

Maoism and central planning

China in the World Economy, autumn 2024

Questions from last lecture

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- In terms of north vs. south, which part of China is traditionally more commercial + populous?

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- In terms of north vs. south, which part of China is traditionally more commercial + populous?
- Why has the capital historically been located in the north?

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- What was demanded of China in the „unequal treaties“?
- Who were China's last dynasty? When were they overthrown?
- What was (and is) the Kuomintang? Who was its first leader?

Today

- The intellectual journey of Marxism thought from Karl Marx to Mao Zedong
- The structure of the Chinese Communist Party
- Central planning as an economic system
- The CCP's rise to power and Maoist rule of China (1949 – 1976)

Marxism

- An attempt to interpret developments in the West – industrial revolution + political revolutions

- Liberals: „Great, we have won!“

- Liberals: „Great, we have won!“
- Socialists: „Is this really all what we wanted?“

Karl Marx

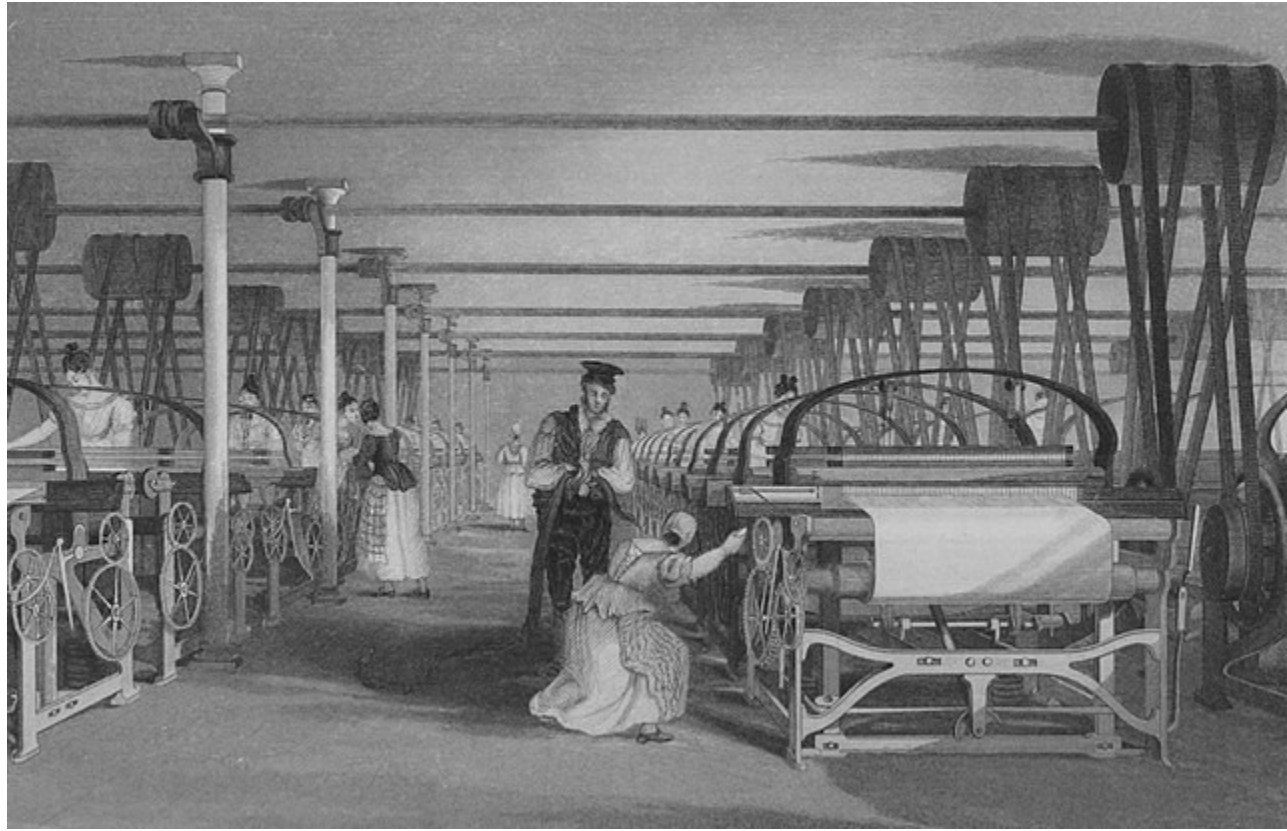
- Philosophy of history – **teleological development towards more advanced modes of society**

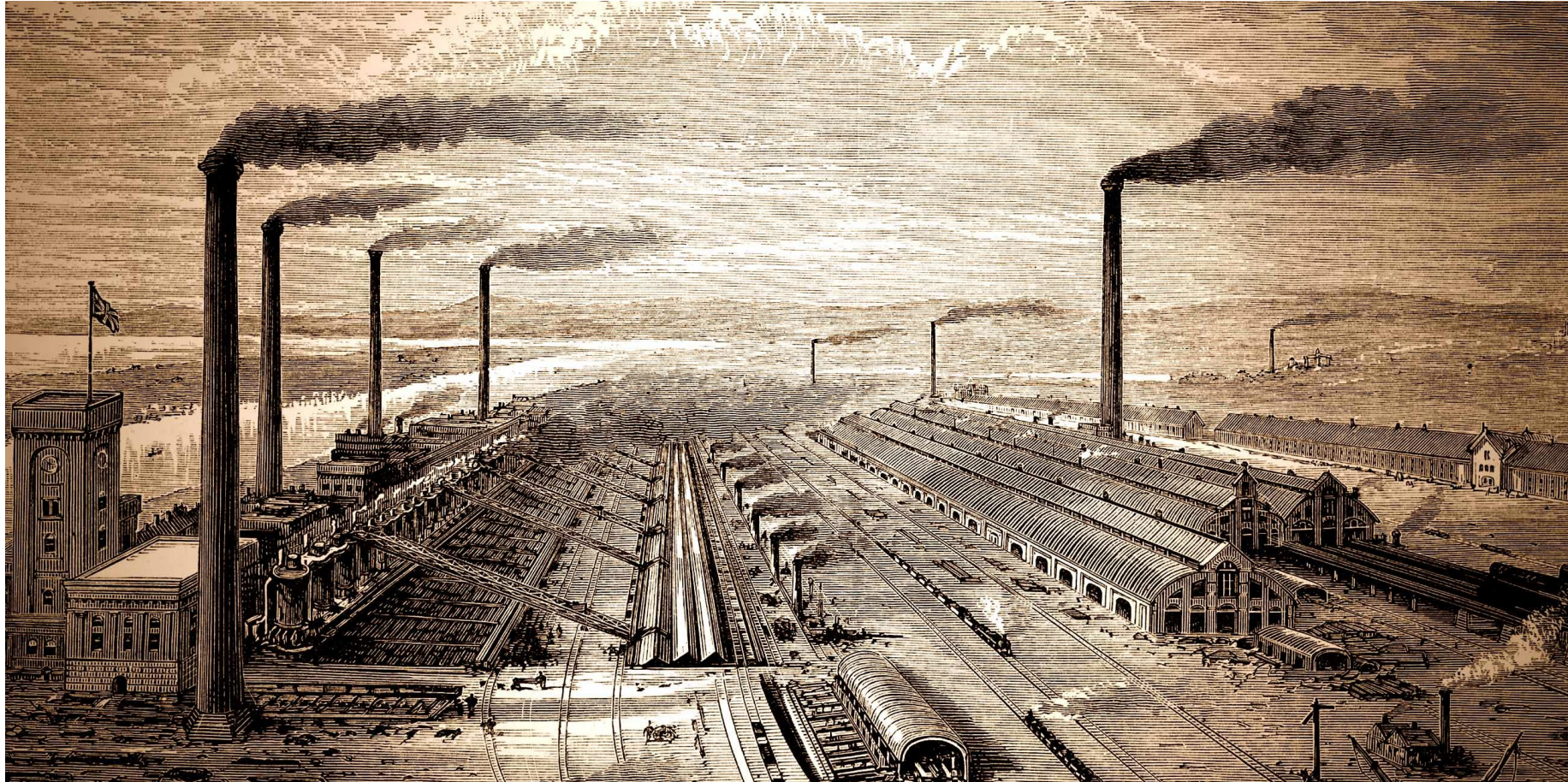
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- Philosophy of history – **teleological development towards more advanced modes of society**
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- From the standpoint of 1870 or so
- **Historical materialism** – structure and superstructure











Karl Marx

- „Theory of two revolutions“

Karl Marx

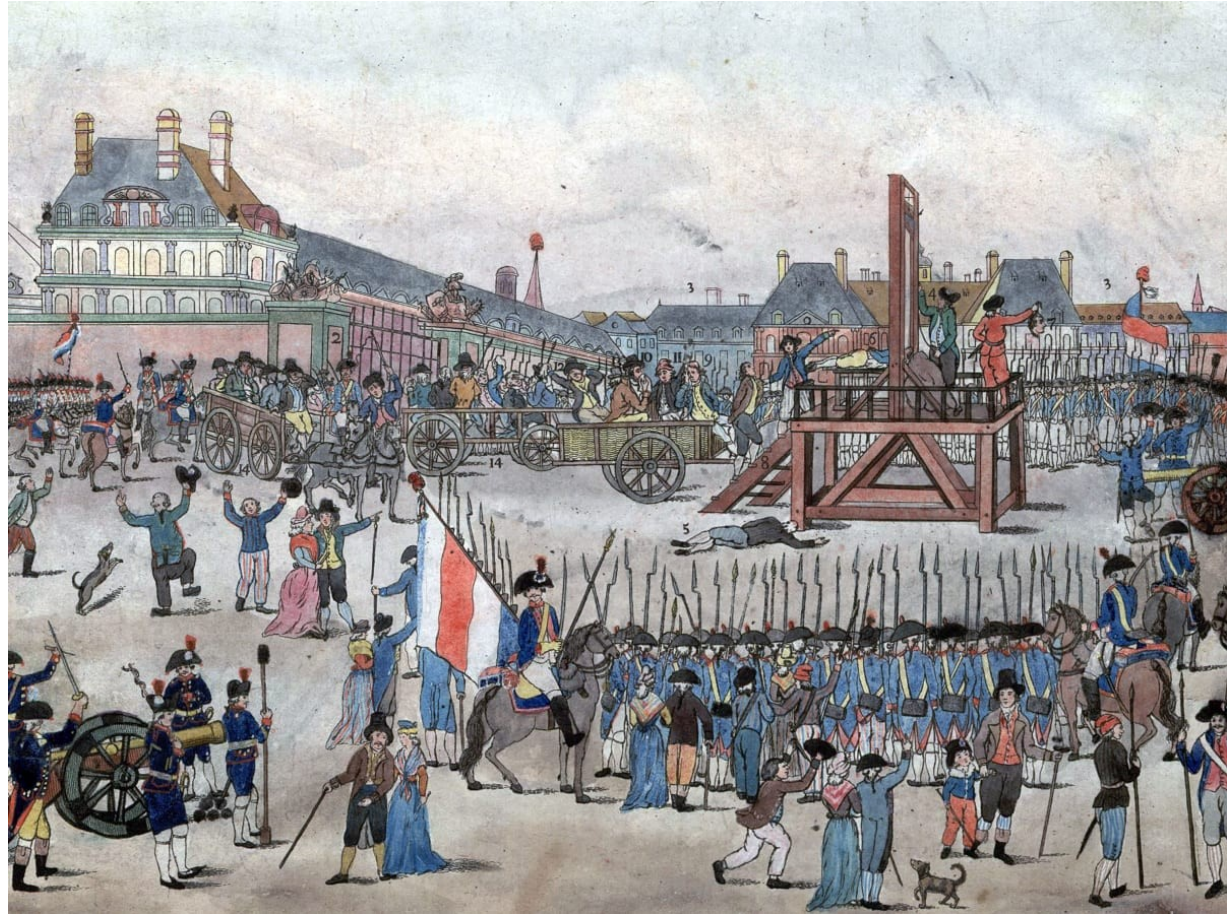
- „**Theory of two revolutions**“ (or two-stage revolution)
- Feudal system – **land** as the most important resource > landowners as the ruling class

Karl Marx

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- Feudal system – **land** as the most important resource > landowners as the ruling class
- **Exploitative and inefficient**, almost no sustained economic growth

Karl Marx

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- Eventually, they will overthrow the monarchy and impose a liberal regime



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Karl Marx

- = „first revolution“ = transition from feudalism to capitalism

Karl Marx

- Is this good or not?

Karl Marx

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- **Yes!**

Karl Marx

- **Capitalism = improvement – technological progress and accumulation of wealth**

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- Capitalists **compete** to effectively use labor and new technologies to serve their customers
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- **But also even more exploitative** – humans have no other value than as workers – objectification, commodification

Karl Marx

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- **The workers will overthrow the few remaining capitalists and establish communism**

Karl Marx

- = „second revolution“ > transition from capitalism to communism
- In the future, not in Marx' lifetime!

Karl Marx

- „Dictatorship of the proletariat“ – **the many will overthrow the few**
- = majority rule!

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- The revolution will be led by the masses

Karl Marx

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- But in general – **the vast amount of wealth produced by capitalism will be enough to ensure welfare for everyone**
- Technology will have reached such a stage that people will only work a few hours a week

Karl Marx

- Why cannot a society go from pre-modern agricultural state straight to communism?

Karl Marx

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- **Because there would be no wealth to redistribute!**

Karl Marx

- Capitalism is a **necessary stage** through which every human society must pass

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- Therefore, **every society must at first have the liberal, bourgeois revolution**

Karl Marx

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Karl Marx

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- > Germany, Britain, or the United States

Lenin and Trotsky

- Active politicians who expected to **personally lead** the revolution

Lenin and Trotsky

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- Russia – Europe's economic periphery, **still at the feudal stage** >
„How can we have a communist revolution here?“

Lenin and Trotsky

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- > the first revolution will not happen on its own -> no natural path towards Communism

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- = globalization tends to freeze the social hierarchy in poor countries and lock them into being producers of natural resources

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- > Immanuel Wallerstein, World System Theory

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- > **the capitalist (and liberal democratic) stage must be bypassed**

Lenin and Trotsky

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- **Who made up the bulk of the population?**
- **Peasants** – who are conservative and will never rise up

Lenin and Trotsky

- **Socialism cannot come via a popular revolt**
- > workers must become **organized and carry out a coup d'état**

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- If this happens on the world periphery, it will destroy all of capitalism, because the rich nations are dependent on exploiting poor countries

Lenin and Trotsky

- **Communist party** – extremely important – it will unify the workers and carry out the coup
- „**Leninism**“, „**party vanguardism**“

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- The party must be disciplined and centrally led = „**democratic centralism**“
- = decision inside the party are made democratically, but once they are made, they are binding

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- USSR – theoretically a loose federation, **held together by the Party > dissolved when Communism ended**
- Most officials simultaneously hold both governmental and Party positions > the leadership can give them orders through Party mechanism

Lenin and Trotsky

- Marx – the Party is cool, but the revolution will be driven by structural forces
- Lenin – the Party is a crucial historical instrument that will drive peripheral societies towards modernity

Lenin and Trotsky

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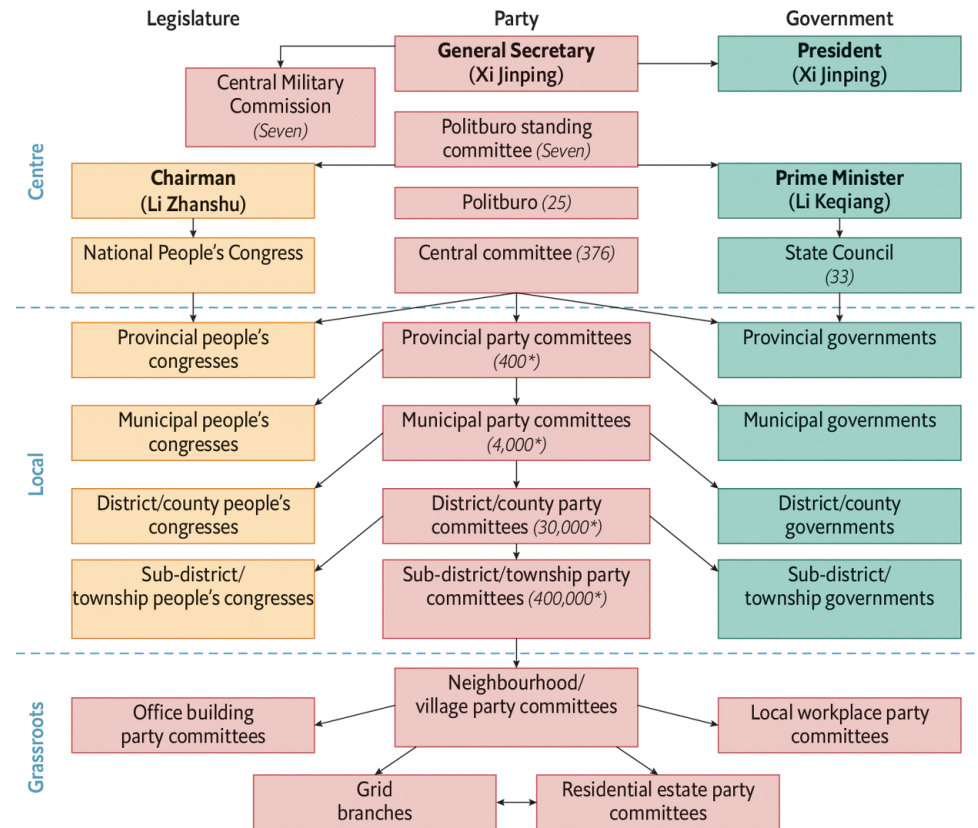
- „Dictatorship of the proletariat“
- – Marx thought that almost everyone will be a worker at this stage, so **the revolution will simply mean majority rule**
- x Lenin: one-party rule
- *„nothing other than power which is totally unlimited by any laws, totally unrestrained by absolutely any rules, and based directly on force.“*

Democratic centralism in China

Anatomy of a dragon

China, Communist Party and government structure, 2021

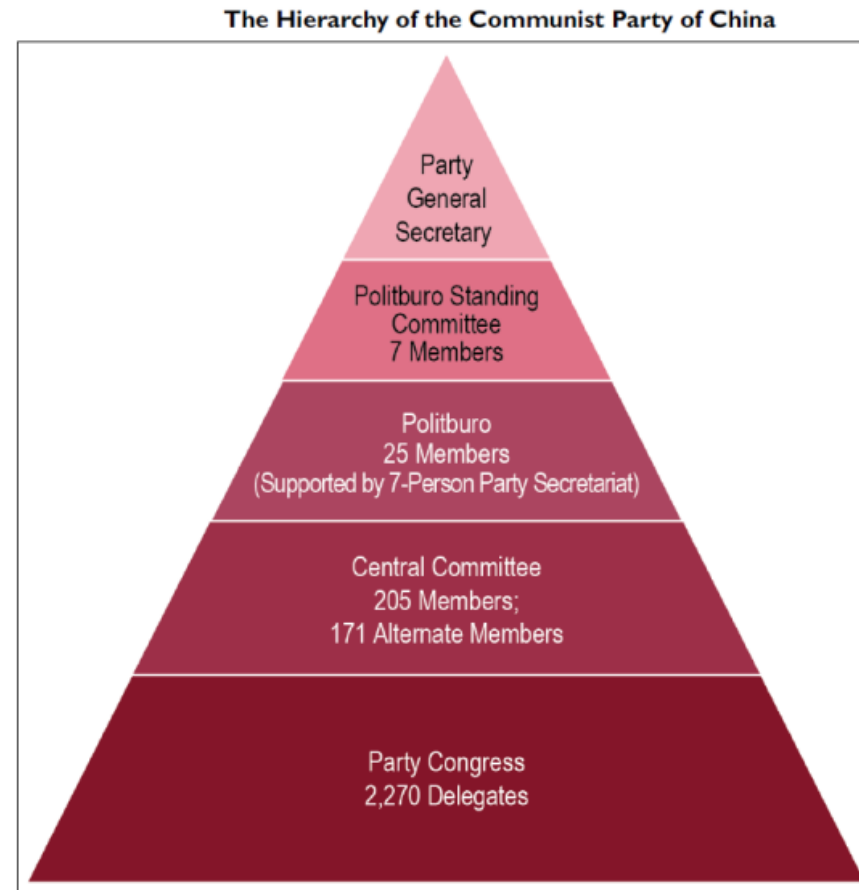
(Number of members, where available)



Sources: "The Party and the People", by Bruce Dickson; press reports; *The Economist*

*Estimate

Democratic centralism in China



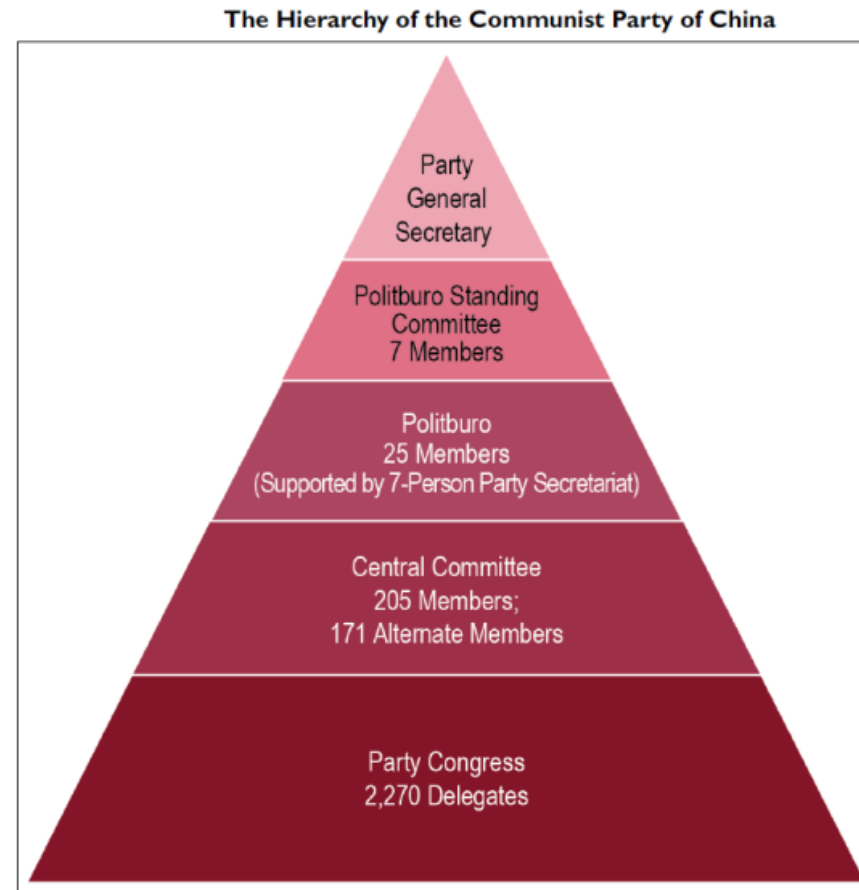
Source: Communist Party of China News Portal, <http://cpc.people.com.cn/GB/64192/index.html>.

Source: CRS

Democratic centralism in China

- Theory – **lower levels of the Party („the people“)** elect the **upper echelons** = inter-party democracy, meritocracy
- The thus chosen leadership then makes a decision, which is meticulously implemented by millions of loyal members

Democratic centralism in China



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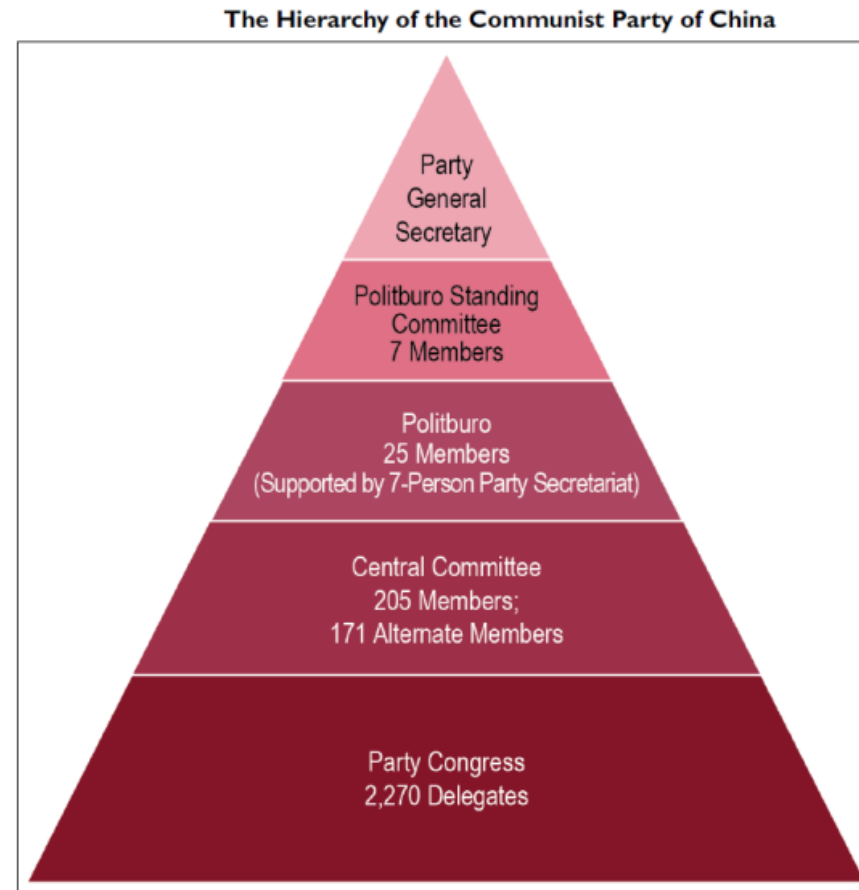
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- **These bodies themselves chose who is going to sit on them** and replace retiring members > lower level is told whom they should elect

Democratic centralism in China

- **But local and provincial party leaders are often powerful** and can sometimes successfully resist the centre + make policy decisions

- Back to the origins of Communism 😊

Central planning

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- > **central planning**

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- **Wealth must be extracted from peasants and invested into developing modern industry**

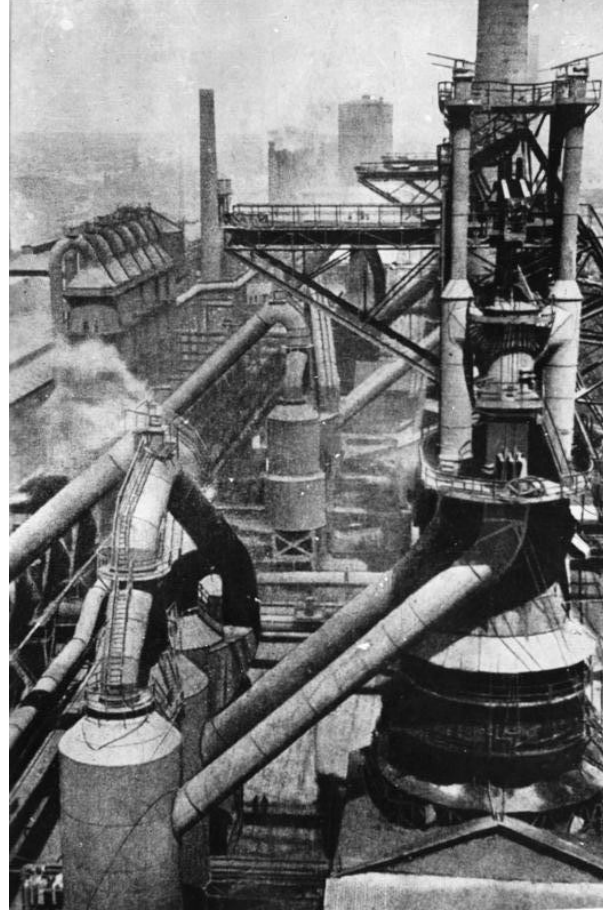
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- > regulated prices – **artificially low prices for agricultural products,** high prices for agricultural equipment
- Outright confiscation of harvests

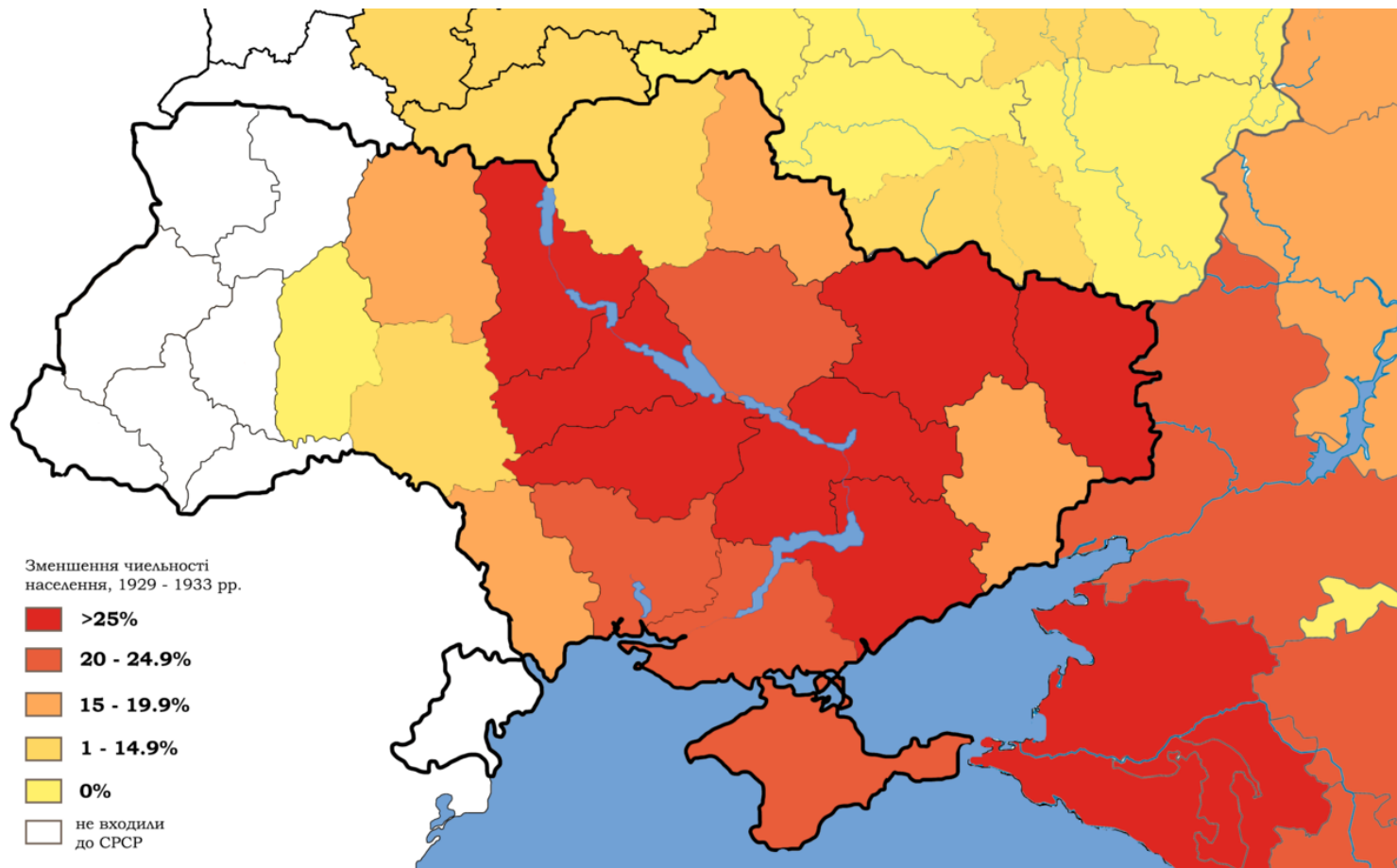


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- > black market, peasant uprisings > harsh punishments



Bundesarchiv, Bild 183-P66025
Foto: o. Ang. | 1920



- „Foreign tourists in Russia stand in silent amazement before the gigantic enterprises created there, as they stand before the pyramids, for example. Only seldom does the thought occur to them what enslavement, what lowering of human self-esteem was connected with the construction of those gigantic establishments.“
- - Karl Kautsky

How central planning works

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- **Prices – artificially, bureaucratically imposed**

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- **Attempted by Lenin during War Communism (1917-1921), later given up**

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- Import and export – part of the central plan!
- Problem – constant lack of foreign exchange

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- Capitalists behave in a way that is **individually rational but collectively irrational**
- = they spend money on advertising their product and making it more attractive than the competition
- = „race to the bottom“ situations
- **In a communist society, all these resources would be invested more productively 😊**

Central planning

- NEP

Central planning

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- > **New Economic Policy (NEP, 1923-1928) = market-oriented reform > small business allowed!**
- 1928 – Stalin – end of NEP, start of **Five Year plans**
- = blueprint for China and other communist countries

Central planning

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- x „Fukuyamist neoliberalism“

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- > focus on **tangible** targets – fertilizer, steel, concrete
- > **neglect of things which are harder to measure (services etc.)**
- Bad management of resources > **environmental damage!**
- **No competition and no bankruptcies** > no pressure to make products and services attractive to buyers > low quality + little choice

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- > as communist countries neared the technological frontier, growth stalled
- > problem for all state-dominated economies (China...?)

China

- WWI – shattering of the Western-dominated capitalist world order
- **Worldwide loss of faith in the old system** + Russian revolution = people embrace new ideologies

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- **Worldwide loss of faith in the old system** + Russian revolution = people embrace new ideologies
- **May Fourth Movement** - loss of faith in traditional elites (landowners and scholars), **modern nationalism**, populism, **radical politics**, new culture – literature in simple Chinese



May Fourth Movement

- Desire to fulfill the promise of the Republic
- **> injection of new energy and momentum into the KMT**

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- **Intellectual habitat in which the CCP was founded**

The Chinese Communist Party

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- **Theory of two revolutions**
- „**1911 was the first revolution**, the Kuomintang is the party of the Chinese bourgeoisie“
- „**We must help the Kuomintang to develop capitalism first**“
- = Soviet advice + opinion of Chinese orthodox Marxists

Maoism

- Mao Zedong (*1893) – unorthodox theory

新華叢書第一十種

新華日報館印行

毛澤東著



抗日游擊戰爭的戰略問題

Maoism

- Mao Zedong (*1893) – unorthodox theory
- > the Party **should organize peasants** instead of urban workers

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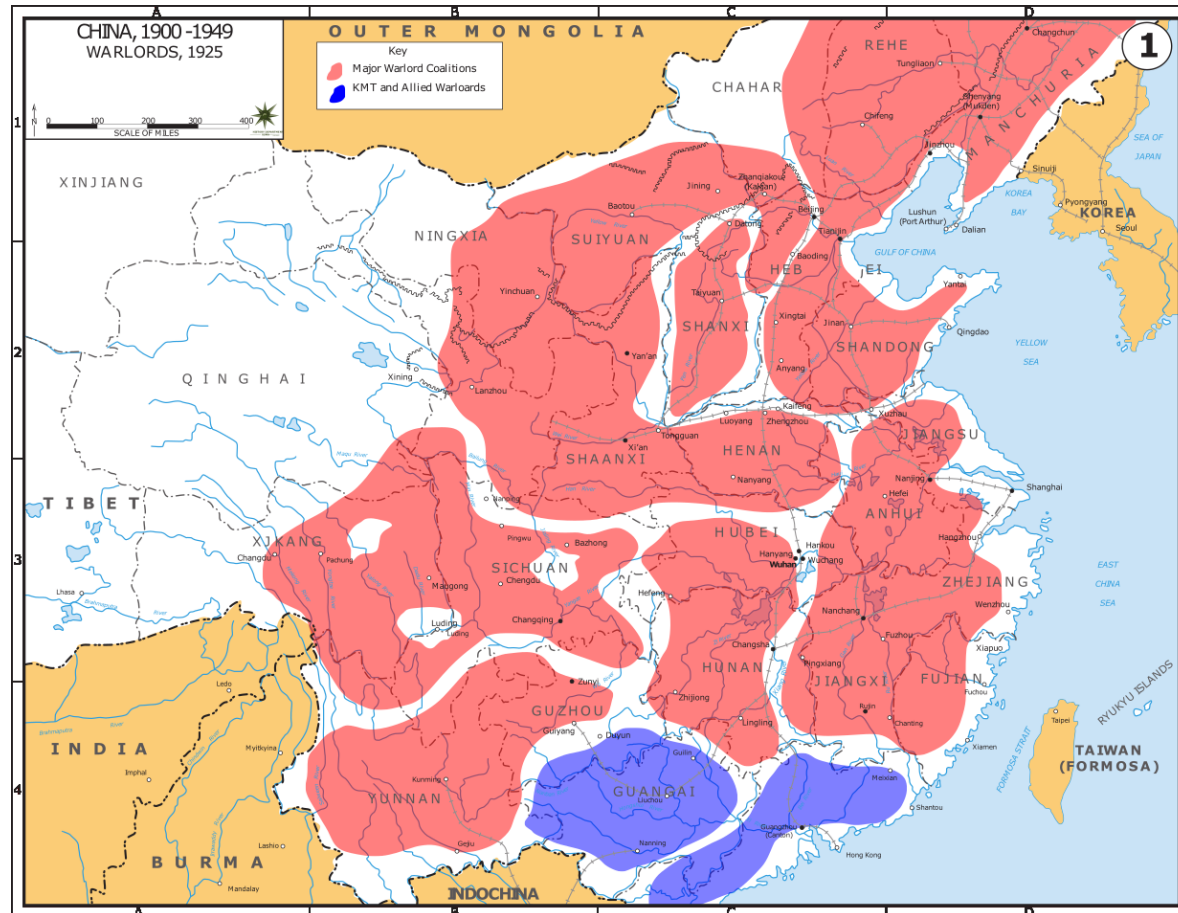
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- > the Party **should organize peasants** instead of urban workers
- > **a prolonged rural guerilla war against landlords and the KMT**
- = „Maoism“
- At first seen as a fringe position

- Marx – **short** mass revolution by **workers** – who are the **majority**
- Lenin – **short** armed insurrection by **workers**, who are a **minority**
- Mao – **long** armed insurrection by **peasants**, who are the **majority**

The Chinese Communist Party

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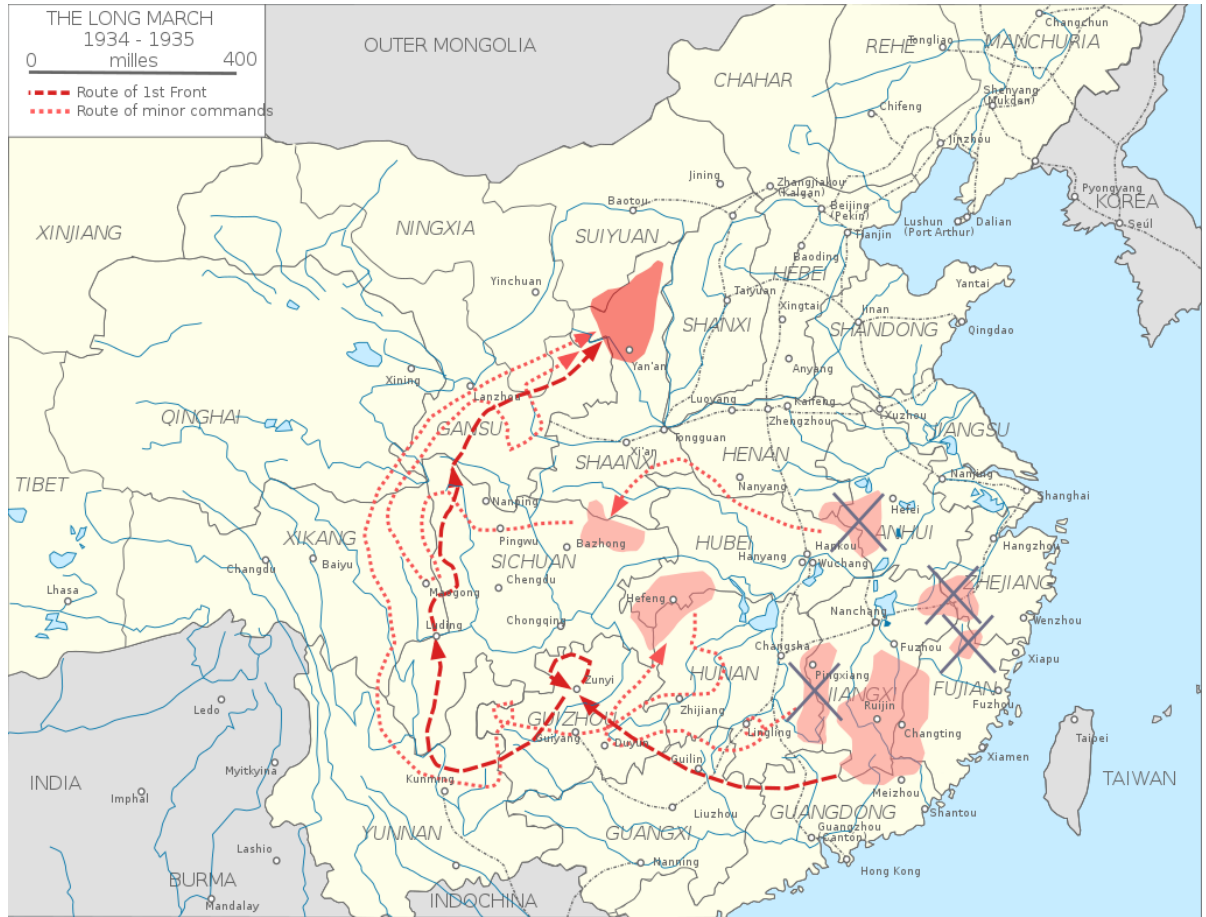
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The Chinese Communist Party

- CCP – compliant at first, the KMT turned against them after the Northern Expedition (1927) > **white terror against Communists**
- > **Mao's position vindicated**
- > a rural guerilla is actually **necessary** – cities (with workers) are controlled by the KMT

The Chinese Communist Party

- **Long March (1934-1935) > to the north of China where the KMT was less powerful**







The Chinese Communist Party

- **Long March (1934-1935) > to the north of China where the KMT was less powerful**
- Most leaders of the CCP died during the KMT crackdown, or during the march
- > Mao emerged as the **undisputed leader**

WWII

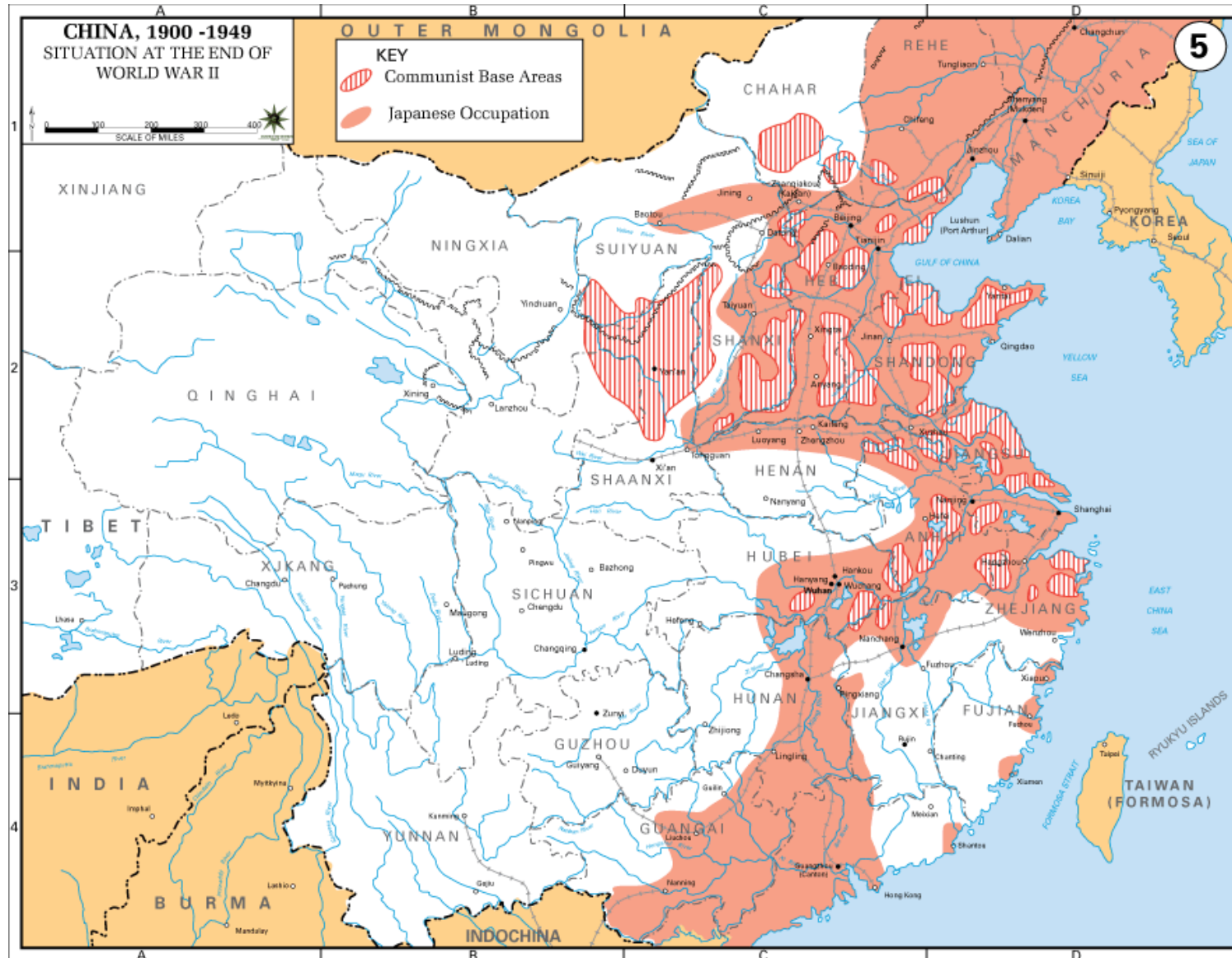
- Communists **patiently built their movement**, avoided major battles with the Japanese

WWII

- Communists **patiently built their movement**, avoided major battles with the Japanese
- „Long struggle“ – „It is **necessary to preserve our strength** for the final showdown against the Nationalists“
- > this will be the fight that really matters

WWII

- Seat of the party – Yan'an – far away from any danger



WWII

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- = **blueprint for future purges**

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- = confession of one's mistakes during combative sessions > opponents driven to suicide

Communist victory

- **1946-1949 – Civil war – communist victory** over the exhausted, overextended and corrupt KMT in 1949







XINHUANET

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- Communist promises
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- Brutal **exploitation of peasants** > poverty and resentment
- KMT – allied itself with the landlords



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- > „blank slate“ > **start of a successful capitalist development!**

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- **CCP will thus finish what was started in 1911, Mao is the true heir of Sun Yat Sen!**



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- = **fulfillment of the dream of the republic from 1918!** ✓

First years of the PRC - 1949-1953

- **Massacre of landlords** > circa 2 million victims

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- Recovery from all the wars, participation in Korea > **the CCP was not strong enough to control all of the economy**

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- **Full nationalization of industry, collective farming**







互助代耕多打粮 军属生活过得强

力耕堂

湖南人民出版社 一九五二年出版

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- **Anti-Rightist Campaign** – another purge; **full one-party state**; led by Deng Xiaoping!

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- **Small industrialization** carried out by these village communes

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乘風破浪 各顯神通



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1955.10.10

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- People fulfilled their quotas by **melting down tools and reforging them** into useless, low-quality iron

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- Biggest famine in China's history – **30 million deaths**

„Great Leap Forward“ (1958-1962)

- The program had to be called off in 1962

„Agriculture first“ (1962-1966)

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- Less ideology, more management
- Material rewards

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- **Basic economic model until 1978**

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- > opaque system, **it is difficult to say who is in charge of what**

Cultural Revolution (1966-1976)

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- Abroad – deconstruction of Stalin's cult of personality, more „boring“ and less bloody rule in the USSR

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- Officially: **attempt to prevent the Communist party from becoming a new elite** – permanent revolution

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- „**Self-criticism**“ – public humiliation and torture





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- **1968 – the army had to move in to rein in the Red Brigades**

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- Mao's final years (1970-76) – **the situation slowly calmed down**

- “Had Mao died in 1956, his achievements would have been immortal. Had he died in 1966, he would still have been a great man but flawed. But he died in **1976**. Alas, what can one say?”

Mao's final years

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- „Gang of Four“ – blamed for the excesses of the Cultural Revolution so that Mao himself could be absolved of all responsibility

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- Growth from a very low starting point + ability to mobilize and direct resources > some basic industrialization
- Great power status abroad
- But, obviously, also famine and death, trauma, destruction of institutions...

- Next time – **economic reforms after 1978**