essentially on China’s “active state.” Conversely, he maintained that “We do need to give primacy to the category of social relations in developing our understanding of what makes China capitalist today” (Panitch 2010:86).

Pradella correctly reminded that in its first thirty years the People’s Republic managed to achieve a respectable rate of economic growth and to accomplish a vast program of industrialization, which in turn served as the basis for the success of the reforms period. However, the core of her intervention is a destructive methodological critique of Arrighi, as

51 Consistently with the state-centered approach that we develop in this paper, we do not share Dunn’s faith in the feasibility of individual share ownership-based market socialism.

Pradella accuses him of ignoring Marx's lesson:

On the basis of partial, fragmentary and, sometimes, downright wrong theoretical and historical reconstructions, [Arrighi] fails to analyse the fundamental economic levers underlying the social transformations that are taking place today. ... The fact that *Adam Smith in Beijing* does not even mention any of the analyses and positions of Marx detailed above is due to the fundamental divergence between the position of Arrighi and that of Marx. [Pradella 2010:107].⁵²

Walker conceded that Arrighi was right in arguing that “the world-shaking transformation of China is not a case of neoliberal restructuring, because the central government has kept a firm hand on reform since 1978 and has steered a remarkably consistent, gradualist path. Equally important, China's development has been driven from within, starting from Deng's reforms in the countryside and a new economy built, above all, on rapid industrialisation and the home-market. These crucial insights go against the common misconception that China's transformation has been the product of foreign investment and foreign trade (Walker 2010:67). Yet, like Chase-Dunn, he did not accept “Arrighi's core argument regarding the non-capitalist nature of the post-Mao reform-era, [as]...all the earmarks of a transition are in place, however much they are embedded in the particular characteristics of Chinese civilization” (68). Walker also criticized what he perceived as Arrighi's excessively cautious and optimistic view with respect to four key critical issues: the creation of a working class; the emergence of a capitalist class; the semi-privatisation of urban land; the very nature of the Chinese state. On our part, while obviously disagreeing with Walker on the core point of the capitalist nature of China's system, we acknowledge the relevance of his critical arguments, and especially of the latter two.

Flemming observed that China's market-oriented reforms which gave rise to a new generation of critical approaches “inspired mainly by János Kornai, have been applied to China's transition economy” (Flemming 2010:118), mentioning among others

Nee, Stark, and Putterman, and Herrmann-Pillath.⁵³ His own view of China's socioeconomic system, while critical, was more problematic than that of other participants. He identified the emergence of capitalism in a specific region (the Pearl River Delta), but he concluded that “there is still no sign that China has been wrenched open by the uncontrolled invasion of Western capitalism.” (Flemming 2010:126). He also noticed (rightly, in our view), that “the capacity to allocate and manipulate resource-flows through government intervention has been a hallmark of the reforms; the strategic use of ‘market-exchange’ to incite ‘private initiative’ has helped create rapid levels of economic development (Flemming 2010:125-126).

We conclude this brief and far from exhaustive review referring to an interpretative approach that identifies in reforming China (i.e., after 1978) a pattern not dissimilar to that of the primitive accumulation in England described by Marx (see Marx 1967; Holmstrom and Smith 2000; Harvey 2003, 2005; Webber 2008). This bizarre view, among other things, would imply that the mass migration from the countryside towards urban industry since the 1980s⁵⁴ was caused by peasants' dispossession of their land rights and their consequent impoverishment. We show below (see Appendix) that the bulk of China's peasantry was neither disposed of its collective land rights nor absolutely impoverished. The application of the concept of primitive accumulation to contemporary China has been criticized for various theoretical and empirical reasons by several other observers (see Dunn 2007, Perelman 2008, Post 2008).⁵⁵

53 See Kornai 1992; Nee and Stark 1989; Putterman 1992, 1993, 1995; Herrmann-Pillath 2006a, 2006b.

54 Migration waves towards urban areas caused by peasants' dispossession and absolute impoverishment did in fact occur in the past, and are still taking place, in many capitalist developing countries.

55 In a rather metaphorical way, it might be plausible to apply Marx's concept of primitive accumulation to the period of initial accumulation and industrialization after the Revolution (1949-1978, and especially the 1950s and 1960s). However, even in that period, peasants' real income and welfare on average improved, notwithstanding the massive transfer of resources from agriculture towards industry.

52 In our view, Pradella's critique of Arrighi is far off the mark.

Conclusions

The present CCP leadership has recognized in its official political discourse the seriousness of the problems mentioned above, criticizing sometimes explicitly the market-fundamentalist deviations of the recent past. It has also emphatically proclaimed a new and diverse political course, centered around maintaining and perfecting the key dynamic features of the presently-existing form of MS in the sphere of production, but abandoning to a large extent the role of market mechanisms in the fundamental areas of income distribution, provision of social services, and environment protection, in favor of an enhanced role of State intervention. Hu Jintao and his leadership have walked important steps towards a better scientific understanding of their own MS system, and have obtained some practical results, but have so far fallen short from achieving their most ambitious goals. MS is alive and kicking in China, but it still essentially in what we can only hope future social scientists will classify as its first, primitive, severely flawed historical phase. If the theoretical approach proposed in our paper is correct, there is at least the logical possibility that the present Chinese leadership will eventually succeed, and/or that other, more advanced forms of MS will develop in other parts of the world, including the most advanced and industrialized regions, over a period that we can only tentatively imagine as being a very long one.⁵⁶

Such auspicious social and economic changes would be consistent with the spirit of Marx's famous words:

From the standpoint of a higher socio-economic formation, the private property of particular individuals in the earth will appear just as absurd as the private property of one man in other men. Even an entire society, a nation or all simultaneously existing societies taken together are not the owners of the earth. They are simply its possessors, its beneficiaries and have to bequeath it in an improved state to succeeding generations, as *boni patres familias*. [Marx 1894, Ch.46]

⁵⁶ A necessary, albeit not sufficient condition for the realization of more advanced forms of MS might be constituted by political democracy. We do not explore further this important question.

Appendix

A Brief Survey of Empirical Evidence

As discussed above, this paper essentially argues that market socialism as a distinct socioeconomic formation can be identified as a consistent theoretical possibility, and that presently-existing China and Vietnam constitute real-life historical manifestations of market socialist systems (even if they are very imperfect, primitive, and underdeveloped ones).

We also stressed that, from an logical viewpoint, the validity of the first point is not dependent on that of the second one. In other words, it would still make sense to speculate about market socialism even while conceding that no practical example of such a thing has ever existed yet on earth. Yet, it is evident that, in practice, if this were in fact the case our entire argument would lose most of its potential interest and relevance. It is also up to us to try to provide at least some evidence showing that China's⁵⁷ socioeconomic system is in fact market socialist.

In this respect, however, we remind the readers that our approach identifies the core difference between market socialism and capitalism mainly with respect to categories such as class, state, hegemony, and strategic control on the overall development process. By themselves, they cannot be proved (or disproved) mathematically in a rigorous way. By the way, we believe that this methodological observation also applies to any kind of social, economic, and historical analysis that is carried out at a similar level of abstraction and generalization. No serious scholar, for instance, would argue that capitalism was established in England exactly in 1785, because it was only in that year the share of GDP produced under capitalist conditions exceeded a certain threshold, or because the percentage of the population constituted by proletarians rose over percent.

Notwithstanding this self-evident point, we do believe that, broadly speaking, and at least to some extent, there is a relationship between quality and quantity, although in the domain of social sciences this relationship is not an exact and mathematically demonstrable one. Therefore, in the remainder of

⁵⁷ We focus on China because it is the largest, most advanced, and most globally significant example of a market socialist country, and also the one on which more information and data are available.

this section we provide some information based on quantitative and econometric evidence on China that supports our argument – that is, that China’s socioeconomic system is in fact substantially different from that of capitalist countries, and that it retains enough elements of socialism to justify the use of the term “market socialist.” In doing so, we are aware of the purely indicative and tentative nature of our attempt, and also of the fact that the evidence we refer to is far from being exhaustive.

We begin referring to a recent study of one of us on the role of the state in China’s industry (Gabriele 2010). The author argues that

the crucial component of China’s public industry reform process has been the transformation of many SOEs into state-holding enterprises⁵⁸ A key result of SOEs’ reforms has been a major turnaround in profitability... A major role in the public industry reform process has been played by the State-owned Assets Supervision and Administration Commission (SASAC). The Commission was created in 2002 to represent central-government shareholder interests in large enterprise groups.... After reorganizations, SASAC-managed firms become joint stock corporations or wholly-owned state corporations.... Public enterprises⁵⁹ are now concentrated in few strategic sectors: energy and power, industrial raw materials, military industry and large-scale machinery-building, transport and telecommunications. Some of these sectors are explicitly reserved to state firms; while in others spontaneous market forces and regulatory discrimination combine to erect very high barriers to entry for private operators. In both cases, however, the government has strived to avoid the creation of monopolies, engineering the emergence of oligopolistic market structures in which typically two or three large public firms compete with each other. [Gabriele 2010:329]

One of the key goals of this reform is to achieve in some sector a certain degree of oligopolistic and

⁵⁸ See Li and Putterman 2008.

⁵⁹ “Public industry in China, as in other countries, is constituted by industrial enterprises which are controlled by non-private legal entities (be them the State, local governments, or groups of workers. The state-controlled sector of industry is constituted by two components: SOEs and state-holding enterprises (mixed enterprises in which the State holds a majority share).” Gabriele 2010:335.

managed competition, not to relinquish strategic state control. The idea that the core of China’s industry has been privatized is a myth. As Kroeber (2008) starkly points out:

This privatization story exists in defiance of experience: in virtually all industrial sectors state firms play a significant or dominant role.... More than 70% of all China’s enterprises are now private, and they have contributed to compensate job losses in the public sector and to net job creation in urban areas. Yet, economic power remains firmly concentrated in the hands of the state.

Similarly, Wildau (2008) affirms that “the state’s command over key economic levers is as strong as ever. The state has retreated from highly competitive, low-margin manufacturing and service industries, but has kept tight grip over a wide range of critical industries generating large cash flows.”

From a purely quantitative viewpoint, public enterprises still constitute a relevant share of China’s industry. By 2007, they were

only 6% of all industrial enterprises, while (domestic) private enterprises were more than half of the total. Yet, (public enterprises) employed over 20% of the industrial workforce, produced almost 30% of the output, detained over 40% of industrial assets and generated 40% of the sector’s profits. SOEs proper were less than 3% of all industrial enterprises, producing about 9% of total gross industrial output value ... and employing 8% of the sector’s workforce. [Gabriele 2010:336]

The latest edition of China’s Statistical Yearbook shows that, between 1998 and 2009, public enterprises as a whole increased production almost fivefold, while halving their labour force. Labour productivity rose almost tenfold (see Table 1).

Table 1. Labour productivity in public industrial enterprises

	1998	2009
Gross Value Industrial Output	33621	146630
Employment Labour	3748	1803
Productivity	8.97	81.33

Source: CSY 2010

Table 2. Productivity and profitability indicators of China's industrial enterprises (2007)

	Labour productivity	Assets per worker	Profits per worker	Fixed Capital Profitability Capital/Output	Ratio
State-Holding Mixed Enterprises	88.03	99.17	9.25	0.09	99.17
State-Owned and State-Holding Enterprises	68.67	90.76	6.19	0.07	90.76
Domestic Private Enterprises	41.73	23.66	2.24	0.09	23.66
Foreign Direct Investment Enterprises	54.24	40.95	3.2	0.08	40.95
Private-Controlled Mixed Enterprises	41.63	41.63	2.43	0.08	30.91

Source: Gabriele 2010 Table 3b

However, these numbers tell little about the key role of large public industrial enterprises in China. Their most advanced component is constituted by state holding mixed enterprises (SHMEs), in which the State owns a larger share than any other shareholder, thereby effectively being able to exercise strategic control:

SHMEs are few, large, capital-intensive, and very productive. They are only 2.7% of all industrial enterprises... Yet, they employ over 9% of the labor force, own over 20% of total assets, produce almost 16% of the output and generate almost a quarter of all industrial profits. Their capital endowment per worker is the highest among all groups of enterprises. SHMEs are industry leaders in terms of labor productivity, with 880300 Yuan on average in 2007. This figure is almost 60% higher than that of SOEs and extra-regional FDI-funded enterprises, and also more than double that of domestic private enterprises and that of privately controlled mixed enterprises. ... SHMEs are also very profitable, as confirmed by the very high levels of their profits/worker and profits/assets ratios. Both profitability indicators are superior to those of any other large grouping of either public or private industrial enterprises. [Gabriele 2010:341. See also Table 2]

Therefore, "China's SASAC-controlled elite enterprises are pioneering a form of ownership and management structure which has a good chance to prove itself quite suitable to deal with the chal-

lenges of industrial development in the 21st century" (Gabriele 2010:335).⁶⁰

Even in the relatively difficult times caused by the negative impact of the world capitalist crisis on China's export demand, China's core large-scale enterprises kept growing fast and remained highly profitable.

Some recent data on China's large enterprises have been published in September 2011. They show that:

60 To properly understand their respective roles, weight, and strength, however, it is useful to compare the public sector of China's industry with its private counterpart. The private industrial sector in China is quite heterogeneous, being composed by four uneven categories of enterprises: domestic private enterprises (DPrivEs); private-controlled mixed enterprises (PrivMEs), foreign-funded enterprises. The majority of foreign-funded enterprises are rather small, but some of them are very large and advanced TNCs. The focus of our analysis, however, is the relationship between public enterprises and domestic industrial capital. In this respect, it is interesting to note that DPrivEs are now over half of the total, employ over one-quarter of the industrial labour force and produce almost one-quarter of total output. Yet, they own only about 15% of industrial assets and generate a slightly higher fraction of total profits, and their labour productivity is much lower than that of all other categories of industrial enterprises. DPrivEs are comparatively small and under-capitalized, and their most valuable contribution to China's overall economic and social development so far is that of creating and maintaining a large share of total employment, utilizing relatively few physical and financial resources... PrivMEs (that, in most cases, are controlled by TNCs) share a number of characteristics with the state-controlled section of mixed enterprises. As such, they are larger and more capital intensive than PrivDEs. They are about 15% of all enterprises, and contribute to about 10% of total industrial capitalization, output, and profits, and to almost 15% of the employment. However, on average, privately-controlled mixed enterprises lag behind their state-owned counterparts, as shown by size, labour productivity, capitalization, and profitability indicators. (see Table 1 and Gabriele 2010 Table 3.)

the status of China's large enterprises among the world's large enterprises has greatly risen. Between 2002 and 2011, the annual business income growth rate of the top 500 Chinese enterprises was 22 percent on average, much higher than the 7 percent of the top 500 world enterprises and 4 percent of the top 500 U.S. enterprises. China's large enterprises have become an important pillar in the world's large enterprises. [Yanan 2011]⁶¹

The China Summit of Large-Scale Enterprises held in Chengdu on September 3-4 2011 made public some recent data on China's large enterprises, stating that "the status of China's large enterprises among the world's large enterprises has greatly risen. Between 2002 and 2011, the annual business income growth rate of the top 500 Chinese enterprises was 22 percent on average, much higher than the 7 percent of the top 500 world enterprises and 4 percent of the top 500 U.S. enterprises. China's large enterprises have become an important pillar in the world's large enterprises" (Yanan 2011).⁶²

Moreover, it has to be taken into account that enterprises are a central but not exclusively component of each country's overall economic system. The availability of a complex set of what could broadly be seen as "public goods" has the potential to generate major systemic external economies, thereby decisively affecting enterprises' ability to invest, increase their productivity, promote technical progress and compete in domestic and world markets. Such economically-relevant public goods are well-known: infrastructure, education, health, and the like.

The most strategically crucial of these public goods is the national system of innovation (NSI).⁶³ During a period of exceptionally fast economic

61 Yet, the Summit acknowledged that large Chinese enterprises operating in competitive markets lack core competitiveness with respect to their western counterparts, due especially to their still inadequate R&D intensity and innovative capabilities.

62 The data were made public in the China Summit of Large-Scale Enterprises held in Chengdu on Sept. 3 and Sept. 4, 2011. Notwithstanding the progress achieved so far, the Summit acknowledged that large Chinese enterprises operating in competitive markets lack core competitiveness with respect to their western counterparts, due especially to their still inadequate R&D intensity and innovative capabilities.

63 Gabriele and Khan have argued that the rapid development of China's NSI shows that (contrary to what is routinely assumed by mainstream economists) fast technological progress is compatible with a basically socialist structure of property rights (see Gabriele and Khan 2008, Gabriele 2001, 2002).

Table 3. Share of Research and Development Expenditure over GDP

	2005	2007	2008	2009
R&DEXP/ GDP	1.32	1.4	1.47	1.7

Source: CSY 2010

Table 4. Per capita income of rural households (yuan)

1990	2000	2009
991	3146	7116

Source: CSY 2010

growth, the R&D to GDP ratio kept climbing, reaching 1.3 percent in 2005, almost 1.5 percent (a figure much higher than that of many OECD countries) in 2007, and 1.7 percent in 2009 (see Table 3). In sum, over little more than one decade,

China leapfrogged from an almost insignificant role in the global research scenario to that of one of its main protagonists. The role of the public sector at large in propelling China's unprecedented research effort is overwhelming... over 70% of China's R&D takes place in the industrial sector the rest being performed by fully public research centers and universities). An absolute majority of this R&D activity is carried out by (large) enterprises owned or controlled by the state or other public bodies (Gabriele 2010:346 ... Thus, broadly speaking, the public sector as a whole funds and performs about 2/3 of China's R&D activities. [see Gabriele 2010, Tables 3, 4.]⁶⁴

Finally, large Chinese enterprises exhibit another striking and unique feature. Notwithstanding their relatively high degree of autonomy, their behaviour is not purely profit-maximizing at the level of a single firm, as is shown by a very interesting empirical study

64 Gabriele 2010 concludes that "the role of the State. ... far from being withering out, is in fact massive, dominant, and crucial to China's industrial development.... State-owned and state-holding enterprises are now less numerous, but much larger, more capital- and knowledge-intensive, more productive and more profitable than in the late 1990s... The state-controlled sub-sector constituted by state-holding enterprises ... is in many aspects the most advanced component of China's industry, and the one where the bulk of in-house R&D activities take place... the dominant role of the state in China's industry (and, more generally, in China's economy)... is an ever-evolving but structural characteristic of China's peculiar form of market socialism." (p.348)

on their outward direct investment (ODI).⁶⁵

Huang and Wang (2011) analyzed China's outward direct investment (ODI), showing it follows a pattern different from that of advanced capitalist countries. Reviewing industry distributions of China's ODI data for 2003–2009, Huang and Wang show that it follows a pattern different from that of advanced capitalist countries:

Chinese ODI was not concentrated in industries that performed well either in exporting or domestically. Statistical analyses also confirmed that traditional variables, such as market size, production cost and legal environment, did not impact Chinese investors' choice of location for ODI. Instead, investors selected places where they could either learn advanced technologies or secure stable commodity supplies... the main purpose of the China model of ODI has not been to expand production overseas but to strengthen industries at home. [Huang and Wang 2011:1]

As China's ODI is overwhelmingly carried out by public enterprises, these findings show that the State manages (at least in part) to plan holistically their investment activity in order to maximize its benefits for China's industry as a whole.

Other studies focused on different aspects of China's economic and social reality, that in one way or another are relevant for our core argument.

Zheng and Ward (2011) analyze the boom in the telecom industry in China and the reforms implemented in the sector since the 1980s. The sector grew very fast, costs declined and enormous technical progress was achieved. The authors attribute most of these gains to "liberalization and privatization." However, the very word "privatization" is basically wrong to describe the essence of China's telecom reforms, as is made clear by the conclusions of the article. After observing that, after the liberalizing reforms in the late 1990s, "average state ownership fell from 100% to 80%" (212), the authors observe that

Unlike most developing countries, privatization in China did not lead to companies being completely

privately run. Instead, China sought foreign investment...listing equity shares in SOEs...rather than through full privatization or through introducing foreign private firms. The Chinese government has repeatedly made statements that the telecommunication sector is one that entails sensitive national interests...the government feared that a telecommunication sector controlled by private or foreign companies could... reduce social welfare...the ownership structural reform for Chinese telecom SOEs were a process of Share Issue privatization (SIP), using public listing as a way of divesting some of the government ownership in SOEs...while retaining ultimate governmental control. [213–214]

It is therefore evident that there has been no privatization (according to the usual meaning of the term) of telecommunications in China. Instead a limited degree of liberalization and controlled, oligopolistic competition was achieved without relinquishing the state's strategic control on this key sector and maintaining the dominance of public enterprises in the telecommunication market. Other researchers (see Andrew-Speed and Dow 2000; Gabriele 2004) have shown that a very similar policy approach, centered around the central role of the State while promoting FDI and technology upgrading, was followed in China also in the reform of the energy sector. Reforms of strategic infrastructural sectors in Vietnam's were of an analogous nature (see Gabriele 2005).

In a very different economic and social context, that of agriculture, another crucial asset (land) has not been privatized in China either. Yu, Shi, and Jin, after reminding that "in 1978, the ruling Communist Party...gradually issued land-use rights with fixed time intervals, typically 15 years, which were extended another 30 years in 1993" (272), show econometrically that economic agents profiting from land in the latter stage of their life tend to save less for retirement than their land-deprived counterparts. There is, in their words, "a substitution effect between land-use rights and endowment insurance" (278). Therefore, the authors conclude that "the government should secure land-use rights for young farmers and should think twice before privatizing farmland.... rapid reform of property rights of farmland may

⁶⁵ China's ODI skyrocketed since the turn of the century and is now a major feature of the global economic landscape.

Table 5. Share of consumption expenditure devoted to food (rural households)

1990	2000	2009
1.32	1.4	1.47

Source: CSY 2010

Table 6
Infant and child mortality 1991–2009

	1991	2000	2005	2009
Infant mortality (up to one year)	50.2	32	19	13.8
Rural	58	37	21	17
Child mortality below 5 years	61	40	22	17
Rural	71	46	26	21

Source: CSY 2010

not be a good practice...it may increase inequality... abuse of the land market may inevitably throw some farmers below the subsistence level” (278).

These findings, besides confirming that the bulk of agricultural land is still not privately owned, contribute to confute the “primitive accumulation” hypothesis. Chinese peasants could not possibly have become absolutely poorer during a period (since the late 1970s) when – without underestimating the disasters caused by the quasi-collapse of public health services⁶⁶ – they (collectively) maintained their property rights on the land, agricultural production, rural incomes and food consumption increased extremely fast, and all human development indicators dramatically improved. (see Tables 4 to 8).

The positive trends in China’s rural incomes and welfare indicators since the late 1970s are well-known. No more famines occurred, for the first time in the history of the country.⁶⁷ Here, it might just be useful to refer to a few recent data, referring to the 1990s and 2000s.⁶⁸ Per-capita incomes of rural households increased extremely fast since 1990, and the share

66 See Gabriele and Schettino 2008a.

67 The last famine (1959–1961) caused about 30 million deaths. Moreover, it increased inequality in the long run as women hit by “famine in the first year of life had a lower probability of completing high school and lived in less wealthy households” (Shi 2011:244).

68 Peasants’ overall incomes and welfare had also improved greatly in the late 1970s and 1980s.

Table 7 Health Expenditure

	1978	2000	2009
Per capita (yuan)	11.4	362	1095
% of GDP	3.02	4.62	4.63
Government % of total	32	15	25
Out of pocket % of total	20	59	40
Social % of total	47	26	35

Source: CSY 2010

Table 8. China. Average urban wage (yuan)

1995	2000	2009
5348	9333	32244

Source: CSY 2010

devoted to food (a basic welfare indicator) dropped by large margin (see Tables 4, 5). Infant and (under five years) child mortality kept decreasing rapidly (see Table 6). In the 2000s the Chinese government also changed course in the area of health policies, partly correcting the damage caused in the 1980s and 1990s. Public health expenditure increased faster than GDP, and out-of-pocket health expenditure, that had reached the ominous share of 59 percent of the total in 2000s, was reduced to a (still outrageously high) level of 40 percent by 2009 (see Table 7).

Mass migration from the countryside, therefore, was caused not by an absolute impoverishment of Chinese peasants, but by their (both perceived and real) relative impoverishment. The latter is a complex phenomenon embodying a strong cultural component (related among other things to lifestyle mutations and the diffusion of telecommunications), but also stemming from the very material increase in income differentials caused the exceptionally fast rate of growth of real wages in urban areas (see Table 8).⁶⁹

69 The increase in real wages in China has not been matched in any large capitalist country (developed or developing). Wage growth accelerated in the late 2000s due to the progressive exhaustion of the “reserve army” of rurals made redundant by the steady increase of labour productivity in agriculture: “Chinese workers received real wage rises averaging 12.6 per cent a year from 2000 to 2009, compared with 1.5 per cent in Indonesia and zero in Thailand, according to the International Labor Organisation” (Barrett 2011). Wage hikes are contributing to accelerate the shift of unskilled labor-intensive activities towards other Asian countries and to sustain domestic consumer demand, at a time when export growth prospects are weak (see Jacob 2011; Tsui 2011).

Migrants partly benefitted from the increase in urban wages, and so – via remittances – did their families in the countryside. Yet, the lack of political willingness to overcome the obsolete hukou system severely discriminated against them, creating a dual labor market in urban areas. The reform of urban residence and welfare system remains as the most severe social challenge in China (see Cai 2011). In our view, however, its control on the bulk of the huge social surplus generated by the domestic economy could relatively easily allow the State to implement this reform (and to earmark increasing resources towards public health, another urgent priority), without jeopardizing China's unique pattern of accumulation and technical progress.

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