

## Is China Neoliberal?

By [Kim Petersen](#)

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On 2 March, the Real News [interviewed Steve Cohn](#), author of *Competing Economic Paradigms in China* (Routledge, 2017). Host Sharmini Peries began by asking:

Professor Cohn, in your book you analyze the transition of the Chinese economy from Maoist to 'iron rice bowl' policy to a neoliberal policy. What kind of domestic factors contributed to this transition?

Part of Cohn's response was:

... **I think** the Chinese government, starting with Deng Xiaoping but has continued since then, came to the conclusion that certain capitalist-oriented policies were necessary to increase the social surplus under the state's control and also to prevent China from falling behind technologically. These leaders, **I think**, felt that neoclassical economics was a reliable theory that would facilitate this project of adopting some capitalist techniques, and they supported it very aggressively in many ways... [emphasis added]

China neoliberal?

The present writer has been living off-and-on in various parts of China since 2003. At first I was skeptical to Socialism with Chinese Characteristics, but I have observed the development in China first-hand along with the decline of poverty (as evidenced by the relative scarcity of mendicancy and homelessness).

### Neoliberalism

What is neoliberalism? To start, it is not new, and it is not liberal. It is predicated on prioritizing the private sphere over the public sphere; i.e., allowing the so-called free-market to decide. Hence, the role of the government is to be minimized, with privatization, cutting social programs, deregulating finance, and imposing austerity prescribed.

Yet, can one seriously ascribe neoliberalism to China with its state-owned enterprises, state-owned banks, and expanding social programs?

In his book *Profit over People: Neoliberalism and Global Order* (Seven Stories Press, 1999), distinguished professor **Noam Chomsky** referred to a World Bank report that China was not following neoliberal dictates; instead China was described as "the most interventionist and price-distorting government of all."

Chomsky quoted the eminent economic historian **Paul Bairoch** who stated that

“there is no doubt that the third world’s compulsory economic liberalism in the nineteenth century is a major element in explaining the delay in its industrialization.”

Given the enviable economic development of China, the Communist Party was evidently correct to eschew neoliberalism and chart its own course.

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Host Peries presented another surprising nugget that the US was directing the Chinese economy:

... You write about international or US-based organizations such as the American Economic Association, the Ford Foundation, the World Bank, and other such institutions that the Chinese sort out to influence their economic policy and drive the direction of a capitalist economy that they adopted. The interesting point you make about this is that this influence was invited. Why did the Chinese government officials accept this or want this kind of influence?

Cohn replied,

... **I don’t think** the Chinese even to this day fully realize the extent to which there’s a socialization, as well as an intellectual kind of understanding involved with graduate school.

So **I think** they underestimated it, that impact on the students and the difficulty of unpacking these ideological and political factors... [emphasis added]

Cohn uses terms such as *thinks* and *feels* throughout the interview. This conveys an appearance of uncertainty as to what he discusses.

Later Cohn said,

You can see what they’ve [Chinese Communist Party officials] done; you’re not quite sure what they’re thinking. There certainly have been a lot of social problems, environmental problems, inequality in particular, financial fragility, the problem of various debt crises in China. But **my suspicion** is that the Chinese leaders **feel** that their strategy has in some important ways to them empowered China. And **I think** that they probably **feel** they can deal with problems of environmental and other side effects of this. [emphasis added]

What’s interesting in terms of paradigm competition is trajectories...

### **One Chinese Trajectory: Poverty Elimination**

What are the Chinese trajectories? One example should suffice to refute the notion of China as a neoliberal state: China is on target to eliminate poverty. What capitalist country prioritizes such a goal?

A *Global Times* op-ed argued,

As a socialist country, it would be an agony — if not a disgrace — for the country’s elites to sit idle and not extend a helping hand to the needy. [1]

Xinhua reported,

“China lifted 12.89 million rural people out of poverty in 2017 as it progresses towards its target of eradicating poverty...” [2]

This poverty elimination is verified by the World Bank which cites 753 million people lifted out of poverty between 1978 and 2010. China is presented as an example for the rest of the world in how to eliminate the scourge of poverty:

The country’s poverty reduction offers lessons for other countries.... Its approach combines government leadership and support from all social sectors with farmers playing a major role, and integrates general and special favorable policies, poverty alleviation programs and social safety nets. [3] [Italics added]

## **Tiananmen Square**

Particularly noteworthy in the Real News interview were the references to “Tiananmen Square protests” and “the repression following Tiananmen Square.” No mention was made of a Tiananmen Square *massacre*, as has been a repetitive staple in corporate media reporting.

**Wei Ling Chua** wrote a compelling exposé on this disinformation, *Tiananmen Square “Massacre”? The Power of Words vs. Silent Evidence*, which noted the many retractions of what many western journalists had initially reported. [4]

## **Missing Background to the Real News Interview**

I asked Wei, who also wrote [Democracy: What the West Can Learn from China](#), for his take on the Real News interview. Wei wrote back:

There are too many issues in the video, I would like to have a quick comment on the following:

1. People tend to overlook the fact that it was Mao who lay the foundation for Chinese access to the world that allowed Deng economic integration with the world economy in 1978:

- in 1949, China was broken and bankrupt at the time Mao took over;
- Due to the Cold War, the Korean War, and the Vietnam war, China was under western economic, financial, technological and banking sanctions; as well as USSR technological sanctions;
- despite these adversaries, Mao managed to defeat the US led military coalition in the Korea War; helped the Vietnamese defend itself from US invasion. That made China a world force that the US could not ignore;

- Mao managed to make use of the complex relationship between the USSR and US, and woo the US via ping-pong diplomacy, and eventually resulted in Nixon's visit to China, laying the foundation for China to access the world;
- Mao's vision of classifying the world into First World (Western nation), 2nd world (USSR), and the Chinese alliance with the 3rd world (Africa, Latin America, Asia etc) eventually paid off after making use of the new relationship with Nixon, and winning the majority vote in the UN to get the PRC onto the UN security council.
- Without all these foundations for China to access the world, there would have been no reforms under Deng.
- At the time Deng took over the leadership in China, Mao had already eliminated illiteracy, doubled the life expectancy of the population, armed China with nuclear, rocket and satellite technology, and a lot of basic industries for consumer products. Without all these, there would be no foundation for any further progress to access the world.
- So to credit China prosperity solely on Western capitalism is not objective.

2. The author [Cohn] also failed to mention the fact of the Chinese modelling more towards the Singaporean economic model than the west. Despite Singapore being recognised as one of the freest economies in the world, 60% of Singapore's GDP is generated by the Singaporean government investments; so in China, despite being opened up to international and private funds and investment, the state still controls much of the economy;

3. 30 years after Deng's reforms, China encountered problems like any western society: income gaps, housing affordability and the growth in GDP v social stress; but it is China who acts on to ratify the issues;

4. [Current Chinese chairman] **Xi Jinping** only wants the part of market logic to award and motivate people who work hard and be innovative, but dislikes an uncontrolled market economy that allows the wealthy to eventually dictate supply and prices of everything;

5. Unlike the west that privatised everything, Xi not only wants SOEs to become bigger and stronger, he also introduced a policy for the government to pay for and own a 1% share of every registered business in China; the law states that with the 1%, government officials will attend all executive meetings and have the power to stop any decision that is harmful to the country.

## Conclusion

For those who aspire to a world not driven by extreme wealth and income inequality, China is a potential antipode to unfettered capitalism. China pursues socialism. The Chinese Communist Party also rejects hegemony and war. Thus China stands forth as an alternative model to aggressive capitalist imperialism. However, it is important that China be considered as to which point it is in its political-economic trajectory. At present, Chinese leaders state that China is in the earliest stages of socialism. Nevertheless, along its trajectory China ought to be fairly scrutinized for adherence to it announced political and social goals.

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## Notes

1. Li Hong, "[Shaking off poverty is an obligation for China](#)," *Global Times*, 14 January 2018.
2. Xinhua, "[China brings nearly 13 mln people out of poverty in 2017](#)," *Global Times*, 1 February 2018.
3. Chengwei Huang, "[Ending poverty in China: Lessons for other countries and the challenges still ahead](#)," World Bank, 14 October 2016.
4. See [review](#).

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