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Chinese Experiments in Socialist Modernisation

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Chinese Experiments in Socialist Modernisation

Editorial Board

Karl Marx and Friedrich Engels never left the socialist movement with a blueprint for building a new society out of the contradictions of capitalism. They merely provided a concrete analysis of the movement of capital, that too based on their access to resources outlining the development of capitalism primarily in Europe. In fact, they were adamant that ‘Communism is for us not a state of affairs which is to be established, an ideal to which reality will have to adjust itself’. For them, communism is ‘the real movement which abolishes the present state of things’.

The breaking of the ice in Russia by Lenin and the Bolsheviks challenged many of the assumptions of the orthodox Marxists of the Second International. Through the process of revolution at the weakest links of capitalism, from Russia to China and Vietnam to Cuba, a new way of thinking about socialism arose. Rather than being the culmination of the contradictions of capitalist modernity, socialism itself could provide the darker nations of the Global South with a path to modernity. Such a path could eschew military expansion, preserve the collectivist spirit of the countryside, resist socioeconomic polarisation, and avoid ecological crises. But as the history of the Soviet Union and modern China show, this process is not without profound challenges and contradictions.

It is notable that in many official documents or statements made by Chinese leaders, socialism is not necessarily seen as some transcendental ideal to be achieved for its own sake. Rather, socialism is the path chosen to achieve concrete goals, including the rejuvenation of the Chinese nation and fulfilling the Chinese people’s aspiration for a good life. In various speeches, President Xi Jinping has emphasised two points. First, in a report to the 20th National Congress of the Communist Party of China in 2022, he emphasised that ‘Chinese modernisation is socialist modernisation’, which ‘contains elements that are common to the modernisation processes of all countries, but it is more characterised by features that are unique to the Chinese context’. Later, in a

keynote address to world political parties in March 2023, Xi said, “We must uphold the principle of independence and explore diversified paths towards modernisation”. This is to say that there can be no cookie-cutter approach to the process of modernisation, which must adjust to national realities.

This issue of *Wenhua Zongheng* is about China’s experiments in socialist modernisation. This is not the first time that this journal explored the theme of socialist modernisation. In fact, our second issue was on ‘China’s Path from Extreme Poverty to Socialist Modernisation’. The editorial for that issue described socialism as a historical process linked to industrial modernity. While that issue honed in on China’s lifting 800 million people out of poverty in the process of modernisation, the essays in this issue explore the ‘real movement’ of the experimentation, institution building, and fierce ideological struggle in China’s process of socialist modernisation. This issue represents China’s modernisation as a world-historic process, replete with idealistic leaps, pragmatic retreats, and many contradictions that are yet to be resolved.

This issue begins with an essay by Chinese writer and literary critic Li Tuo, who reminds us of the experimental nature of socialism. Li argues that China’s 1978 reform and opening up process is the historical heir of a long series of experiments, from the Paris Commune (1871) to Red Vienna (1918–1934) to the New Economic Policy (1921–1928). Li Tuo points to the profound contradictions at the heart of the reform and opening-up process: the fact that while private property, the market, and the profit incentive have been allowed to thrive, the greatest feats of this era include state-driven experiments such as the construction of high-speed railways and the west-to-east power transmission line. Whether these feats are attributed to the socialist nature or the capitalistic elements of China’s modernisation constitutes a significant ideological debate. As Li emphasises, ‘Competing ideological tendencies struggle to realise themselves through the reform process’.

Next, Fudan University economists Meng Jie and Zhang Zibin provide a meso-level analysis of the institutional structure of China’s modernisation. In Western development economics, the literature on industrial policy has experienced a resurgence since the 2009 financial crisis. This essay draws from both the Western canon on developmental and entrepreneurial states and Marxist literature on markets and state formation to provide an original analysis of

Chinese industrial policy. For Meng and Zhang, China's leadership system makes it an ideal 'entrepreneurial state' that is capable of resisting capture by private and foreign interests. As the authors emphasise, 'whenever industrial development faces fundamental strategic choices, the CPC's ideology will guide policies back to the direction of independence'. Most significant is their analysis of the institutions of the Chinese state, which, under the leadership of the CPC, engage in fierce competition to drive forward the development of the productive forces. These mechanisms of local government competition keep the bureaucracy engaged with the fundamental goals of the development process, forcing experimentation at the local level, which in turn generates knowledge and innovation throughout the national economy.

Finally, *Wenhua Zongheng* co-editor Xiong Jie reviews *Neoliberalism or Neocollective Rural China*, a book by the President of the International Communication Research Institute at East China Normal University, Lu Xinyu. The book delves deep into the agrarian question and the fate of the peasantry in the process of modernisation. The review highlights the intense intellectual debates that have taken place inside China since the beginning of the 21st century. These debates relate to China's policies in the reform and opening-up process and the extent to which the resulting incursion of neoliberal capitalism might or should be allowed to completely overtake China's political and economic structure. Highlighting the decade-long debate between Lu Xinyu and Chinese liberal Qin Hui, Xiong highlights the extent to which important debates with vast political implications are conducted openly and fiercely in Chinese intellectual circles. The agrarian question and the fate of the peasantry loom large in these debates, as right-wing forces seek to complete the process of capitalist primitive accumulation in China, while the left fights to find ways to ensure continuity of the collective structure of the countryside.

The essays collected in this issue provide an outline of experiments in socialist construction in the context of China. They are a reminder that the socialist path to modernisation is filled with contradictions and class struggles. As China marches towards its second centenary goal to build a modern socialist country by 2049, it is now more than ever finding itself in new territory. Having achieved a level of industrialisation and development that is unprecedented for a country under communist leadership, there are no clear manuals for how to (or how not to) proceed from the present. Experimentation will be the only way forward.



On the Experimental Nature of Socialism and the Complexity of China's Reform and Opening Up



Li Tuo (李陀) is a writer and literary critic. He has written screenplays and authored numerous essays on Chinese literature, cinema, and art. His works have won major awards, including the first National Short Story Award (1978) for 'I Hope You Hear This Song' 愿你听到这支歌 and the Ministry of Culture Best Film Awards for *Li Siguang* 李四光 (1979) and *Sha Ou* 沙鸥 (1981), which he co-wrote. Li has also edited several major Chinese literature anthologies, including *Beijing Literature* in the 1980s, and *Shijie* (Horizons) in the 1990s-2000s. He is currently the editor of *Jintian* (Today).

I

To understand the complexity of socialism, it is best to take a broad historical perspective on the actual development of socialist movements.¹ Particular attention should be paid to an often-overlooked aspect of this development – the continuous experiments that have accompanied the history of the socialist movement. Some of these experiments have succeeded, while others have failed. In retrospect, it is clear that these ongoing experiments were an integral part of socialist practice.

From the very early stages of the socialist movement, the period of utopian socialism, such experiments already existed. For example, in 1824, Robert Owen travelled to the United States and purchased 1,214 hectares of land along the Wabash River in southern

¹ This article is based on a speech by the author at an academic seminar titled 'The "Two Movements" of the 1980s and the Socialist Issues in Contemporary China', hosted by *Beijing Cultural Review* (*Wenhua Zongheng*) on 16 March 2024.

Indiana. There, he launched the New Harmony commune experiment, which caused a global sensation. Although this dream of an idyllic utopia only lasted four years before failing, it was the first attempt to construct an ideal society amid the capitalist world system. As such, this experiment should be regarded as a remarkable opening of a new historical era.

Half a century later, the Paris Commune carried out an even greater experiment. The victory of the Paris Commune on 18 March 1871 lasted only 72 days. During this brief period, the Parisian proletariat not only established the first workers' government but also introduced a series of political, economic, and cultural reforms.² These included the abolition of the standing army and state bureaucracy, the elimination of high salaries for officials, the abolition of parliamentary governance, and the implementation of democratic universal suffrage for electing public servants at all levels. Such measures were unprecedented in the historical development rooted in private ownership. From the perspective of human social practice, all revolutionary initiatives of the Paris Commune were inherently experimental in nature.

Although this experiment was short-lived and drowned in blood due to brutal repression, Marx argued that it was '...the dawn of the great social revolution which will forever free the human race from class rule'.³ Illuminated by this dawn, subsequent socialist movements aiming to overthrow the capitalist system, though fraught with twists and turns, carried on the revolutionary experiments initiated by the Paris Commune. These experiments have never ceased, and this continuity is one of the most valuable legacies left by the Paris Commune to the socialist revolution.

II

The famous *Rotes Wien* (Red Vienna) urban development proposals serve as another example of a revolutionary experiment. Between 1918 and 1934, the

² For more on the Paris Commune, read: Karl Marx, V.I. Lenin, Bertolt Brecht, Tings Chak and Vijay Prashad, *Paris Commune 150* (LeftWord Books, 2021).

³ Karl Marx, 'Resolutions of the Meeting Held to Celebrate the Anniversary of the Paris Commune', in *MECW* Vol. 23 (1872).

Social Democratic Workers' Party of Austria (SDAP) governed the Austrian capital city of Vienna in a period known as *Rotes Wien*.⁴ During this time, the SDAP seized the opportunity to conduct a democratic socialist experiment through the implementation of a series of reforms. Among these reforms, the most remarkable was the construction of public housing to address the poor living conditions of Vienna's working class. By 1934, nearly 65,000 public housing units had been built in Vienna, forming 348 new residential complexes imbued with strong socialist ideals. One of the most famous of these complexes is the Karl-Marx-Hof, completed in 1924. This massive public housing unit not only provided 1,400 apartments housing over 5,000 residents but also included numerous public facilities such as large laundries, public baths, a dental clinic, an obstetrics hospital, a public library, and a pharmacy. Designed with careful consideration of the balance between public and private spaces, the workers living in these apartments enjoyed both excellent living conditions and comprehensive public services.

However, like the Paris Commune before it, this experiment too came to an end. In this case, it was because the SDAP was a party committed to parliamentary politics and reformism. The socialist experiment, which was largely confined to urban development, came to an abrupt halt in 1934 when the Nazi Party rose to power and banned the SDAP.

III

Looking back at the reformist social experiment of *Rotes Wien*, it serves as a reference point that allows us to re-examine Vladimir Lenin's 'strategic retreat' in the spring of 1921, when he abandoned war communism in favour of the New Economic Policy (NEP). This shift not only fundamentally altered traditional Marxist understandings of socialism but also provided the socialist movement with a new direction.

There were major shifts in Lenin's thinking towards the latter part of his life, when he declared, 'We have to admit that there has been a radical modifica-

⁴ Otto Bauer, *The Austrian Revolution* (Haymarket Books, 2021).

tion in our whole outlook on socialism'.⁵ For many reasons, Lenin seemingly abandoned the immediate transition to socialism in favour of a more circuitous route – retreating to a position of state capitalism and transitioning from a tactic of assault to siege. What is worth noting today is that while these historical experiences offer a wealth of insights and interpretations, they often overlook one key issue: for a Soviet government that had existed for barely three years and was still struggling to find its footing, implementing such a dramatic shift in revolutionary strategy was highly experimental in practice. Lenin's series of retreats aimed at achieving a circuitous transition to socialism can, to a significant extent, be seen as a series of experiments.

Taking a broader view, the October Revolution of 1917 was itself a revolutionary experiment. Carrying out a proletarian revolution in a backwards agrarian country that was unindustrialised and still rooted in serfdom was considered impossible from the perspective of classical Marxist theory. This experiment deviated entirely from the revolutionary experiences of the European proletariat since the 19th century. This theoretical divergence explains why the theorists of the Second International dismissed Lenin's theory that the revolution should begin at the weakest link in the global capitalist system. These theorists always held a negative attitude toward Lenin and the Bolsheviks. Even among Marxists who broadly supported Lenin's strategy, many adopted a critical stance due to uncertainties about his specific practices. The ideological and theoretical debates sparked by these issues have persisted for over a century. In China, similar debates have flourished, especially since the beginning of the reform and opening up era, when discussions about the history of the October Revolution became a vibrant field of study. Yet even in the discussions in China, the experimental nature inherent in Lenin's leadership of the Russian Revolution has received limited attention. This oversight has limited our understanding of Lenin's tactical shift in 1921. As a result, the difficulties and dangers of this tactical retreat and the profound theoretical and practical challenges it posed are often underestimated or overlooked.

⁵ V.I. Lenin, 'On Cooperation', in *Collected Works Vol. 33* (Progress Publishers, 1965).

IV

Lenin provided clear expositions about these challenges in key works written during his later years (1921–1923). In these writings, Lenin reviewed the history of the implementation of the NEP with serious introspection and self-criticism, drawing lessons from past failures. He also repeatedly warned that the Soviet government would face even greater difficulties and challenges in the construction of socialism.

In *The Tax in Kind*, a particularly critical document regarding the NEP, Lenin explicitly stated that nobody ...ever expected to bring about “complete” socialism smoothly, gently, easily and simply’.⁶ Moreover, he sharply criticised the argument that Russia’s economic and political conditions lacked the historical prerequisites for a socialist revolution, and that therefore the Bolsheviks should not have seized power. To this, Lenin retorted that, ‘...it always exists in the development of nature as well as in the development of society that only by a series of attempts – each of which, taken by itself, will be one sided and will suffer from certain inconsistencies – will complete socialism be created by the revolutionary cooperation of the proletarians of all countries’.

Lenin’s insights, when combined with his other writings on the overarching theme of achieving a circuitous transition to socialism, form a rich and complex body of thought. On a practical level, one key point stands out: the construction of socialism must abandon the dream of immediately realising a ‘complete socialism’. This notion of avoiding dogmatic attempts at a direct realisation of a ‘complete socialism’ represented a significant leap in Lenin’s approach to socialist revolution and construction.

A systematic review of Lenin’s series of retreats in the 1920s reveals a tactical variety – ranging from the implementation of a tax in kind for farmers, restoration of small-scale industries and smallholder peasant businesses, re-introduction of commodity exchange and monetary circulation, and encouragement of market economies and free trade. However, these tactical retreats can be understood as part of a broader strategic compromise. They accommodated the spontaneous forces of smallholder peasant economies and elements of commercial capitalism, both private and state capitalism. Collectively,

⁶ V.I. Lenin, ‘The Tax in Kind’, in *Collected Works* Vol. 32 (Progress Publishers, 1965).

these retreats were concrete steps in implementing the overarching strategy of avoiding the idealistic and premature realisation of ‘complete socialism’.

These retreats had serious political consequences, eliciting criticism and opposition from all sides, including the Second International and its affiliates, the Mensheviks, and the Socialist Revolutionaries. SDAP leader Otto Bauer charged that the Bolsheviks were ‘retreating to capitalism’, and that the October Revolution ‘was a bourgeois revolution’.⁷ The journal *Smena Vekh* accused the Bolsheviks of ‘sinking into the usual bourgeois mire’.⁸ Even within the Bolshevik Party, there was a lack of unity, as many members resisted these retreats. Some veteran members protested directly to Lenin: ‘Why talk about state commerce? No one ever taught us business in prison!’ In the Central Committee, there were fierce debates over theory and strategy between Lenin, Trotsky, Bukharin, and Zinoviev. These internal conflicts created significant challenges for implementing the NEP.

Compounding these internal challenges was Russia’s dire state, which, after the Civil War, was ‘like a person beaten half to death’. Domestic crises abounded, including industrial stagnation, decline in agricultural output, severe famine, and growing peasant unrest triggered by opposition to the *Prodravverstka* system, which in some regions even escalated into uprisings.⁹ Meanwhile, the proletarian revolutions in Europe that Lenin and many Marxists had pinned their hopes on had failed, leaving the Russian Revolution isolated. Amid these severe circumstances, Lenin and the Bolsheviks made the bold decision to implement a series of major economic reforms that were unprecedented in traditional Marxist theory and socialist movements. This posed significant theoretical challenges and practical risks.

The experimental nature of this circuitous approach to forging a new path to socialism, marked by its extraordinary risks and difficulties, should not be

⁷ V.I. Lenin, ‘Eleventh Congress of the Russian Communist Party (Bolshevik)’, in *Collected Works Vol. 33* (Progress Publishers, 1965).

⁸ *Smena Vekh* was a journal published by Russian émigrés who were formerly loyal to the conservative White movement in the Russian Civil War. Led by N.V. Ustrialov, this tendency later viewed the Bolsheviks as an expression of Russian national will. See: Yu Pushchaev, ‘The Smenovekhovtsy Movement as the First Historical Attempt to Reconcile the Reds and the Whites: Achievements and Failures’, *Orthodoxia* (2023): 246–265.

⁹ *Prodravverstka* refers to the policy of requisitioning grain from the peasantry at a fixed price, which the Bolsheviks adopted as a measure of war communism. See: Silvana Malle, *The Economic Organization of War Communism 1918–1921* (Cambridge University Press, 1985).

overlooked. Lenin was fully aware of the immense risks involved and even foresaw the possibility of failure but was able to unite the party to address these challenges and navigate the crises of practically implementing policies.

V

On 21 April 1921, Lenin wrote in *The Tax in Kind* that ‘It was not without reason that the teachers of socialism spoke of a whole period of transition from capitalism to socialism and emphasised the “prolonged birth pangs” of the new society. And this new society is again an abstraction which can come into being only by passing through a series of varied, imperfect, and concrete attempts to create this or that socialist state’.

On 14 October 1921, in his speech on the *Fourth Anniversary of the October Revolution*, Lenin outlined the link between the bourgeois-democratic and proletarian-socialist revolutions, explaining that ‘The first develops into the second. The second, in passing, solves the problems of the first. The second consolidates the work of the first. Struggle, and struggle alone, decides how far the second succeeds in outgrowing the first’.¹⁰

Two weeks later, on 3 and 4 November 1921, in his *Report on the New Economic Policy at the Seventh Moscow Gubernia Conference of the Russian Communist Party*, Lenin further emphasised the non-linear path to victory in war:

This applies to ordinary wars, but what about wars which decide the fate of a whole class, which decide the issue of socialism or capitalism? Are there reasonable grounds for assuming that a nation which is attempting to solve this problem for the first time can immediately find the only correct and infallible method? What grounds are there for assuming that? None whatever! Experience teaches the very opposite. Of the problems we tackled, not one was solved at the first attempt; every one of them had to be taken up a second time. After suffering defeat, we tried again, we did everything all over again.¹¹

¹⁰ V.I. Lenin, ‘Fourth Anniversary of the October Revolution’, in *Collected Works Vol. 33* (Progress Publishers, 1965).

¹¹ V.I. Lenin, ‘Seventh Moscow Gubernia Conference of the Russian Communist Party’, in *Collected Works Vol. 33* (Progress Publishers, 1965).

A year later, on 27 March 1922, at the Eleventh Congress of the Russian Communist Party (Bolshevik), Lenin reiterated:

On the question of state capitalism, I think that generally our press and our Party make the mistake of dropping into intellectualism, into liberalism; we philosophise about how state capitalism is to be interpreted and look into old books. But in those old books, you will not find what we are discussing; they deal with the state capitalism that exists under capitalism. Not a single book has been written about state capitalism under communism. It did not occur even to Marx to write a word on this subject; and he died without leaving a single precise statement or definite instruction on it. That is why we must overcome the difficulty entirely by ourselves.

In January 1923, as Lenin's health deteriorated, he dictated *On Cooperation*, a significant text discussing the need for institutional innovation. Here, he stressed, 'Our opponents told us repeatedly that we were rash in undertaking to implant socialism in an insufficiently cultured country. But they were misled by our having started from the opposite end to that prescribed by theory (the theory of pedants of all kinds), because in our country the political and social revolution preceded the cultural revolution, that very cultural revolution which nevertheless now confronts us'.

Revisiting Lenin's argumentation today, we cannot help but link it to the history of the socialist movement after his death. We must re-examine the specific practices of that historical period and consider how many of the twists, turns, and failures in that history are tied to Lenin's repeated assertion that a direct transition to 'complete socialism' is unfeasible. If the construction of socialism embraces detours and retreats, avoids chasing the 'only correct and infallible method', and refrains from, 'looking into old books', to determine the path and direction, but instead undertakes, 'a series of varied, imperfect, and concrete attempts', then in practice, many of these 'concrete attempts' are inevitably experimental in nature. This means that uninterrupted social experimentation is an inseparable component of socialist construction.

VI

In the socialist history of New China after 1949, the connections and relationships between Mao Zedong's and Lenin's theories and practices have been an important area for Marxist research. While considerable literature already exists on this topic, there is room for more detailed explorations of issues such as the transition to socialism. Specifically, a deeper investigation is needed to study how Mao creatively expanded and developed Lenin's idea that 'complete socialism' cannot be simply and directly realised.

For example, suppose the direct realisation of a 'complete socialism' is not pursued; this inevitably raises a core issue of ownership under socialism – how should Lenin's concept of 'state capitalism under communism' be understood? How should it be implemented in concrete practice? What should its institutional form look like? While Lenin discussed these questions in works such as *The Tax in Kind*, he did not have the opportunity to implement, test, or resolve them in practice before his death in 1924. Subsequently, Stalinism completely deviated from Lenin's ideas and approach. Stalin crafted an entirely different script, ultimately directing the tragedy of the Soviet Union's complete failure, while also leaving behind monumental challenges for the socialist movement.

To understand the Chinese Revolution, it is necessary to analyse how Mao, as Lenin's most steadfast successor, addressed and resolved the challenge of socialist construction. A close reading of Mao's writings – especially *On the Ten Major Relationships* (April 1956), *On the Correct Handling of Contradictions Among the People* (February 1957), and *Talks on Reading the Soviet Political Economy Textbook* (December 1959 – February 1960) – along with documents written under his leadership, such as *On the Historical Experience of the Dictatorship of the Proletariat* (1956) and *More on the Historical Experience of the Dictatorship of the Proletariat* (1956), and other historical accounts like Bo Yibo's *Reflections on Several Major Decisions and Events* (1991), provide significant insights.

However, while Mao's theories and practices clearly inherited Lenin's own strategy from the NEP, the two revolutions were vastly different. Socialist construction in New China faced broader difficulties and challenges, engaged in more complex practical activities, and accumulated both the most successes and failures. The Chinese Revolution was not only more creative in the history

of the socialist movement but also emphasised the dynamism and flexibility that characterise such a movement. More importantly, it preserved greater possibilities for the future of socialism. This perspective is essential when examining the continuity between the two revolutions. Therefore, understanding how to solve the challenges Lenin left behind naturally becomes a vital aspect of comprehending both the Chinese Revolution and China's reform and opening up.

VII

In March 1949, at the Second Plenary Session of the Seventh Central Committee of the Communist Party of China, Mao proposed a structure of ownership comprising five components: state-owned economy, cooperative economy, individual economy, private capitalist economy, and state-capitalist economy.¹² He said, 'The state-owned economy is socialist in character and the cooperative economy is semi-socialist; these plus private capitalism, plus the individual economy, plus the state-capitalist economy in which the state and private capitalists work jointly, will be the chief sectors of the economy of the people's republic and will constitute the new-democratic economic structure'.

This was the first time that Mao comprehensively articulated the idea that multiple forms of ownership could coexist and operate in a socialist system – a concept that has often been referred to in recent years, in the context of reform and opening up, as 'mixed ownership' by economists. However, this term lacks the theoretical rigour and precision of Lenin's terminology, 'state-capitalism under communism'. Mao's clear articulation of a social ownership system with five coexisting economic components at the very founding of New China was a significant event. Even within the broader history of the socialist movement, this was a momentous development with far-reaching implications. However, this idea did not emerge out of thin air – its seeds can be traced back to experimental practices by the Communist Party of China (CPC) during the period

¹² Mao Zedong, 'Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China', in *Selected Works of Mao Tse-tung Vol. IV* (Foreign Language Press, 1961).

of the Chinese Soviet Republic (1931–1937). One particularly notable source is Zhang Wentian’s long-standing research on this issue.¹³

In 1922, while studying in the United States through a work-study programme, Zhang came across an article titled *The Development of Soviet Russian Policy* in an English publication. The article, personally approved by Lenin, carefully explained the background and theory behind the implementation of the NEP. Recognising its significance, Zhang immediately translated the article into Chinese and sent it back to China, where it was published in *The Republican Daily News* in Shanghai. This was possibly the earliest introduction of Lenin’s NEP to China, even as the policy itself was just beginning to take shape in the Soviet Union. Zhang continued to study Lenin’s NEP throughout China’s protracted Land Reform Movement and the Liberation War (1945–1949) and even after stepping down as the CPC’s General Secretary. He conducted numerous investigations and wrote essays such as *On the Development of New-Style Capitalism* (1942). He repeatedly proposed to the CPC Central Committee the idea of vigorously developing rural capitalism under a revolutionary regime. In Bo Yibo’s book *Reflections on Several Major Decisions and Events*, the section titled *The Blueprint for New China’s Construction Drafted at the Second Plenary Session of the Seventh CPC Central Committee* highlighted that Zhang, then a member of the Political Bureau of the CPC Central Committee and a standing member of the Northeast Bureau of the CPC Central Committee, submitted a document to the CPC Central Committee before the plenary session. Titled, *Outline of Northeast China’s Economic Composition and Basic Economic Policies*, it was subsequently revised by Liu Shaoqi and further refined by Mao, who clearly stated, ‘In terms of overall economic policy, private capital should be restricted, but it should also be guided onto the track of serving the “national economy and the people’s livelihood”’.¹⁴

In 1956, Chen Yun presented a report at the Eighth CPC National Congress titled *New Problems That Have Arisen Following Basic Completion of Socialist*

¹³ Zhang Wentian (1900–1976) was a CPC leader and theorist born in Nanhui (now part of Shanghai). He was a veteran of the Long March and served in various leadership roles including as general secretary of the CPC, China’s vice minister of foreign affairs, and principal of the Academy of Marxism and Leninism. For more of his work, read: Zhang Wentian, *Selected Works of Zhang Wentian* [张闻天选集] (People’s Publishing House, 1985).

¹⁴ Liu Shaoqi (1898–1969) was a leading CPC theorist and statesman born in Ningxiang, Hunan Province. He played a leading role in the Jiangxi Soviet and the Long March and later served as the President of the People’s Republic of China and Chairman of the Standing Committee of the National People’s Congress.

Transformation, where he introduced the concept of ‘three main components, three supplements’.¹⁵ He argued that under the framework of public ownership and a planned economy, the development of self-employment and free markets could supplement the socialist economic system. After the Second Five-Year Plan was finalised, Zhou Enlai also proposed establishing free markets within the broader framework of state leadership in certain regions. These discussions underscored the fact that the concept of ‘mixed ownership’ within a socialist system underwent prolonged incubation, deliberation, and debate within the CPC. This was formally affirmed at the Second Plenary Session of the Seventh CPC Central Committee and later revisited at the Eighth CPC National Congress. However, the realisation of this idea in practice encountered numerous twists and turns.

Looking back today, the agricultural ‘cooperativisation’ of the early 1950s, the effort to unite with the national bourgeoisie during the Three-anti Campaign (1951) and Five-anti Campaign (1952), the peaceful transformation of industry and commerce through public-private partnerships around 1956, and the subsequent transformation of national handicrafts all followed the principle of mixed ownership. These policies achieved considerable success and addressed significant challenges in socialist construction. In contrast, such challenges were poorly resolved in Soviet socialist practice, sowing the seeds for the Soviet Union’s tragic collapse. Yet, by the late 1950s, Chinese socialism faced severe setbacks. After the second session of the Eighth CPC Congress in May 1958, the Party adopted the general line of ‘going all out, aiming high, and striving for greater, faster, better, and more economical results in building socialism.’¹⁶ This set the stage for the nationwide campaign of the Great Leap Forward and the setting up of people’s communes. These sweeping campaigns, accompanied by mass movements, momentarily convinced the CPC and the people that Communism was imminent. However, in a little over a year, these efforts failed one after another. During the Cultural Revolution, Mao attempted another experiment by establishing Revolutionary Committees modelled after

¹⁵ Chen Yun (1905–1995) was a CPC leader who played a key role in shaping China’s economic policies under the leadership of both Mao Zedong and Deng Xiaoping. Born in Qingpu (now part of Shanghai), he served as head of China’s Central Financial and Economic Commission. For more of his work, read: Chen Yun, *Selected Works of Chen Yun Volume III (1956–1994)* (Foreign Language Press, 1999), 13–26.

¹⁶ The Institute of Party History and Literature of the Central Committee of the Communist Party of China, *Chronicle of the People’s Republic of China (October 1949–September 2019)* (Cengage Learning Asia, 2020), 42–244.

the Paris Commune, such as the Shanghai Commune and Beijing Commune. However, this final effort also ended in failure.

VIII

Understanding the intertwined successes and failures of this historical period, exploring their causes, and analysing their long-term impact on the socialist movement have become major points of debate in the history of the Chinese Revolution and the global socialist movement. Research on this subject spans numerous theoretical and academic fields across both left-wing and right-wing perspectives. Among these debates, the failures of the Great Leap Forward and the people's commune movement have attracted the most discussion and sharpest criticism. However, these interventions often overlook the fact that the earliest critiques and reflections on these failures originated from within the CPC itself. At the renowned Zhengzhou Conference in 1959 – barely a year after the launch of the Great Leap Forward – Mao condemned the ‘communist wind’ that had emerged after the establishment of communes in the autumn of 1958.¹⁷ Subsequently, from early 1959 to early 1962, Mao conducted around ten rounds of self-reflection and self-criticism at various levels and in different contexts within the CPC. Particularly noteworthy is that during this period, Mao carefully studied Stalin's *Economic Problems of Socialism in the USSR* and the Soviet publication *Political Economy: A Textbook* to re-examine earlier practices in socialist construction. He then proposed an original theoretical framework: ‘It is possible to divide the transition from capitalism to communism into two stages: one from capitalism to socialism, which could be called underdeveloped socialism; and one from socialism to communism, that is, from comparatively underdeveloped socialism to comparatively developed socialism, namely, communism’.¹⁸ This formulation went beyond a mere reflection on the Great Leap Forward and signified a deeper theoretical reconsideration of the trajectory of socialist development.

¹⁷ Mao Zedong, ‘Speech at Cheng-chow’, Marxist Internet Archive, 2004, https://www.marxists.org/reference/archive/mao/selected-works/volume-8/mswv8_27.htm.

¹⁸ Mao Zedong, *A Critique of Soviet Economics* (Monthly Review Press, 1977).

Similar to Lenin's immediate strategic retreat and swift implementation of the NEP following the setbacks of War Communism in 1921, the retreat after the failure of the Great Leap Forward began as early as 1960. By 1962, the *Draft Regulations Concerning the Rural People's Communes* explicitly stipulated that, 'the production team is the basic accounting unit of the people's commune... this system would remain unchanged for at least thirty years'.¹⁹

When reflecting on Mao's thoughts and practices during the mid-1950s, particularly the much-criticised leftist errors, a more historicised perspective is required. During that period, Mao himself did not fully adhere to the approach of developing the economy through the coexistence of the five forms of ownership proposed at the Second Plenary Session of the Seventh CPC Central Committee. Instead, he sought to bypass detours by experimenting with the people's commune system as an alternative path to socialism. Can this solely be explained as a leftist error, or does it need to be sufficiently distinguished from other leftist errors in the history of the Chinese revolution? Since the time of the Peasant Movement Training Institute in Guangzhou in 1924, Mao had been deeply engaged in exploring the unique characteristics of the Chinese Revolution.²⁰ These prolonged reflections and explorations inevitably extended into the post-1949 period, influencing his understanding of socialism and, in particular, the path that socialism should take in China. A closer examination of the rash advance of the Great Leap Forward and the people's commune movement, as well as the theoretical considerations and complex deliberations reflected in their implementation, requires connecting them to Mao's intensified emphasis on ideological class struggle from the 1960s onward. His repeated reflections on how to prevent capitalism from undermining and subverting socialism from within are deeply tied to his emphasis on the semi-colonial and semi-feudal nature of Chinese society: his assertion that, 'the peasant question is the fundamental question of the Chinese revolution', and that, 'the essence of the Chinese revolution is a peasant revolution'.²¹ Furthermore, these ideas were undoubtedly related to the ideological divergence between the commu-

¹⁹ 'Chapter 4 Article 20', in *Draft Regulations Concerning the Rural People's Communes* (1962) <http://www.reform-data.org/1962/0927/6032.shtml>.

²⁰ Gerald W. Berkley, 'The Canton Peasant Movement Training Institute', *Modern China* 1, no. 2 (1975): 161-179 <https://doi.org/10.1177/009770047500100203>

²¹ Mao Zedong, 'Preface to the Peasant Issue Series', in *Long Live Mao Zedong Thought* (1968); Mao Zedong, 'On New Democracy', in *Selected Works of Mao Tse-tung: Vol. II* (Foreign Language Press).

nist parties of China and the Soviet Union, that began in the 1950s and culminated in open Sino-Soviet debates in the 1960s. All these historical factors converged to create the historical environment in which the Three Red Banners and the Great Leap Forward emerged.

When we connect history and reality in this way, we cannot simply focus on specific leftist errors but must also consider their inherent relationship with Mao's unique socialist thought and theory. Furthermore, we should place these issues in the broader context of the history of the world socialist movement, examining how they relate to the ongoing development of socialist theory and practice. For example, when we look at the practice of the people's commune today, it is clearly connected to Lenin's idea that, 'this new society is again an abstraction which can come into being only by passing through a series of varied, imperfect, and concrete attempts to create this or that socialist state'. Could the people's communes be seen as an 'imperfect and concrete attempt', or was it an attempt to directly transition to 'complete socialism'? Conversely, did the failure of the people's commune prove that directly transitioning to 'complete socialism' was not feasible?

These are questions worth deep reflection because it is not only the successes in the history of the socialist movement that we must cherish; the failures are also valuable experiences and milestones for future practice, carrying significant meaning that can be unravelled through thorough review and self-criticism

When Lenin said that 'Not a single book has been written about state capitalism under communism', he wasn't just pointing out that socialism had no pre-designed blueprint. He was also warning those who came after the October Revolution that socialists must start from scratch, with no ready-made answers. Practice has proven that neither Russia nor China could directly transition to 'complete socialism' in an underdeveloped industrial environment but had to go through '...a series of varied, imperfect, and concrete attempts to create this or that socialist state'. Therefore, socialism is an inherently experimental movement, and it could be argued that China's reform and opening up in the 1980s is an expression of this spirit of experimentation.

IX

In 1985, Deng Xiaoping told visiting delegations from Algeria and Japan that China's entire open-door policy was a great experiment that could not be found in books – whether the path taken was correct could only be determined over time.²² Henry Kissinger once told Deng Xiaoping, 'No one has ever attempted a reform on the scale of China's. No other country has tried to combine planned and market economies... If you succeed, you will raise philosophical questions for both planned and market economies'.²³ In retrospect, it is now clear that the reform process that began in the 1980s – an unprecedented experiment in human history – was not a sudden explosion of Chinese wisdom or a simple forced search for a way out of crisis. Rather, it was a logical development of the socialist movement. This is particularly evident in the fact that after a series of explorations and experiments, China established a basic economic system with public ownership as the mainstay and the coexistence of multiple forms of ownership. This system has been repeatedly proven successful in the decades-long economic miracle, thus marking the beginning of a new phase in the history of the socialist movement.

Throughout the 20th century, many socialist countries undertook reforms. From the mid-1950s onward, Poland, Hungary, the German Democratic Republic, Bulgaria, Czechoslovakia, Romania, Albania, Yugoslavia, and others all implemented various reforms. Though the immediate goals of these reforms were to break free from the Soviet model and enter the industrialisation process already undertaken by Western capitalist countries, they all inevitably had to experiment with new political and economic ownership systems. Most of these core reforms ultimately failed, leading to the collapse of socialism in these countries and an unprecedented low point for the world socialist movement.

The question that then arises is why only China's reform was successful. More importantly, how did China enter global capitalist production relations in the 1990s without fundamentally changing the major characteristics of its ideological, political, and economic system? Instead, China continued as a new form of socialism, experimenting with practices never seen before in the his-

²² Deng Xiaoping, *Selected Works of Deng Xiaoping Vol. 3* (People's Publishing House, 1993), 130–133.

²³ Party Literature Research Centre of the CPC Central Committee ed., *A Chronology of Deng Xiaoping (1975–1997) (Volume II)* (Central Party Literature Press, 2004), 1094.

tory of the socialist movement, amid a broader historical era of division, turmoil, and restructuring.

X

Connecting the reform process that began in the 1980s to the experimental nature of the socialist movement, replete with successes and failures, provides a more complex perspective for analysis. For example, regarding the relationship between the reforms initiated in the 1980s and Lenin's NEP, China is clearly the inheritor of Lenin's thought. However, upon closer comparison, China's reforms differ significantly from Lenin's approach. In practical terms, how retreat was implemented, how detours were taken, and how reforms and experiments were carried out to correct past mistakes naturally led to differences. These distinctions have profound historical causes. The revolutions led by Lenin and Mao differed significantly in terms of paths, policies, methods, and strategies. These differences historically contributed to the complexity of the Chinese Revolution and are also integral to the complexity of contemporary China's reforms. Therefore, understanding this complexity must be connected to the historical development of Mao's thoughts and theories.

A detailed study is needed of the differences between Mao and Lenin's thoughts and strategies regarding socialist transition, as well as how each integrated Marxism with their national revolution to create their unique contributions. For example, many have studied Mao's *On the Ten Major Relationships*, but the creative ideas expressed in this work are rarely analysed in the context of the differences between the path of the October Revolution and the revolutionary path that gradually developed in China. This difference had already begun to emerge after the establishment of the first revolutionary rural base in Jinggangshan in 1927. This difference was not just one of revolutionary strategies and methods; it already implied differing understandings of socialism. It could be argued that today's reforms are either subtly or directly connected to the ideas in *On the Ten Major Relationships*. However, this clarity is not simply a relationship of inheritance but involves both acceptance and rejection, with a dialectical complexity of affirmation and negation.

XI

When examining socialism today, many intellectuals tend to overlook the complexity of the Chinese Revolution and the subsequent reform and opening-up process. Providing a direct and comprehensive study on this complexity is beyond the scope of this intervention. However, in light of China's current reality, especially the fact that the reform (including its various experiments) has not stopped and is still developing, it is worth discussing certain issues that are more prone to error or misunderstanding.

One issue is that many people fail to recognise a key factor of China's reform, which was inherited from Lenin's reform: the idea of not striving to achieve 'complete socialism' through a direct transition. Not only is this concept often overlooked, but due to long-established biases, many still view the socialist blueprint as a 'complete socialism' – an ideal socialism that can be realised through reform, meeting standards in every aspect. As a result, the reforms are seen as trimming an unruly, imperfect tree – difficult, but achievable if the correct methods are followed, eventually restoring the vitality of the socialist tree. Even though at the Seventh Plenary Session of the CPC's Seventh Central Committee Mao explicitly proposed the coexistence of multiple economic sectors, many still fail to connect these ideas with the current reform process. They do not realise that today's reform is essentially a return to the coexistence and development of five economic sectors within a socialist system. They also fail to recognise that this indirect transition to socialism involves detours, likely large ones, which will inevitably require many experiments. It can be said that many have not prepared for this path of reform or have not prepared at all.

As a result, in the face of various problems in society today that do not align with the spirit and principles of socialism – such as the increasing class stratification, income inequality (China's Gini coefficient once surpassed that of the US), uneven distribution of opportunities and resources, severe societal involution, and the continuous expectation of realising 'complete socialism' – doubts arise.²⁴ People begin to question whether the direction of reform is correct, or even if China is still a socialist country.

²⁴ In the Chinese context, the term involution refers to fierce internal competition brought about by the market economy.

However, we cannot simply attribute these doubts to a misunderstanding. In *The Communist Manifesto*, Karl Marx and Friedrich Engels said, ‘The bourgeoisie, during its rule of scarcely one hundred years, has created more massive and more colossal productive forces than have all preceding generations together’.²⁵ This acknowledges the creative energy unleashed by such a transformation. Therefore, when those who still seek to immediately achieve ‘complete socialism’ see this release of creative energy in China but also notice the serious contradictions between these new developments and the ideals and values that socialism strives for, their confusion cannot simply be regarded as an error. They are witnessing objective facts and the actual changes occurring in Chinese society. On the other hand, for some intellectuals who are familiar with Friedrich Hayek’s works or similar critiques of socialism, and who identify with their neoliberal theories and ideas of spontaneous order and individual freedom, the situation becomes even more complicated. The ideological inclinations of these intellectuals determine what they see or don’t see; for them, facts are irrelevant.

XII

Without delving too deep into economic theory, it is worth asking some more common-sense and practical questions about China’s reform process. Namely, what has Chinese socialism after reform accomplished that capitalism today could not or would not be able to? A common saying in China is, ‘To get rich, build roads first’. In the practice of reform, the meaning of this phrase has continuously evolved to encompass the implementation of various large-scale infrastructure projects. Therefore, the implementation and maintenance of large-scale infrastructure is a good benchmark to compare the differences between Chinese socialism and free market capitalism.

The United States currently operates a railway network of 293,564.2 kilometres, nearly twice the length of China’s rail network.²⁶ However, China has built approximately 36,100 kilometres of high-speed rail, whereas the US has

²⁵ Karl Marx and Friedrich Engels, *The Communist Manifesto* (Penguin Classics, 2002).

²⁶ The World Factbook 2024 (Central Intelligence Agency, 2024).

zero kilometres of high-speed rail.²⁷ On the surface it seems like there are strengths and weaknesses on both sides, but there is one significant difference: US railways are predominantly privately owned, and one obvious result of this is frequent accidents. According to data from the US Bureau of Transportation Statistics, there was an average of 1,704 train derailments annually between 1990 and 2021, meaning there is an average of 4.7 derailments every day.²⁸ The fact that US railways are so underdeveloped is due to specific national conditions – vast land and a sparse population, which have made air travel the preferred mode of transportation. This partially explains why the US had 19,627 airports, including 5,099 public ones, in 2018.²⁹ In comparison, China had only 814 airports in 2018. Upon closer analysis, private airports make up the majority of US airports, and only a few hundred airports have facilities for online ticket purchasing. Moreover, most of these airports are outdated and in dire need of renovation. The same applies to the equipment and infrastructure supporting the airlines, much of which is also old and in need of renewal. More troublesome is that since the COVID-19 pandemic, the US aviation industry has been in crisis, with frequent accidents that have made news headlines. These have become so commonplace that they are now seen as the norm. But as with the railroad situation mentioned earlier, these urgent issues are long overdue for resolution, yet they cannot be solved quickly, and there is no clear path to resolving them. The situation is so bad because most of the entities involved in the aviation industry are private enterprises. Faced with pressures for profits, cost reductions, competition, and other market forces, they don't have a comprehensive solution to these problems and are often powerless to address them. As a country built around automobiles, the US road system cannot escape criticism. Just one statistic is revealing: there are 617,000 bridges in the US, 42% of which were built more than 50 years ago – and most infrastructure has a lifespan of about 50 years. In addition to bridges, the entire US infrastructure system needs repair or reconstruction because much of the equipment is outdated. According to the American Society of Civil Engineers (ASCE), the infrastructure funding gap in the US will ex-

²⁷ This may have been true when the author wrote this article. However, as of 2024, China has 45,000 kilometres of HSR while the US has 735 kilometres.

²⁸ Joe Sommerland, *How Many Train Derailments Have There Been in the US in 2023?*, Independent, 6 March 2023, <https://www.independent.co.uk/news/world/americas/train-derailments-per-year-usa-b2294966.html>.

²⁹ National Plan of Integrated Airport Systems (NPIAS), US Department of Transportation Federal Aviation Administration, 2018, https://www.faa.gov/sites/faa.gov/files/airports/planning_capacity/npias/current/NPIAS-Report-2019-2023-Narrative.pdf.

ceed \$2 trillion by 2025.³⁰ An understanding of the US's recent fiscal situation should raise concerns over where this \$2 trillion will come from.

This account of recent issues in the US transportation system provides a comparative and contextual backdrop when discussing China's 'to get rich, build roads first' strategy. In this comparison, a key issue becomes clear: the inability of so-called 'advanced countries' and wealthy superpowers like the United States to build and maintain large-scale infrastructure. By comparing China's ambitious infrastructure projects, it becomes easier to understand why the US cannot achieve these goals.

The first example worth discussing is the construction of China's high-speed railway network. Not only does this require an enormous investment – the cost of building the railways alone was between 120 million and 150 million yuan per kilometre – but the operating costs are also high. Moreover, many of the routes pass through economically underdeveloped regions, making it impossible to expect quick and substantial returns. From the perspective of pure market economics, the high-speed railway network appears irrational and contradicts market principles. However, China has resisted such criticisms and continued to invest in expanding the network despite limited prospects for profit-making.

The second example, and one that could possibly be considered even more irrational, is the construction of bridges in Guizhou. Over the past few years, Guizhou has built 28,023 road bridges, connecting 210,000 kilometres of highways. Half of the top 100 tallest bridges in the world, and four of the top ten, are in Guizhou. This region has long been known as one of the poorest and most underdeveloped areas in China, with the saying 'no flat land for three *li*, no clear skies for three days' reflecting its harsh conditions.³¹ Perhaps there could be a geopolitical justification for these bridges, given Guizhou's strategic proximity to Southeast Asia. However, this alone is not persuasive enough given the size and scale of investment involved and the risk of no payoff.

³⁰ American Society of Civil Engineers, Bridging the Gap, May 2024, <https://bridgingthegap.infrastructurereportcard.org/>.

³¹ *Li* (里) is a traditional unit of measuring distance in China. One *li* is roughly five hundred metres.

The third example is the construction of the west-to-east power transmission programme. This initiative involves three power corridors, which are thousands of kilometres long, using ultra-high-voltage transmission technology to cross mountains, deserts, and rivers, from the north to the south and west to the east. This project required an investment of 4.4 trillion yuan over a period of more than 30 years. A remarkable outcome of this project is that it has enabled China's vast rural areas, where hundreds of millions of farmers live, to have access to electricity, water, and the internet. This is not only a great accomplishment in modern history but also a testimony that utopia is not entirely an ideal, and that 'common prosperity' can be achieved.

The above examples present a profound contradiction: while developing the market economy is the basic policy of China's reform and a national economic strategy, much of the practical work of development has not aligned with the principles of a purely profit-driven market economy. At different levels and in various spaces, these experiments have involved new combinations of economic, production, and resource factors. The objective effects of these experiments have already spread far beyond the boundaries of these projects, reaching metropolitan areas, industrial ecosystems, and even residential neighbourhoods. Given that China plays a significant role in global economic development, especially through the Belt and Road Initiative, these experiments acquire new meaning: they provide a grand vision for the restructuring and reorganisation of the world economy on a larger scale, in accordance with socialist principles.

XIII

In the analysis of China's reform and opening up process, especially prior to the 'New Era' marked by the 19th National Congress of the CPC in 2017, state-led construction of large-scale infrastructure often did not receive the same level of attention as private sector accomplishments such as Jack Ma's Taobao and Ant Financial (now Ant Group), or Pony Ma's Tencent Goldings.³² This led to serious consequences: to many Chinese people, it was not

³² At the 19th Congress of the CPC in 2017, 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era' was adopted as a guiding ideology and written into the CPC constitution. This slogan reaffirmed the goal of achieving socialist modernisation and national rejuvenation.

clear what reform meant. It may be associated with the full development of the market economy, or allowing some people to become well-off first, or simply a method to modernise China. These are purely economistic views of reform which have become quite popular in China in recent years. The more successful the reform process, the more popular this economistic view becomes. China's reform marks the beginning of a new historical phase for the socialist movement. Integrating the market economy into the socialist economy and then restructuring them into a new economic system is not a purely economistic act. In practice, the reform process is rife with ideological contradictions. Competing ideological tendencies struggle to realise themselves through the reform process.

To criticise the economistic view of reform and recognise the ideological struggle embedded in the reform process, the work of Louis Althusser can serve as a valuable theoretical resource. Despite the work of scholars such as Chen Yue and Wu Zifeng in translating and researching the works of Althusser, his theories have still received insufficient attention in Chinese academia and even within left-leaning intellectual circles. From the perspective of the development of contemporary Marxism, Althusser's thought is distinctive: while sharply criticising high-minded traditional philosophy that detaches itself from the masses and political practice, he has also consistently emphasised the need to link theory with practice. This sets his theories apart from Western Marxist research that emerged in the 1950s and especially from the left-wing theories that developed out of postmodernism. This makes Althusser's thought relevant for gaining a critical perspective on the history of the socialist movement while also focusing on the concrete practice of contemporary socialism.

In the map of contemporary Marxism, Althusser's *On the Reproduction of Capitalism* holds an extremely important position.³³ This work reconstructs Marxist theory on the state, fully presenting the theory of ideological state apparatuses and their inseparable link from the reproduction of production relations. Compared to Marx and Lenin's writings on the state, Althusser introduces the key concept of ideology. After analysing, criticising, and reinterpreting various traditional concepts of ideology, including the classical Marxist concept, he presents an entirely new understanding – ideology is not purely a spiritual

³³ Louis Althusser, *On the Reproduction of Capitalism: Ideology and Ideological State Apparatuses* (Verso, 2014).

activity or an existence of ideas, but a material existence. Ideology always exists within institutions, particularly within the state or state apparatus, and becomes an indispensable structural component that enables the operation of the state apparatus.

XIV

In Althusser's theoretical framework, the relationship between ideology and economic production is not a dualistic division. On the contrary, it is argued that economic production and ideology are not completely detached from each other. This differs from various historical interpretations of ideology. Althusser not only denies the spirituality of ideology but also challenges the view that ideology is part of the superstructure. Ideologies are embedded in all the activities of the state. He provides a famous metaphor for this: If we consider the state and society as an edifice, ideology is the cement that holds them together. No corner, layer, or space in this edifice can exist without cement. Similarly, ideology permeates every part of the state's edifice, including the practical activities of the people within it. It even penetrates the relationship between economic practice and political practice.

Althusser can help us view the reform from a fresher perspective than the classical Marxist dichotomy of superstructure and economic base. Returning to the question of large-scale infrastructure, the question remains as to why the state, and not private capital, undertook these investments. The immediate answer is that private capital is only interested in investment in return for a profit. However, hidden behind this practical response is the notion of *homo economicus* (man as an economic and rational being). This, in turn, rests on an entire system of knowledge, including classical economics, sociology, and modern philosophy – a system that is unambiguously ideological.

When Mao proposed the economic framework of New Democracy, he advocated for the coexistence and development of five types of ownership systems. These ownership systems represent distinct relations of production. In other words, China's reform is taking place within a network formed by five different relations of production. This complexity has been understudied because, in the history of socialist construction, it is rare for different production relations to

be so intertwined for such a long time. However, if we adopt Althusser's perspective and apply his theory of the reproduction of production relations, we can find a way to explain and think through this complexity.

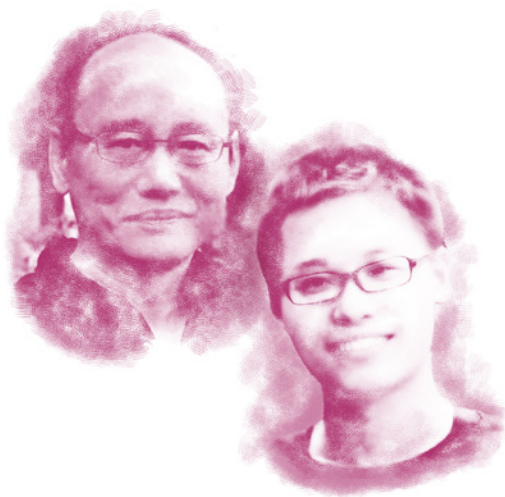
According to Althusser's theory of the state, socialist China, having established a revolutionary government with control over the state ideological apparatuses, naturally uses these to ensure the reproduction of socialist relations of production. However, since China's economic policies allow for the coexistence of different forms of ownership, it is only natural that these forms will also engage in the reproduction of certain production relations. At the same time, these respective reproductions of production relations will inevitably compete with each other. This competition serves two functions: first, it stimulates the economy, creating new opportunities for development, dynamism, and structural transformation; second, it also makes use of various state mechanisms, excluding the political apparatus (which is firmly controlled by the socialist state), to achieve its reproduction. We can raise the following question: Is this multi-layered, multi-spatial, and multi-directional reproduction an essential reason for the complexity of economic development in the reform process? And is it also an important reason for the existence of various opposing and conflicting ideological and knowledge systems within the current reform process?

The difficulty in understanding contemporary Chinese socialism often stems from an insufficient understanding of the complexity of the current reforms and the experimental nature of the socialist movement. However, China's reform proves that confronting these complexities and recognising them within the historical development of Marxist theory is needed to navigate the complex realities of the 'great changes unseen in a century', thereby opening new possibilities for achieving socialism.³⁴ China's reform is certainly not a purely economic reform, but an unprecedented series of experiments in the history of the socialist movement.

³⁴ The phrase 'great changes unseen in a century' is frequently used by President Xi Jinping and the CPC to refer to shifts in the centre of gravity of global economic and political power.



Industrial Policy with Chinese Characteristics: The Political Economy of China's Intermediary Institutions



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In this article, the term 'industrial policy' refers to the aggregate of all policies undertaken by the state to influence the development, catch-up, and innovation of specific industries. According to this definition, industrial policy is a selective policy that focuses on specific industries, rather than a universal or functional policy applied broadly to most industries. The origins of this definition can be traced at least as far back as the theory of the developmental state.¹ In contrast to this definition, some argue that industrial policy encompasses universal or functional policies such as strengthening infrastructure, promoting human cap-

¹ Wan-wen Chu, a research fellow at Academia Sinica in Taipei, can be seen as a contemporary theorist of the developmental state whose understanding of selective industrial policy is representative of the Chinese experience. As she puts it, 'industrial policy means that the government chooses certain specific industries to foster'. For more, read: Wan-wen Chu, *The Development Model of China's Industries: Exploring the Role of Industrial Policy* [中国产业的发展模式—探索产业政策的角色] (Social Studies Journal Press, 2020), 102; and Wan-wen Chu and Alice Amsden, *Beyond Late Development: Taiwan's Upgrading Policies* (Peking University Press, 2016).

ital investment, maintaining fair competition, and creating an efficient market environment. This alternative definition has two drawbacks: First, it tends to blur the boundaries between industrial policy and other policies such as investment policy, export policy, human resources policy, and even macroeconomic regulation. Second, it is susceptible to being co-opted by (neo)liberal economics, using the guise of universal policies to oppose selective industry policy.

In a 2023 working paper published by the US National Bureau of Economic Research (NBER), several scholars, including the renowned economist Dani Rodrik, defined industrial policy as ‘those government policies that explicitly target the transformation of the structure of economic activity in pursuit of some public goal... a key characteristic is the exercise of choice and discretion by the public authorities, as in “We promote X but not Y”, though the latter part of this statement is typically left implicit’.² In effect, what these scholars highlight is the role of selective industry policy in reshaping the division of labour within society. Similarly, in a speech delivered at the Brookings Institution in spring 2023, US National Security Advisor Jake Sullivan interpreted the Biden administration’s industrial and innovation strategy through the lens of selective industry policy: ‘A modern American industrial strategy identifies specific sectors that are foundational to economic growth, strategic from a national security perspective, and where private industry on its own isn’t poised to make the investments needed to secure our national ambitions’.³

The formulation and implementation of industrial policy are critical aspects of economic governance in China’s socialist market economy. Industrial policy is essential in achieving socialist production objectives, addressing market failures, and promoting high-quality economic development. On the surface, industrial policy appears as a system that integrates specific goals and means. However, a deeper examination reveals that this system consists of particular institutional forms collectively comprising the institutional framework of industry policy. These institutional forms can be analysed from two perspectives. The first perspective is the general institutional foundation, which includes

² Réka Juhász, Nathan J. Lane, and Dani Rodrik, ‘The New Economics of Industrial Policy’, *NBER Working Paper* 31538, (2023): <http://www.nber.org/papers/w31538>.

³ Jake Sullivan, ‘Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution’, The American Presidency Project, 27 April 2023, <https://www.presidency.ucsb.edu/documents/remarks-national-security-advisor-jake-sullivan-renewing-american-economic-leadership-the>.

the fundamental leadership system (the leadership of the Communist Party of China [CPC]) and the basic economic system during the primary stage of socialism. The second perspective includes specific institutions, referred to as intermediary institutions. Four intermediary institutions are particularly noteworthy: constructive markets, the socialist capital market with Chinese characteristics, intra-government competition, and inter-local government competition. These four institutions are interconnected, with constructive markets occupying the central position. The socialist capital market with Chinese characteristics serves constructive markets, and the integration of the two markets reflects the behavioural patterns of the state economy under the conditions of a socialist market economy. Similarly, the two forms of competition – intra-government competition and inter-local government competition – are premised on and directed toward developing constructive markets.⁴ Examining these intermediary institutions helps us understand how China's industrial policy has evolved into a nationwide system for mobilising resources while fully leveraging the decisive role of the market.

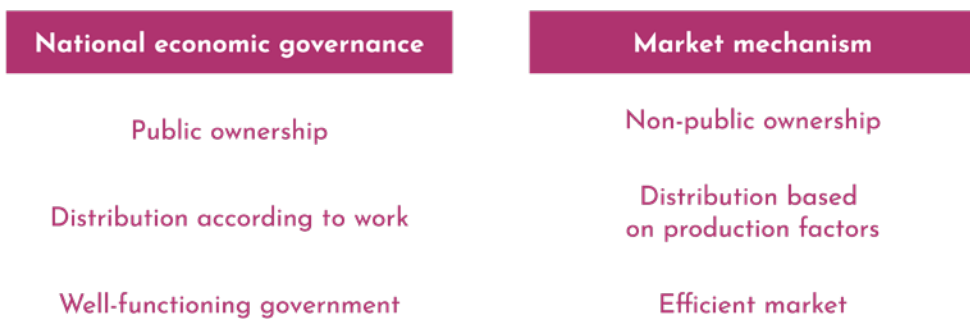
I. Constructive Markets

Constructive markets represent a unique form of markets that emerge in strategic and foundational sectors. In theories of market formation, two contrasting perspectives exist. The first is Friedrich Hayek's view that markets emerge through spontaneous evolution and cannot be rationally constructed by the state. The second is the Marxist view that markets are created through the state's active intervention. Karl Polanyi further argued that although markets have a tendency for self-expansion, the notion of a completely autonomous and self-regulating 'disembedded' market has never existed in reality and re-

⁴ This paper does not consider the symbiotic relationship between SOEs and other forms of ownership as an intermediary system, because this is the content of the basic economic system itself. The role of SOEs in the implementation of industrial policy is a poorly studied issue in the academic community. A related analysis can be found in Xudong Gao, 'Approaching the Technological Innovation Frontier: Evidence from Chinese SOEs', *Industry and Innovation* 26, no. 1 (2019): 100–120. For a theoretical discussion of this issue, see Jia Genliang, 'The New Mission of State-Owned Enterprises: The Vanguard of Core Technological Innovation' [国有企业的新使命：核心技术创新的先锋队], *Journal of Renmin University of China* [中国人民大学学报], no. 2 (2023) and Jia Genliang, 'The New Mission of State-Owned Enterprises: A Policy Tool for the National Will to Innovate' [国有企业的新使命 国家创新意志的政策工具], *Teaching and Research* [教学与研究], no. 2 (2023).

mains a utopian ideal.⁵ This article adopts the latter perspective. In strategic and foundational sectors, the state acts as the architect of the market, guiding its developmental trajectory and coordinating the division of labour in society through various means and to varying degrees.

Figure 1: The Dual Integration Within the Basic Economic System in the Primary Stage of Socialism.



The analysis of constructive markets must start from the basic economic system in the primary stage of socialism. In previous research, the author of this paper proposed that in the socialist market economy, state economic governance and market regulation are distinct yet interconnected mechanisms of resource allocation and economic coordination, and their relationship forms the core of the basic economic system at the primary stage of socialism. This system comprises three dimensions: ownership, distributive relations, and the socialist market economy to organise social labour. These three dimensions are vertically integrated, interconnected, and mutually inclusive (Figure 1). At the same time, a dual structure exists within each dimension, representing a horizontal integration. This horizontal integration reflects the combination of state economic governance – characterised by public ownership, distribution

⁵ Karl Polanyi, *The Great Transformation* (Zhejiang People's Publishing House, 2007); Karl Marx, 'Das Kapital vol. 3, in *The Complete Works of Marx and Engels* 25 (People's Publishing House, 1974), 884–885. For a related commentary on Marx's views, see Meng Jie, *Socialist Political Economy with Chinese Characteristics as a Method* [作为方法的中国特色社会主义政治经济学] (Fudan University Press, 2023), 175–176.

according to work, and a well-functioning government – and market regulation mechanisms – represented by non-public ownership, distribution based on production factors, and efficient markets. Through this integration, both state economic governance and market regulation combine, with the state operating outside the market and also actively participating within it through state-owned capital and state-owned enterprises (SOEs).

Scrutinising the state's economic role requires further analysis of the principles governing state economic behaviour. Under the socialist planned economy, Stalin proposed that state economic behaviour is governed by the fundamental economic law of socialism and the law of planned proportional development of the national economy.⁶ The fundamental economic law of socialism is the allocation of resources according to social need. The law of planned proportional development refers to state-defined strategic objectives to plan and adjust intersectoral relationships. These two laws represent a relationship between goals and means. Under market economy conditions, the fundamental economic law of socialism continues to operate through mechanisms such as national development plans. Meanwhile, the law of planned proportional development evolves into two distinct dimensions.⁷ The first dimension is state coordination of markets, where the state engages in macroeconomic management to balance the national economy. This includes addressing supply-side bottlenecks in areas such as population, land, environment, and knowledge production; while on the demand side, it involves mitigating insufficient effective demand to stabilise short-term growth and employment. The second dimension is state construction of markets, whereby the state assumes the role of market creator and leader by altering proportional relationships between targeted sectors or creating new sectors through long-term investments to fulfil national strategic objectives.

It is worth reflecting that when Stalin proposed the two aforementioned laws of state economic behaviour, he also stated that the object of socialist political economy is the relations of production. However, for Stalin, these relations of

⁶ J.V. Stalin, *Economic Problems of Socialism in the USSR* (Foreign Languages Press, 1972).

⁷ Meng Jie, 'A New Theory of Basic Economic Laws in the Primary Stage of Socialism' [社会主义初级阶段基本经济规律新论], *Academic Monthly* [学术月刊], no. 12 (2022); Meng Jie and Zhang Zibin, 'Constructive Markets, Intra-Governmental Competition, and Independent Innovation of China's High-Speed Railway: Explanation From the Perspective of Socialist Political Economy' [建构性市场、政府内竞争与中国高铁的自主创新——社会主义政治经济学视角的阐释], *Economic Perspectives* [经济学动态], no. 4 (2023).

production were no longer the civil society or the free-market economy studied by Karl Marx in *Das Kapital* but the state itself. In other words, by examining the laws governing state economic behaviour, Stalin regarded the state as possessing a dual character. On the one hand, the state remains part of the superstructure. On the other hand, it also constitutes part of the economic base, becoming an object of political economy. Recognising this duality represents a significant theoretical contribution by Stalin.⁸ In the socialist market economy, the law of state behaviour in constructing markets is a new manifestation of this duality.

Viewing the constructive market as a product of the laws governing state economic behaviour helps to conceptualise industrial policy as a subject of socialist political economy. Constructive markets in the socialist market economy have two main characteristics. First, the state assumes the task of constructing markets on both the supply and demand sides, often acting as a special agent embedded in the market in various ways to continuously guide market development and coordinate the division of labour. Second, the state's development strategy introduces a use value goal into the market which interacts with the exchange value objectives pursued by enterprises, placing the former in a relatively dominant position.⁹ Such a constructive market embodies the integration of the state and the market, serving as a critical institutional intermediary for achieving industrial policy objectives.

It should be noted that in the concept of a constructive market, the term 'market' is derived from Volume II of *Das Kapital*.¹⁰ Unlike the mainstream view of the market as merely a system of transactions, Marx defines the market (or circulation) as the sphere of capital movement, characterised by the unity of production and exchange. This market comprises the circuits of many individual capitals (here limited to industrial capital), expressed by the formula: $M - C \dots P \dots C' - M'$, where $M - C$ (buying) and $C' - M'$ (selling) represent the process of exchange, and P represents the process of production.¹¹ Due to

⁸ Meng Jie, *Socialist Political Economy with Chinese Characteristics as a Method* [作为方法的中国特色社会主义政治经济学] (Fudan University Press, 2023).

⁹ Meng Jie, 'A New Theory of Basic Economic Laws in the Primary Stage of Socialism' [社会主义初级阶段基本经济规律新论], *Academic Monthly* [学术月刊], 12, (2022).

¹⁰ Karl Marx, 'Das Kapital volume 2', in *The Complete Works of Marx and Engels volume 24* (People's Publishing House, 1974).

¹¹ Editor's note: In this formula, M stands for money, C stands for commodity, and P stands for the production

the repetitive nature of this circuit, the stages of production and exchange not only condition and mediate each other but also occur sequentially in time and coexist spatially. Marx's formula simultaneously expresses the movement of individual capital and, when abstracting factors such as differences in capital turnover time, can also represent the unified movement of all capital within the market. In other words, it can express the movement of capital in a constructive market. Since the circulation of capital of each market mediates that of others, when the capital of one market is in the $M - C$ stage, the capital of other markets must be in the $C' - M'$ stage and vice versa. This implies that each individual market transcends itself through such interconnections, joining the general market and becoming embedded in the overall division of labour. In this sense, the state's construction of markets is also a process of reshaping the division of labour and its internal connections.

II. Intra-Governmental Competition

The state is not an abstract concept but an entity comprising a series of institutions and their structural relationships. As British Marxist political scientist Ralph Miliband suggested: 'These are the institutions – the government, the administration, the military and the police, the judicial branch, sub-central government and parliamentary assemblies – which make up “the state”, and whose interrelationship shapes the form of the state system. It is these institutions in which “state power” lies'.¹² This view leads to two conclusions.

First, the state system is defined by its internal relationships, which can be roughly divided into two interconnected dimensions. The first is the vertical dimension, which includes the central decision-making bodies at the top of the socialist party-state pyramid, the various ministries, and the hierarchical or administrative relationships between central and local governments. The second is the horizontal dimension, which contains two types of relationships: the relationships among various ministries within the central (or local) gov-

process. Furthermore, C' stands for the new commodity with added value created after the production process, while M' stands for the increased quantum of money obtained after selling the produced commodity.

¹² Ralph Miliband, *The State in Capitalist Society* (Weidenfeld and Nicolson, 1969), 54.

ernment and the relationships between local governments. These different dimensional relationships delineate the state system.

Second, this state, defined by its internal relationships, undergoes various stages of change in the course of reform. As a result, the state, as the main body implementing industrial policies, is not a fixed entity. Not only does the adjustment of central-local relations affect internal relationships, but the changes in the relationships between local governments and among government departments also continually redefine the distribution of power and responsibilities within the state, thus influencing the state system itself. Based on this consideration, this article introduces the concepts of intra-government and inter-local government competition to provide a more detailed analysis of the state's role in implementing industrial policies. This section briefly introduces intra-government competition, while the next section will address inter-local government competition.

A considerable body of literature in economics and political science that examines intra-governmental competition. These studies generally analyse intra-government competition from the perspectives of resources and autonomy, which influence the motivations behind government agency behaviour, resulting in two complementary viewpoints. One viewpoint suggests that government departments, driven by the need to maximise power and resources (including internal and external resources), will seek new functions and compete with other departments over related resources. The other viewpoint posits that, in addition to competing for more resources, government agencies' motivations are also related to administrative autonomy (i.e., autonomy relative to other government agencies, rather than the economic autonomy emphasised by developmental state theory). This is because, in many cases, acquiring more resources often leads to increased oversight or evaluation by higher-level departments. In general, government agencies' pursuit of autonomy is more intense than their pursuit of resources.

It is important to emphasise that while the above viewpoints help us understand the motivations for intra-governmental competition, they also have limitations. These viewpoints abstract the relationship between the government and the market. In other words, they express the broadest common denominator of different factions' views on the issue. As a result, these viewpoints only define

the motivations for intra-government competition in an abstract sense without connecting the government's relationship with the market to define these motivations further or outline the behavioural patterns of intra-governmental competition. To better understand intra-governmental competition, we need to develop the above model to reflect both the particularity of the relationship between the government and the market in the socialist market economy and the specific content of intra-governmental competition in this context. To this end, I have proposed that the intra-governmental competition that emerged during the autonomous innovation process of high-speed rail has more direct motivations – specifically, the pursuit of leadership and organisational power within the industry. To obtain this power, relevant government departments promote institutional reforms, implement corresponding industrial development strategies, and, in doing so, achieve both decision-making autonomy and resource maximisation.

Intra-governmental competition revolves around leadership and organisational power within the industry. This proposition implies the following: First, this competition is ultimately a manifestation of the national coordination and market construction laws discussed in the previous section. Intra-governmental competition does not occur solely within the political superstructure; it spans both the political and economic domains. Second, this competition has both deviation and constraint effects. On the one hand, due to the need for departments to acquire resources and autonomy, the competitive behaviour of individual departments may deviate from the development goals initially set by the central decision-making bodies, which reflect the socialist production purposes for the relevant industry. On the other hand, intra-governmental competition also constrains this deviation effect, ultimately steering it back toward the goals set by the central decision-making bodies.

In a previous article, I analysed the competition between the Ministry of Railways (China Railway Corporation) and the Ministry of Science and Technology, which manifested as competition between different government departments through their respective strategies.¹³ This competitive process of differentiated strategies is also a process of autonomously 'interpreting' indus-

¹³ Meng Jie and Zhang Zibin, 'Constructive Markets, Intra-Governmental Competition, and Independent Innovation of China's High-Speed Railway' [建构性市场、政府内竞争与中国高铁的自主创新], *Economic Perspectives* [经济学动态], 3, (2023).

trial policy, and therefore, it may trigger corresponding knowledge production. Therefore, this competition can be viewed as a mechanism for the production of ‘local knowledge’. This local knowledge is in contrast to the ‘collective knowledge’ which is possessed by the state and underpins all industrial policy. During the evolution of industrial policy, if this local knowledge can be effectively coordinated and used to produce new collective knowledge, it will become an important factor influencing industrial policy performance.

III. Inter-Local Governmental Competition

In a socialist market economy, local governments are critical economic entities and, together with enterprises and the central government, form the ‘three-dimensional market economy’.¹⁴ Local governments have become economic entities with independent behaviours and goal-setting models, based on the devolution of fiscal and administrative powers between the central and local governments in the reform process. Under the socialist system, fiscal and administrative powers often have dual characteristics, serving as political power in the superstructure and economic power within the economic base. Therefore, the fiscal and administrative devolution inherent in China’s tax-sharing system implies the political and economic power of adjusting production relations.¹⁵ This adjustment in the vertical dimension of production relations further changes how local governments acquire and use surpluses, shaping horizontal competition between local governments. From an income perspective, non-tax revenue, such as land transfer fees, has become an important form of local government revenue. From an expenditure perspective, local governments provide public goods while engaging in regional strategic investment and formulating and implementing industrial policies, the latter two of which overlap. This overlap means that the rules governing market construction by the state are not only a central government phenomenon but also apply to local governments. However, at the local level, this rule is often mediated through local government competition.

¹⁴ Shi Zhengfu, *Extraordinary Growth: The Chinese Economy 1979–2049* (Shanghai People’s Publishing House, 2013).

¹⁵ Editor’s note: The tax-sharing system refers to the way in which fiscal responsibilities are divided between local and central government in China. The essence of the 1994 tax-sharing reform was to re-centralise fiscal control, taking most revenue from the provinces back to Beijing. In exchange, Beijing allowed local governments to sell the rights to use land for a certain period of time in order to raise revenue.

Local governments' strategic investments have two implications. First, local governments engage in strategic investments, under the banner of operating cities, to attract investment. The costs incurred by local governments for attracting investment can themselves be seen as investments. On the one hand, government spending has a significant incentivising effect on fixed capital investment by enterprises. On the other hand, it increases government revenues through methods such as tax growth, equity appreciation, and land value increases. In this sense, local government spending is an investment to obtain expected returns. Second, beyond operating cities, local governments also play a more direct role as strategic investors. This refers to local governments using local state-owned capital and enterprises to invest in strategic, foundational industries. Local governments have certain advantages in making such strategic investments because, compared to higher-level governments, they possess more knowledge and information relevant to local development, and compared to non-public investors, they are more willing to bear investments with higher uncertainty and longer time horizons.

Given the above roles of local governments, industrial policy must be examined in conjunction with central-local relations and local government competition. Wan-wen Chu has pointed out that, unlike the two-tier system of East Asian developmental states such as Japan and South Korea, China's industrial policy system is a multi-tier system. The so-called two-tier system refers to the central government as the maker and implementer of industrial policy, with local governments typically not involved in the industrial policy process. As a result, officials from central government economic departments directly engage with the industrial sector. This relationship between the central government and the industrial sector is often referred to as 'embedded autonomy'.¹⁶ On the one hand, decision-making departments have relative autonomy when engaging with the industrial sector or enterprises, while on the other hand, they maintain channels of communication with enterprises to gain timely information on the actual situation of industrial development, thus having the ability to formulate and implement feasible policies. Due to China's large scale, implementing a two-tier industrial policy system is difficult. China's system can be described as a multi-tier model where the central government sets the policy, and local governments implement it. Since local governments have their own

¹⁶ Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton University Press, 1995).

strategies for implementing central policies, modifying or even violating these policies to varying degrees, this creates an experimental space for assessing industrial policy performance. Without sufficient market information at the central decision-making units, the practices of different regions enrich the policy's content and expand its potential options. In response to the experimental results from local governments, the central government will actively or passively select the best practices, leading to a multi-tier industrial policy system characterised by 'local experimentation and central selection of the best results'.¹⁷

The policy changes in China's automotive industry around 2004 were an important empirical foundation for the formation of the above concepts. In 1994, China introduced its first Automobile Industry Policy, encouraging large state-owned automobile enterprises to form joint ventures with foreign automobile companies. The policy also strictly defined the qualifications of automobile manufacturers and models through a production catalogue, focusing on supporting the 'Big Three' (China FAW Group, Dongfeng Motor Corporation, and SAIC Motor Corporation) and the 'Small Three' (BAIC Group, Tianjin Automotive Industry Group, and Guangzhou Automobile Group), all of which are state-owned. Under this industrial policy, models like the SAIC-Volkswagen Santana, FAW-Volkswagen Jetta, and Shenlong's Fukang dominated the domestic car market in the 1990s. Enterprises outside the production catalogue could only produce cars labelled as micro-cars. Therefore, some companies sought ways to enter the production catalogue to grow, with Chery Automobile being a typical example.

Chery Automobile Co., Ltd. was established in March 1997 as a state-owned enterprise invested in by the Anhui provincial and Wuhu municipal governments. In December 1999, the first Chery Fengyun sedan rolled off the production line. By 2000, Chery's production had exceeded 2,000 vehicles. However, despite the production of cars, Chery faced a major issue: it lacked a car production licence and could not be listed in the national passenger car production catalogue, meaning it could not legally sell cars nationwide. To resolve this issue, Chery affiliated itself with SAIC Motor. In early 2001, Chery transferred 20% of its registered capital (approximately 350 million yuan) to

¹⁷ Wan-wen Chu, *The Development Model of China's Industries: Exploring the Role of Industrial Policy* [中国产业的发展模式—探索产业政策的角色] (Social Studies Journal Press, 2020).

SAIC Motor without compensation, officially joining SAIC Motor through a share transfer and obtaining a car production licence. The company was renamed SAIC Chery. After the partnership with SAIC, Chery's Fengyun quickly gained market acceptance, rapidly entering mass production and competing at a price one-third lower than that of older models like the Santana. In 2001, Chery's sedan sales reached 28,200 units (3.9% market share), with a sales revenue of over 2 billion yuan. By 2002, sales had increased to 50,200 units (4.45% market share), with revenue exceeding 4 billion yuan.

The development of domestic brands like Chery and Geely has played a significant role in promoting the evolution of national industrial policies. In 2004, the National Development and Reform Commission introduced a new Automobile Industry Development Policy to support the growth of domestic, independent automotive brands. Prior to this, in June 2003, Chery exited SAIC Motor; in September, the National Development and Reform Commission announced its approval for SAIC-Chery Automobile Co., Ltd. to produce all products listed in the Announcement on Road Motor Vehicle Manufacturers and Products, and the company name was changed from SAIC-Chery Automobile Co., Ltd. to Chery Automobile Co., Ltd.

The changes in the national automotive industry policy exposed significant flaws in previous policies. Chu pointed out that using the catalogue to limit automobile manufacturers reflected the planning mentality of policymakers. Achieving economies of scale for production efficiency was the policymakers' primary goal at the time. As a result, factors such as the number of manufacturers and industry concentration became key policy constraints, and approval rights became the main policy tool. However, as Chu correctly emphasised, the number of manufacturers and the high concentration of industries are characteristics that emerge in a mature market. For an emerging industry that is still developing, restricting the number of manufacturers before market competition has fully taken effect is ineffective.¹⁸

The shift in China's automotive industry policy around 2004 highlighted the important role of local governments in implementing and formulating industrial policies. Central-local interaction in the multi-tier industrial policy sys-

¹⁸ Wan-wen Chu, *The Development Model of China's Industries: Exploring the Role of Industrial Policy* [中国产业的发展模式—探索产业政策的角色], (Social Studies Journal Press, 2020), 134.

tem can largely be seen as a collective knowledge production and coordination mechanism. Under the constraints of old planned-economy thinking and policy tools, central government decision-makers often lacked the necessary knowledge to formulate rational industrial policies. This gap has now been filled by the practices of local government competition. The diversity of new phenomena or behaviours within the industry brought about by local government competition is accompanied by the production of ‘local knowledge’. If this knowledge is respected and utilised, it can help overcome subjectivity in industrial policy formulation. From this perspective, the recent debates on the effectiveness of industrial policies between Lin Yifu and Zhang Weiying are largely irrelevant, as both sides fail to incorporate the multi-tier industrial policy system and the intra-governmental competition discussed in the previous section into their analysis.¹⁹

IV. Socialist Capital Market with Chinese Characteristics

A constructive market refers to a market where production and exchange are unified. Correspondingly, the capital market serves the constructive market. As early as 2010, China’s State Council issued the Decisions on Accelerating the Cultivation and Development of Strategic Emerging Industries, which encouraged the government to establish industry-guided funds (such as special funds and industrial investment funds) to support the development of strategic emerging industries, including new electric vehicles (NEVs). This decision emphasised the role of multi-tier capital markets in expanding investment in emerging industries and directing social funds to innovative enterprises in the early and middle stages of entrepreneurship. The Outline of the 12th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China, released in 2011, reiterated these policy directions.²⁰

¹⁹ ‘The Great Industrial Policy Debate Between Lin Yifu and Zhang Weiying’ [林毅夫、张维迎“产业政策大辩论”实录], *The Paper* [澎湃新闻], 21 November 2016, https://www.thepaper.cn/newsDetail_forward_1565467.

²⁰ Xinhua News Agency, ‘Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of the People’s Republic of China’ [国民经济和社会发展第十二个五年规划纲要], Central People’s Government of the People’s Republic of China, 16 February 2011, http://www.gov.cn/2011lh/content_1825838.htm#.

From its inception, China's capital market has been tasked with financing basic strategic industries. After multiple major reforms, especially the establishment of the SSE STAR Market (Shanghai Stock Exchange Science and Technology Innovation Board) in 2019 and the pilot implementation of the registration-based system, the focus of China's capital market has further shifted towards innovative enterprises related to the new technological revolution. The development of new finance capital forms, such as venture capital, private equity, and state-owned capital investment platforms, has attracted and encouraged more entrepreneurs and innovators to engage in foundational industries aligned with the country's major strategic goals. This has played a crucial role in promoting the development and innovation of these industries. As Yi Huiman, chairman of the China Securities Regulatory Commission, pointed out 'The capital market's mechanism of shared risk and shared benefits not only provides financing support but also plays an important role in improving corporate governance and motivating entrepreneurial spirit'.²¹

It is important to emphasise that the development of China's capital market in recent years is closely linked to the reform of state-owned capital and SOEs. The Third Plenary Session of the 18th Central Committee of the CPC, held in November 2013, marked the beginning of a new stage in deepening SOE reform. The related reforms mainly include: promoting the classification of SOEs based on function, improving the state-owned asset management system with a focus on capital management, reforming the state-owned capital authorisation system, and reorganising state-owned capital investment and operating companies. Moreover, these reforms also aimed to strengthen the comprehensive leadership of the CPC over SOEs, integrate CPC leadership into all aspects of corporate governance, clarify and implement the statutory status of Party organisations in the corporate legal structure, and ensure the implementation of national policies and major decisions.

Following the 2013 reforms, SOEs were divided into two categories: commercial SOEs and public welfare SOEs. Commercial SOEs were further divided into two subcategories: Category I includes enterprises operating in competitive sectors and Category II includes enterprises operating in strategic sec-

²¹ Yi Huiman, 'Efforts to Build a Modern Capital Market with Chinese Characteristics' [努力建设中国特色现代资本市场], *Qiushi* [求是], no. 15 (2022).

tors related to national security and the national economy. The category-based reform of SOEs was necessary for clarifying the role of China's SOEs. In a socialist market economy, state-owned capital and SOEs are tools for economic governance, helping the nation achieve the following important functions. First, SOEs provide public goods and services that meet societal needs. Second, SOEs coordinate the relationships within the national economy to overcome market failures such as overproduction or insufficient effective demand, thereby maintaining economic stability and full employment. Third, SOEs make strategic long-term investments in foundational industries to build and lead the development of the market. This function is especially necessary for latecomer nations to achieve economic catch-up and ensure national economic security. The category-based reform of SOEs was significant as it helped to optimise the organisation of state-owned capital and establish a modern corporate system with Chinese characteristics.

The 2013 guidelines also proposed improving the system for state-owned asset management and supervision. To that end, it encouraged establishing state-owned capital investment and operating companies, which would exercise shareholder responsibilities and bear limited liability up to the amount of their investment. These companies would be responsible for improving the distribution of state-owned capital, improving the performance of state-owned capital operations, and maintaining and increasing the value of state-owned assets. Essentially, these guidelines were about using the operating principles of modern finance capital operation principles to strengthen and optimise the state-owned economy.

The implications of drawing from and using the principles of modern finance capital to promote reforms in the management of SOEs and state-owned assets have profound consequences for China's capital market. From a political economy perspective, finance capital is the capital of financial institutions operating in the capital market and a special form of capital arising from the fusion of finance capital with functional capital (such as industrial, merchant, and platform capital).²² Finance capital represents a power relationship in controlling social production. According to Rudolf Hilferding and Vladimir Lenin,

²² Editor's note: Platform capital refers to platform-based business models in the digital economy. These platforms typically act as intermediaries in the process of buying and selling and make revenue through commissions. Platform capital could be considered as a new form of merchant capital.

finance capital tends to dominate functional capital.²³ In the institutional environment of the primary stage of socialism, the state uses state-owned finance capital to influence or even control production and achieve major national development goals. The Chinese capital market is, in essence, a socialist capital market with Chinese characteristics. Through this market, the relationship between the government and an effective market is deepened, the position of SOEs in strategic foundational sectors is consolidated and strengthened, and the basic economic system in the primary stage of socialism is reproduced in a new form.

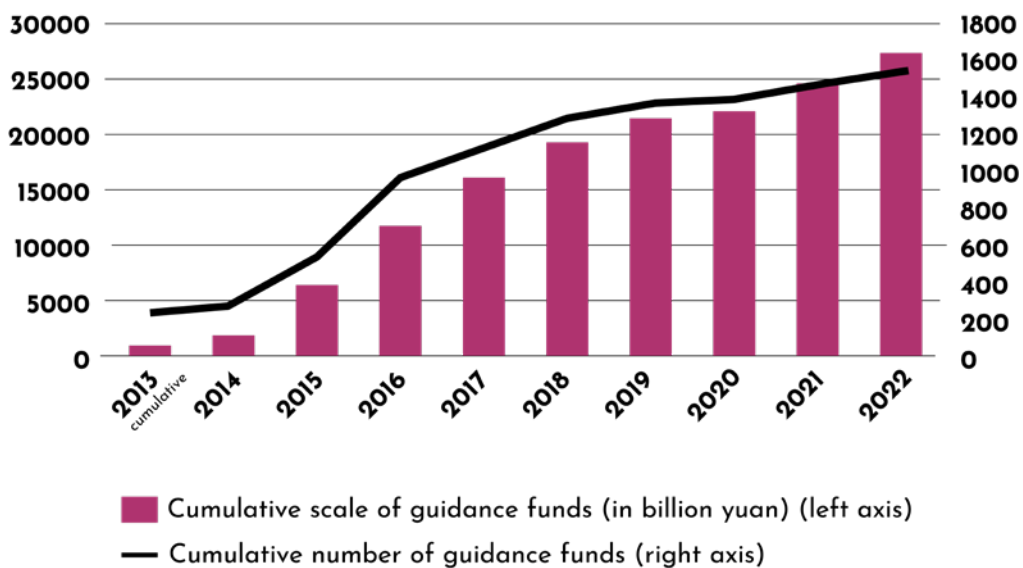
As the focus of China's capital market shifts to technologically innovative enterprises and the capital management-oriented reform of SOEs, this will inevitably transform state-owned finance capital into a bridge linking industrial policy with the capital market. Through the capital market, state-owned finance capital integrates with functional capital to form a new type of state-owned finance capital, which plays a significant role in guiding the development of constructive markets and shaping industrial chains and the social division of labour. However, a capital market dominated by state-owned finance capital also has dual implications. On the one hand, this market can become a tool for national economic governance, playing a significant and positive role in driving the development of constructive markets. On the other hand, developing a capital market with Chinese characteristics must also address and prevent the new contradictions and issues it might bring. One prominent issue in finance capital operations is that the circulation of functional capital, such as industrial capital ($M - C \dots P \dots C' - M'$), is integrated into the cycle of finance capital ($M - M'$). The former becomes a means of maintaining and increasing the latter's value. In this context, finance capital may focus on boosting the short-term profitability of functional capital, potentially harming its ability to conduct long-term collective learning or innovation, which would hinder the realisation of national development plans and strategic objectives.²⁴ To address this, it is necessary to guide and regulate the behaviour and goals of state-owned finance capital to ensure that it serves national development and socialist production goals effectively.

²³ Rudolf Hilferding, *Finance Capital* (Commercial Press, 2011); V.I. Lenin, 'Imperialism, the Highest Stage of Capitalism', in *Selected Works of Lenin 2* (People's Publishing House, 1972).

²⁴ Meng Jie, 'On State Capital in the Socialist Market Economy' [略论社会主义市场经济中的国有资本], *Marxism and Reality* [马克思主义与现实], no. 2 (2023).

In works such as *Extraordinary Growth: China's Economy from 1979 to 2049*, published in 2013, the author Shi Zhengfu analysed the role of state-owned finance capital.²⁵ He argued that in a socialist market economy, promoting long-term growth and overcoming economic crises is achieved by leveraging the state's macro-strategic investments. These macro-strategic investments focus on strategic foundational industries and related production factors that benefit long-term national economic development. The state can coordinate and deploy such investments through medium- and long-term development strategies and plans, with the government and state-owned capital investment companies jointly establishing national development strategic funds to carry out these investments. The National Development Strategic Fund is backed by national credit, with various specialised sub-funds under its umbrella operating in a market-oriented manner.

Figure 2: Number and Scale of Industry Guidance Funds Set Up by All Levels of Government (2013–2022)



²⁵ Shi Zhengfu, *Extraordinary Growth: China's Economy 1979–2049*, (Shanghai People's Publishing House, 2013); Shi Zhengfu, 'Functional Monetary Theory and the High-Quality Development of China's Economy' [功能货币论与中国经济的高质量发展], *Wenhua Zongheng* [文化纵横], no. 4 (2020).

Over the past decade, we have witnessed the role of state-owned finance capital and the capital market in implementing industrial policies for strategic foundational industries (Figure 2). The state's role in utilising the capital market to construct markets is a common feature in the history of global industrial development. British evolutionary economist Mariana Mazzucato has studied practices in developed capitalist countries and noted that the role of public sector investment goes far beyond fixing market failures. By being more willing to participate in Knightian uncertainty and invest in the early stages of technological development, the public sector can actually create new products and related markets.²⁶ Here, Mazzucato deliberately distinguishes between the state's role in overcoming market failure and its role in constructing markets, emphasising the latter's importance. The state's role in constructing markets means that the state itself takes on the functions of an entrepreneur. Mazzucato calls this an 'entrepreneurial state', whose role includes: making choices about the direction of technological innovation, being willing to bear the investment risks and uncertainties related to market creation, and building a reasonable distributional relationship between bearing risks and obtaining rewards. Mazzucato particularly emphasises the last point, stating that public investment in innovation must also obtain public returns. However, under the capitalist system, this distributional relationship is often difficult to achieve, thereby weakening the role of the entrepreneurial state.²⁷ The socialist capital market with Chinese characteristics, as an institutional intermediary serving industrial policy, has largely validated Mazzucato's views.

The successful operation of state-owned finance capital outlined above can be summarised using the relationship between finance capital and functional capital mentioned earlier. When these two types of capital combine, the following cyclical formula emerges:

$$M - \{M - C \dots P \dots C' - M'\} - M' \quad (1)$$

²⁶ Editor's note: Knightian uncertainty is a term which refers to the lack of quantifiable knowledge. This kind of uncertainty is different from the economic concept of risk, which refers to the probability of a given outcome. While risk implies action taken knowing the probability of an outcome, uncertainty describes a total lack of information. This concept of uncertainty was articulated by University of Chicago economist Frank Knight. See: Frank Knight, *Risk, Uncertainty and Profit* (Cosimo Inc., 1921).

²⁷ Mariana Mazzucato, *The Entrepreneurial State: Debunking Private vs. Public Sector Myths* (Public Affairs, 2018), 63–64; p. 68; Mariana Mazzucato, 'From Market Fixing to Market-Creating: A New Framework for Innovation Policy', *Industry and Innovation* 23, no. 2 (2016), 140–156.

The capital movement summarised by this formula has the following characteristics:

First, it reproduces the finance capital (the fusion of banking capital and industrial capital), examined by Hilferding and Lenin. The distinction lies in the fact that in the case of China, finance capital is socialist state-owned capital, which reflects state-owned production relations. When combined with non-public capital, it recreates the ownership relations in the primary stage of socialism, i.e., a symbiotic structure between public and other forms of ownership.

Second, the relationship between the two types of capital movements also reflects the relationship between the constructive market and the capital market with Chinese characteristics. State-owned finance capital and the other social capital it leverages bear the uncertainty of investments, ultimately serving the development of the constructive market. Unlike the banking capital examined by Hilferding and Lenin, state-owned finance capital does not necessarily seek to dominate functional capital. Its leadership and coordination roles are primarily reflected in its influence on the industrial value chain and social division of labour.

Third, the finance capital cycle is a realisation of the rule of the constructive market, reflecting the combination of use values set by national development plans and the exchange value objectives of enterprises. When state-owned financial institutions invest in emerging industries, they need to be able to exit with a reasonable profit to invest in new projects. This cyclical nature reflects the predictable behaviour of the constructive market.

It is worth emphasising that although this cycle achieves the maintenance and appreciation of state-owned capital, making profits is not the primary goal. The primary goal of state-owned capital is to implement the objectives of socialist production and fulfil the tasks set by the national development plans and strategies. The above formula suggests that the cycle must simultaneously achieve the dual objectives of use and exchange value.

V. Embedding and Institutions

Industrial policy in a socialist market economy often means that the state is embedded in the economic structure in some form. This embedment is not only a characteristic of socialist market economies but also of modern market economies. However, in a socialist market economy, the state's embedment is more universal and intentional, leading to the national economic behavioural rule of state coordination and market construction discussed earlier.

At this point, it is necessary to further explore the theoretical meaning of the concept of embedding or embeddedness. The term 'embedding' was introduced by Polanyi, who pointed out that pre-capitalist economies were never independent but 'embedded' within other systems such as politics, religion, and ethics. The rise of capitalism brought about a trend to free the economy from these systems, making it increasingly autonomous and self-regulating. In his terminology, this was a process of 'disembedment'. However, Polanyi also pointed out that this trend toward disembedment was utopian, because disembedment was predicated on the emergence of a series of fictitious commodities such as labour, land, and money. The existence of these fictitious commodities would bring the risk of social disintegration, ultimately leading to crises, wars, or even revolutions, which could threaten capitalism. Therefore, in Polanyi's view, modern market economies are always under the dominance of two tendencies: one is the disembedment favoured by liberalism, which is the tendency for the market to expand infinitely, and the other is what Polanyi calls the 'social protection', which is the tendency to re-embed institutions into the market to limit the latter's endless expansion.²⁸

In his study of industrial policy, American scholar Peter B. Evans used the concept of 'embedded autonomy' to describe the role of developmental states in East Asia. Evans, as part of the second generation of developmental state theorists following Chalmers Johnson and others, argued that in studying the role of the government, scholars should not focus solely on the relative autonomy of state decision-making and its sources. Instead, attention should be paid to the relationship between the government and the business sector. According to Evans, state autonomy refers to the government's ability to make

²⁸ Karl Polanyi, *The Great Transformation*, trans. Feng Gang and Liu Yang (Zhejiang People's Publishing House, 2007).

independent decisions free from the economic influence of special interest groups. However, in policy matters, the government must rely on the assistance of economic interest groups to ensure smooth implementation. Therefore, the government remains autonomous while maintaining close links with businesses to gather information and make informed decisions.²⁹

It is worth noting that while Evans' concept of embedded autonomy adopts Polanyi's terminology, it does not fully utilise the entire content of Polanyi's concept. This point seems to be rarely mentioned by researchers. Evans' notion of embedding tends to emphasise the epistemological function of the government-business connection, specifically for the purpose of acquiring relevant industry information, but overlooks the broader implications of Polanyi's concept of embedding. French anthropologist and Marxist Maurice Godlier borrowed, interpreted, and developed Polanyi's thought from a Marxist perspective. For Godlier, embedment can be understood as a certain institutional form outside the realm of social production that performs the functions of production relations, determining the ownership of production materials and the distribution of products, and coordinating the social division of labour, thus becoming a component of the economic base. As for modern market economies, although their initial development displayed a clear trend of disembedment, in later stages of development the state's embedment became inevitable again. Keynesianism is a theoretical expression of this trend of embedment.³⁰

From the discussion in this paper, the formation and development of China's industrial policy also represent the process by which the state is embedded in the economy. However, this embedding is not limited to Evans' understanding, but carries the deeper implications endowed by Polanyi and Godlier. Based on the cases discussed in this paper, we attempt to categorise the state's embedding into the following types (Table 1).

²⁹ Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton University Press, 1995).

³⁰ Meng Jie, *Socialist Political Economy with Chinese Characteristics as a Method* [作为方法的中国特色社会主义政治经济学] (Fudan University Press, 2023).

Table 1: Types of State Embedment in the Implementation of Industrial Policy

Category	Method of Embedment	Case	Conceptual Category
Embedment in the production or value creation process.	Direct establishment of state-owned enterprises; using market power to coordinate the division of labour.	Role of the Ministry of Railways (China Railway Corporation) in the independent innovation of high-speed rail.	Polanyi-Godlier style embedment.
Embedment in the investment process.	Using state-owned finance capital to participate in the functional capital cycle to alter industrial chains and the regional division of labour.	State-owned finance capital leveraging capital markets to develop strategic emerging industries.	
Embedment in the exchange and consumption process.	Altering relative prices, restructuring demand systems and the social division of labour.	Various financial subsidies supporting the purchase and use of NEVs.	
Establishing communication channels with industry.	Coordinating policy recommendations and consultations.	China EV100 Forum.	Evans-style embedment.

As shown in Table 1, the different types of state embedment form a spectrum, varying in modes and the levels at which they occur. Polanyi-Godlier style embedment always involves a deep engagement with production relations, as the state is tasked with performing certain production functions. In the first of three types of Polanyi-Godlier style embedding, the state takes on a more comprehensive role in production relations, manifested in its deep involvement in value creation within the production process. In the second form, the state changes the social division of labour or value chain patterns in a region through investment (also a form of production relation), without directly engaging in the value creation within the production process itself. The third type, commonly found in East Asian developmental states, is characterised by reshaping demand systems and social division of labour by altering relative prices of factors or products to achieve dynamic economic efficiency.

Compared to the aforementioned forms, Evans-style embedment does not necessarily require the state to take on the functions of production relations. Evans-style embedment seeks to address the issue of information asymmetry in industrial policy formulation and implementation. However, the issue is that, for Evans, the coordination mechanisms within embedded autonomy primarily involve the communication of information, without necessarily requiring the production of local knowledge through Polanyi-Godlier style embedding, which would provide knowledge and information sources to verify policies and expand policy options. The successful implementation of industrial policy needs to be based on appropriate knowledge production and information sources. If the guiding agencies in a leading role lack the necessary information, they cannot successfully implement industrial policies. However, according to China's experience, this issue is not simply resolved through pure information exchange but rather through creating a knowledge production and coordination mechanism that includes local knowledge. The formation of this mechanism, in turn, is predicated on the state's embedment in the economy and its role in regulating production relations. On the surface, this may seem like a paradox of the chicken and the egg, but this paradox is ultimately resolved through practice or 'learning by doing'.

VI. Conclusion

The four intermediary institutions discussed in this paper – constructive markets, the socialist market economy with Chinese characteristics, intra-government competition, and inter-government competition – are formed on the basis of the basic economic system in the primary stage of socialism. Specific institutions serve as intermediaries for the reproduction of the basic system. These four intermediary institutions are interconnected and sometimes overlap, collectively forming an intermediary system that defines industrial policy with Chinese characteristics. The system of industrial policy with Chinese characteristics has three main features.

First, the constructive market occupies a core position within the system. Various state institutions guide and coordinate the division of labour within the constructive market, combining use value goals that reflect socialist imperatives and the exchange value goals of enterprises. In this sense, the constructive market is the concrete form of the basic economic system. The organic combination of market and state, as well as public and private ownership, is part of the basic economic system. The other intermediary institutions serve the formation and development of the constructive market.

Second, the state as the main body for implementing industrial policy presents an inclusive, decentralised system, based on unified leadership. The term ‘inclusive’ here refers to the state’s intentional promotion of decentralisation within its structure and institutional arrangements, while maintaining centralised and unified leadership. Inter-government competition and intra-government competition are the main institutional expressions of this system of decentralisation. This system determines the features of industrial policy with Chinese characteristics. On the one hand, from the perspective of local government competition, this is a multi-level industrial policy system. On the other hand, from the perspective of intra-government competition, the state agencies responsible for guidance and coordination also exhibit a diversified nature. With the rise of state-owned finance capital in the socialist capital market with Chinese characteristics, this inclusive decentralised system has gained further momentum for development.

Third, the industrial policy system with Chinese characteristics introduces a unique mechanism of knowledge production and coordination that combines local knowledge and collective knowledge. This avoids the inherent shortcomings of the lack of local knowledge under the planned economy system, thus creating conditions for the state to reasonably formulate and revise industrial policies. This mechanism consists of two levels: First, differentiated strategies formed within the two types of competition give rise to a mechanism for producing local knowledge. Second, based on this, the issue arises as to whether and how local knowledge can be coordinated at the central level to create collective knowledge (or organisational knowledge). This collective knowledge is the knowledge that state agencies responsible for formulating industrial policies may possess and apply.

Unfortunately, there is a lack of comprehensive and systematic discussion on the knowledge production mechanism mentioned above, especially the mutual transformation between local and collective knowledge. In the existing literature, only a few scholars have recognised this issue and analysed it from specific dimensions. For example, Chu proposed that coordination at the central level requires a certain social value consensus as a prerequisite. She referred to this consensus as the ‘catch-up consensus’, which is ‘the ultimate goal gradually formed by the Chinese people since the Opium War’. Chu’s insight is profound, but it neglects the fact that the catch-up consensus is also the core of the CPC’s ideology. Lu Feng has pointed out a deeply rooted political correctness in China about the need for technology to be primarily developed independently in order to be regarded as an outstanding achievement. This stems from the fact that the CPC relied on the popular demand for independence to seize power, and that political independence was a pre-condition for establishing China’s industrial system. Therefore, whenever industrial development faces fundamental strategic choices, the CPC’s ideology will guide policies back toward independence.³¹

Lu Feng’s perspective highlights that in the Chinese context, the state as the primary entity in the industrial policy process is not an ordinary state, but a socialist party-state. The leadership of the CPC over the state results in the homogeneity between the party’s organisation and the various state agencies

³¹ Lu Feng, ‘Breaking Through the Fog: Uncovering the Source of China’s High-speed Rail Technology Progress’ [冲破迷雾—揭开中国高铁技术进步之源], *Management World* [管理世界] 9, no. 1 (2019).

in terms of hierarchy, and the party's leadership in terms of core values and ideology. The CPC is a mission-oriented party with special significance and its leadership is the most fundamental coordinating force in the evolution of industrial policies.³² The CPC's centralised and unified leadership is the basic premise of the knowledge coordination and inclusive decentralisation that characterises the industrial policy with Chinese characteristics. There is currently a lack of empirical research and comprehensive analysis on this critical issue.

CPC General Secretary Xi Jinping has described the characteristics of this system as follows: 'We need to improve the new type of national system under the socialist market economy, fully leverage the role of the state as the organiser of major technological innovations, support strategic scientific plans and scientific projects with long cycles, high risks, great challenges, and promising prospects, focus on systematic layout, organisation, and cross-sector integration, and combine the forces of government, market, and society to form a collective advantage for the future'.³³

The intermediary institutional system centred on the constructive market is a part of the primary stage of socialism. This system should also be understood as a tool for reproducing the fundamental leadership system. Understanding this relationship is key to grasping why the industrial policy with Chinese characteristics is a novel system that aims to fully leverage the decisive role of the market for socialist modernisation.

³² For an explanation of the CPC as a mission-oriented party, see: Meng Jie, 'The Communist Party of China and the Socialist Market Economy with Chinese Characteristics' [中国共产党与中国特色社会主义市场经济], *Open Times* [开放时代], no. 3 (2022).

³³ Xi Jinping, 'Speech at the 20th General Assembly of the Chinese Academy of Sciences, the 15th General Assembly of the Chinese Academy of Engineering, and the 10th National Congress of the China Association for Science and Technology' [习近平：在中国科学院第二十次院士大会、中国工程院第十五次院士大会、中国科协第十次全国代表大会上的讲话], China Government Network, 28 May 2021, https://www.gov.cn/xinwen/2021-05/28/content_5613746.htm.

Review: Understanding the Historical Coordinates of Chinese Modernisation



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The current historical conjuncture is characterised by multiple crises and conflagrations, from the fratricidal war between Russia and Ukraine, to the resistance of Francophone Africa against neocolonialism, to the struggles waged by millions of people to access basic necessities such as food and housing even in supposedly wealthy countries like the United States. In the epistemology of Lu Xinyu – a professor in the School of Communication at East China Normal University – this conjuncture is shaped by the ongoing exploration of paths to modernisation that began in the second half of the 19th century and spanned the long 20th century. Even though her book *Neoliberalism or Neocollective Rural China* announces China as the central object of study, Lu's real concern is the path of modernisation of the entire world, and particularly that of the Global South.¹

From Lu's perspective, the foremost issue in the path to modernisation is the agrarian question: how can agriculture

¹ Lu Xinyu, *Neoliberalism or Neocollective Rural China* (Palgrave Macmillan, 2024).

modernise while maintaining and developing the collective structure of rural areas, and what should happen to the peasantry in the processes of industrialisation and urbanisation? From the second half of the 19th century, three distinct paths to modernisation can be identified. First, in the US, the Civil War (1861–1865) forcibly displaced the agrarian population – a large portion of whom were descendants of enslaved Africans brought to the Americas – from the land and cast them into cities, a situation that contributed to vast inequality and laid the groundwork for social movements like the Civil Rights Movement of the 1950s and 1960s, and the 2013 Black Lives Matter protests. Second, countries like Germany and Japan could not easily dispose of their agricultural population as the US did, so they chose military expansion, which led to two World Wars and a Cold War, the latter of which is still ongoing in many ways. The third path to modernisation is that of the Soviet Union’s pioneering communist revolution and worker-peasant alliance, which was eventually suffocated by the Cold War but continues in spirit in the form of the Chinese Revolution, which it inspired. Debates around these typologies of modernisation help establish a historical coordinate to both clarify the past and chart a path for the future.

Ideology and Class Struggle in China

There is a running joke in China that the country’s international image is ‘hated by both the left and the right’. The right despises China for being communist, while the left despises it for being capitalist. A simple explanation for this contradiction is the fact that class struggle within China has never ended. In the realm of ideology and culture, a focal point of this struggle is the interpretation of the significance of the Chinese Revolution for the peasantry. Did the revolution, led by the Communist Party of China (CPC), truly liberate peasants, or did it hinder their natural progression into modernisation and urbanisation within a market-oriented civil society? Is the decline of rural areas the original driving force of the revolution, or is it its original sin? As suggested by the book’s title, is the future of China’s countryside to be defined by neo-liberalism or by a revival of collectivism within the context of modernisation?

The main body of Lu's book originates from an eight-year (2003–2011) debate between her and Qin Hui, a Chinese liberal intellectual and historian who is currently an adjunct professor in the Department of Government and Public Administration at the Chinese University of Hong Kong. For readers outside China, it is important to note that the Lu–Qin debate was not merely an intellectual exercise taking place in the ivory tower of academia. Rather, this debate reflects a broader public discourse about the direction of China's reform and opening up process. The first ten years of the 21st century, when the Lu–Qin debate took place, were a critical period for China and the CPC. In 2022, *Qiushi*, the official journal of the CPC Central Committee, published an article summarising the decade since the 18th CPC National Congress in 2012. This era was described as the moment of 'stemming a raging tide from sweeping everything away and holding up a building from falling down'.² Figuratively, this meant reversing a looming crisis and propping up a tottering country without delay.

Since the 1980s, Qin has made numerous analyses of historical and social formations in his writings, comparing the 'despotic' social structures of rural Guanzhong in the Shaanxi province during the Ming and Qing dynasties to the 'democratic' city-state of ancient Athens. His overarching argument is that the October Revolution was backward and produced a Soviet government with features of oriental despotism.³ The ultimate aim of this argument is to challenge the legitimacy of the CPC's 'despotic empire'.⁴ Qin Hui's idealised depiction of a beautiful Greek city-state that is decentralised and detached from the duty to provide public infrastructure and services belies the fact that such states were dependent on the blood, sweat, and unpaid labour of slaves from the silver mines of Laurion. This mythology parallels the idealised neo-liberal image of the US and its 'big houses, big pickup trucks, and big steaks', an image popularly used by Chinese netizens, which hides an underbelly of imperialism and institutional racism.

² Jiang Jinqun, 'The Great Transformations of the Decade in the New Era' [新时代十年的伟大变革], *Qiushi*, no. 22 (2022).

³ Editor's note: The trope of oriental despotism derives from the work of German-US historian, and Marxist turned anti-communist, Karl August Wittfogel. For more, read: Karl August Wittfogel, *Oriental Despotism: A Comparative Study of Total Power* (Yale University Press, 1957).

⁴ Qin Hui, 'Moving Away from the Imperial Regime' [走出帝制：从晚清到民国的历史回望] (Qunyan Press, 2015).

In 2013, Qin penned an article mocking Xi Jinping's appeal to learn from the Soviet Union's experience of collapse and the dangers of historical nihilism.⁵ The liberal intellectuals Qin represented were self-assured that China's red flag was about to change colour. They genuinely believed that liberal reforms, similar to those in the Soviet Union, were the path that China should follow. A key feature of this path was to intellectually and ideologically undermine the legitimacy of the Chinese Revolution and portray the CPC as a repressive regime stifling socio-economic vitality and paving the road to serfdom.

To address Qin's assertions, Lu has conducted thorough historical research that spans thousands of years and encompasses Eurasia and the Americas. In her book, Lu aptly points out that the entry of the neoliberal system into China alongside the reform and opening-up process in the late 1970s transformed millions of rural peasants into migrant workers in the cities. The neoliberal vision for China's rural areas mirrored their global proposals: the privatisation of land (so it could be seized by big capital) and the free movement of agricultural populations (so that landless peasants could become cheap labour in the cities). Qin's provocative proposal to 'grant the right to build slums for the urban poor' is precisely the policy direction that Lu loudly warns China to avoid.⁶

All history is contemporary history, and every debate about history reflects contemporary politics. While foreign observers often believe that China is a hive mind, the debate recorded in this book vividly captures how open and intense the debates within China's academic and intellectual circles can be and how closely they are related to real-world political struggles.

The Global South's March Towards Modernisation

The image of 'iron and fire' appears repeatedly in Lu's monograph. In her view, the great struggle over the future of human modernisation must ultimately aim to unite the seven billion people of the Global South to embark on a

⁵ Qin Hui, 'The Last Days of the Soviet Communist Party: Still One True "Man"' [苏共末日：尚有一人是“男儿”], *The Economic Observer*, 27 March 2013.

⁶ Jiang Qian, 'Tsinghua University Professor Qin Hui Proposes Shenzhen Take the Lead in Establishing Slums' [清华大学教授秦晖建议深圳率先兴建贫民区], *Southern Metropolis Daily* [南方都市报], 14 April 2008.

joint path of modernisation. This great struggle will involve both ‘iron’ (economic development) and ‘fire’ (armed revolution). Over the past decade, Lu has increasingly focused on issues related to rural revitalisation and reorganisation in China. The final chapter of her book discusses her fieldwork from the long-impooverished and near-empty Tangyue Village in Guizhou Province, to the comprehensive peasant association of Pu-Han Community in Shaanxi Province, which covers 43 villages, to the financial cooperative experiment in Haotang Village in Henan Province.

Lu is not just conducting academic research but actively seeking feasible paths for rural reorganisation in China. She is particularly concerned with two practical economic issues. First, what mechanisms can ensure that rural economic development becomes a self-sustaining process, propelled by endogenous motivations and resources? Second, how to ensure the survival of collective economies within the framework of a market economy? It is therefore easy for scholars from the Global South to understand why she always begins her visits to rural villages by asking about the status of local collective economies. This focus aligns with her theoretical research on Russia’s pre-revolutionary land issues and Stolypin’s agrarian reforms. It must be said that Lu’s in-depth studies of the land issue in Russia and the Soviet Union, despite her background in Chinese language and literature and in the aesthetics of literature and art, are truly remarkable.

Lu argues that China’s internal ideological debates reflect an international struggle and existential battle against Western hegemonic ideology. When President Xi Jinping proposed that ‘Global South countries marching together toward modernisation is monumental in world history and unprecedented in human civilisation’, the significance of this battle became even more evident.⁷ The Global South, as the ‘rural’ part of the world capitalist system, shares a destiny and path closely connected with China’s rural areas. Just as soybean plantations squeeze out landless farmers in Brazil, so too are China’s soybean farmers crushed by international big capital – both are victims of the world capitalist system.

⁷ Xi Jinping, ‘Combining the Great Strength of the Global South to Build Together a Community with a Shared Future for Mankind’, Ministry of Foreign Affairs the People’s Republic of China, 24 October 2024, https://www.mfa.gov.cn/eng/xw/zyxw/202410/t20241024_11515589.html

In recent years, Lu has been involved in initiatives such as the Global South Academic Forum and the establishment of research bases in rural areas such as Rongjiang in Guizhou Province, Ganzhou in Jiangxi Province, and Xiong'an in Hebei Province. These initiatives are intended to communicate China's stories of poverty alleviation and rural revitalisation to the outside world in general and the Global South in particular. They attempt to tell the story of struggles in rural China in more vivid and multidimensional ways, taking into account the complex and rich debates taking place in the country. In this context, *Neoliberalism or Neocollective Rural China* is also an invitation to scholars from China and the Global South to exchange experiences and engage in deeper debate on the agrarian question and the path to modernisation.



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WENHUA ZONGHENG (文化纵横) is a leading journal of contemporary political and cultural thought in China. Founded in 2008, the journal publishes issues every two months, featuring articles by a wide array of intellectuals across the country and building a platform for discussion of different ideological positions and values in China's intellectual community. The publication is an important reference for debates and developments in Chinese thought, on matters ranging from China's ancient history and traditional culture to its current socialist practices and innovations, from the important cultural trends in contemporary Chinese social life to Chinese views and analyses of the world today. Tricontinental: Institute for Social Research and Dongsheng News have partnered with Wenhua Zongheng to publish an international edition of the journal, releasing multiple issues per year featuring a selection of articles that hold particular relevance for the Global South.

In Chinese, the word 'Wenhua' (文化) means 'culture' as well as 'civilization', while 'Zongheng' (纵横) literally means 'verticals and horizontals', but also alludes to the strategists who helped to first unify of China, roughly 2,000 years ago through diplomacy and alliances. It is impossible to translate the journal's title into English while retaining its historical meaning and significance, therefore, we have chosen to keep the pinyin romanisation of the title to remind our readers: China has a complex history and culture that is challenging to translate and navigate, and this project seeks to bridge this understanding.

文化纵横



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