

# No fanfare to mark 30 years of China's market reform

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The 30<sup>th</sup> anniversary of China's market reforms took place last month, but without any great fanfare. Indeed, the Chinese Communist Party (CCP) has nothing to celebrate. Its hopes for a never-ending economic boom and its faith in the miracle of the capitalist market are rapidly turning sour.

In August, Beijing staged the Olympic Games at a staggering cost of \$US43 billion, using the occasion to showcase the arrival of Chinese capitalism on the world stage. A month later, the global financial tsunami began to sweep over China, leading to one downward revision of growth after another as the major markets for Chinese exports—the US, Japan and Europe—all headed for recession. Most analysts predict growth in 2009 to be well below 8 percent—the level generally regarded as necessary to prevent an explosion of unemployment.

The official commemoration of 30 years of market reform took place at the Great Hall of People on December 18—the day in 1978 that the CCP formally adopted the economic plans of party leader Deng Xiaoping. Speaking to 6,000 assembled officials, President Hu Jintao offered a bleak assessment of the future, declaring that the party's top priority had to be social stability. "If there is no stability, then nothing can be achieved, and what achievements we have made will be lost," he warned.

The speech can only be interpreted as a call for an intensification of police-state measures against all forms of opposition and protest as levels of unemployment and poverty rise. Hu reinforced the message by adding that the CCP would not "copy the Western political system"—in other words, there would be no granting of democratic rights, even on the most limited scale.

Three days later, Premier Wen Jiabao made an unannounced visit to the Beijing University of Aeronautics and Astronautics, during which he attempted to placate widespread concerns among students about the lack of jobs. "Students, please rest at ease, we are putting the problem of graduate employment first," he promised. He acknowledged that the government was worried about two issues— "one is that of migrant workers

returning to their villages, and the other is employment for graduates".

Official statistics show that 1.5 million college graduates were jobless in 2008. With a record number of 6.1 million new college graduates in 2009, the total number of graduates seeking jobs is expected to reach 10 million, including those unemployed from previous years. The CCP is acutely aware that sustained student demonstrations in 1989 paved the way for workers to join the protests with their own more radical social demands.

The fear of social upheaval was expressed in the official *Outlook* magazine last week. "Without doubt, now we are entering a peak period for mass incidents [that is, large-scale protests]," it warned. "In 2009, Chinese society may face even more conflicts and clashes that will test even more the governing abilities of all levels of the Party and government."

The magazine noted that even if the government could maintain 8 percent growth in 2009, it would create just 8 million jobs—barely enough for just the college graduates. "Social conflicts have already formed a certain social mass base so that as soon as there is an appropriate fuse, it always swiftly explodes and clashes escalate quickly," it declared.

The lack of any celebrations for 30 years of market reform did not, however, simply reflect fear of social turmoil. The global economic downturn is also producing a profound ideological crisis within the ranks of the regime. Like their counterparts in the West, the CCP bureaucrats have based their economic policies on little more than blind faith in the capitalist market, which has now produced the greatest economic convulsions since the 1930s.

The CCP regime established in 1949 was never socialist or communist. Mao combined the reactionary Stalinist utopia of "socialism in one country" with his own brand of peasant radicalism to produce a series of economic disasters in the 1950s and 1960s. The rapprochement with Washington in 1971 marked the end of Mao's experiments in peasant socialism and

the gradual ascendancy of the "capitalist roaders," culminating in Deng's installation as party leader in 1978.

Deng, who was branded by Mao as the "No.2 capitalist roader" in 1960s and 1970s, represented not only the most privileged sections of the bureaucracy, but the former capitalist class and the overseas Chinese bourgeoisie. His economic "reforms" opened the floodgates for the entry of foreign capital back into China that had already begun to a limited extent in the 1970s under Mao and his immediate successor Hua Guofeng.

To justify his pro-capitalist policies, Deng had to jettison the regime's previous revolutionary phrase-mongering. In place of the CCP's traditional prognosis of "war and revolution," Deng laid out a perspective of international "peace and development". The outlook summed up the widely held view in the CCP leadership that the Marxist theory of capitalist breakdown was outdated.

Deng pointed to the boom that followed World War II and the lack of inter-imperialist conflict to conclude that world capitalism had overcome its contradictions and the danger of a new world war was diminishing. Such an environment would provide favourable conditions for China to integrate into the global capitalist system.

While Deng is hailed as an architect of market reform, his approach was purely pragmatic, as summed up in his slogan to "cross the river by feeling for stones". In other words, the architect had no grand plan or design. Deng simply groped his way forward, trusting blindly in the workings of the capitalist market. His efforts coincided with the end of the post-war boom that impelled the globalisation of productive processes. For major corporations seeking to offset falling profit rates, China offered a vast source of cheap labour.

Deng's models were the "Asian Tigers"—cheap labour platforms such as Taiwan and South Korea where workers were subject to police-state discipline. Deng insisted that the CCP had to maintain the "people's democratic dictatorship" to suppress any opposition from the rapidly expanding working class and maintain the bureaucracy's grip on power. Significantly, the right to strike was formally removed from the Chinese constitution in 1982.

The regime lurched from one crisis to the next. The deregulation of state industry and abolition of state-controlled prices rapidly led to hyperinflation. Combined with widespread anger over rampant official corruption and the lack of basic democratic rights, the deterioration of living standards triggered a social explosion in 1989. Mass protests by workers and students were only ended by the brutal military crackdown in

Tiananmen Square.

In 1992, amid fresh fears that the Chinese regime would collapse like the Soviet Union, Deng called for an acceleration of economic reforms, hoping to bolster the middle classes as a buffer against the working class. Foreign capital poured into China as global corporations interpreted the Tiananmen Square massacre as a sign that the regime would do whatever was necessary to suppress unrest among workers.

Ideologically, Deng maintained the link to the 1949 revolution and "socialism" in an increasingly absurd bid to placate working people. To justify the further reforms, he declared that "socialism has the market", just as "capitalism has planning". In reality, the Chinese regime, like its counterparts around the world, had less and less control over its economy. China was simply an assembly platform for giant transnational corporations that supplied the designs, raw materials, components and capital and marketed the goods internationally.

China absorbed the shock of the 1997-98 Asian financial crisis only by exporting more, especially to expanding markets in the US. The export boom enabled the Chinese regime to shed 30 million workers from state enterprises without creating a social explosion. Now, however, the contradictions of capitalism, which the CCP bureaucrats, following Deng, believed they could ignore with impunity, have reasserted themselves with a vengeance.

As growth rates continue to fall, social antagonisms are rapidly developing. The gulf between the regime in Beijing and the working class, which has vastly increased in size since 1989, has never been starker. The CCP is widely viewed simply as the defender of those who have enriched themselves at the expense of the masses. Its leaders are well aware that the end of the long economic upswing will shatter the last vestige of their political legitimacy, which rested on the illusion that capitalism would lift everyone out of poverty. The low-key ceremonies to mark 30 years of market reform reflect their political perplexity and fears as they ponder what to do next.



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