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Neoliberalism and China

Neoliberalizm ve Çin

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ABSTRACT

China recorded a remarkable economic performance since the reform period began at the end of the 1970s. Consequently, this reform experience attracted the attention of the whole world and different academic explanations of the process have emerged. In response to the approach which views China's new system as an alternative to neoliberalism, this paper puts emphasis on the role of the Chinese state in implementing neoliberal policies during the reform period, transforming social relations and sustaining problems of poverty and different types of inequalities. Discussing whether China would be seen as an alternative to neoliberalism also necessitates to overview the discussions on neoliberalism which has been presented to have no alternative. Within this perspective, the purpose of this paper is to explain that China's economic and social transformation since the beginning of the 1980s has not been an alternative to the neoliberal system.

Anahtar Kelimeler: Neoliberalism, China's Reform Period, China State, Poverty, Inequalities.

ÖZ

1970'lerin sonunda reform dönemi başladığından beri, Çin çarpıcı bir ekonomik performans kaydetmiştir. Sonuç olarak, bu reform tecrübesi bütün dünyanın ilgisini çekmiştir ve bu süreçle ilgili farklı akademik açıklamalar ortaya konulmuştur. Çin'in yeni sisteminin neoliberalizme bir alternatif teşkil ettiği yaklaşımına karşılık, bu yazı Çin devletinin reform döneminde neoliberal politikalar uygulamasındaki rolü, dönüşen toplumsal ilişkiler, devam eden yoksulluk ve farklı türlerdeki eşitsizlik problemleri üzerine vurgu yapmaktadır. Çin'in neoliberalizme alternatif olması konusu üzerine tartışmak, alternatifi olmadığı iddia edilen neoliberalizme ilişkin tartışmaları da gözden geçirmeyi gerekli kılmaktadır. Bu çerçevede, makalenin amacı Çin'in 1980'lerin başından itibaren geçirdiği ekonomik ve toplumsal dönüşümün neoliberal sisteme alternatif oluşturmadığını açıklamaktır.

Keywords: Neoliberalizm, Çin Reform Dönemi, Çin Devleti, Yoksulluk, Eşitsizlikler.

1. Introduction

China has recorded an impressive economic performance since its reform period began at the end of the 1970s. China's economic growth rate reached double digits in some of the years and the economy integrated to the global economy immediately through increasing trade volume and foreign direct investment intake. Consequently, China received the lowest damage from the Asian crisis in 1997 and the global financial crisis in 2008. This is why China's reform experience have attracted academic interest in addition to the attention of the international, or better to say global community in which China found a good position as a consequence of its economic success. Since the beginning of the reforms, China has regained regional and global economic and political power which was lost after the two Opium Wars which took place between 1839-1842 and 1856-1860.

This paper focuses on the discussion whether it is possible to view China's economic system which has been established during the reform period as an alternative to neoliberalism. This focus also necessitates to concentrate on the discussion on what neoliberalism is. In order to achieve these targets, how China is viewed as an alternative to neoliberalism is explained in the second section. Third

section discusses what neoliberalism is and what kind of a transformation it has experienced. The fourth section discusses, by taking the help of the third section, that China has already adopted the neoliberal development path.

2. China: Alternative to Neoliberalism?

Whether it is approved or not, the general view is that neoliberal policies have become dominant in China as a consequence of the reforms especially since the mid-1990s. While neoliberal comments have been on the way supporting China's move to neoliberal policies, some analysts point out several economic and social problems which would have risen as a consequence of the reforms (cf. Hart-Landsberg and Burkett 2005, Harvey 2007). For instance, measures to encourage FDI which have increased inequalities and state enterprise reform, though based on a gradual privatization policy have caused a number of imbalances in the Chinese economy. Large current account surpluses, high level of investment giving rise to high demand for energy and raw materials, low consumption level caused by low incomes and low government spending, increasing unemployment and inequalities are among these problems (cf. Li 2008, Piovani and Li 2011). On the other side, China's reform policies are viewed as an alternative to neoliberal policies by some others and within this perspective it is thought that China's commitment to socialism sustains (cf. Li 2011, Amin 2013). This explanation of China's reform experience is generally related to some leading world-systems theorists. Through the historical analysis of the international division of labor, which divides the world into camps with a hegemon, this approach mainly emphasizes that China's economic development since the end of the 1970s has changed the balances of the world order.

In *Adam Smith in Beijing: Lineages of the Twenty-First Century* (2009), Giovanni Arrighi presents an analysis of international conditions China has faced both before and during the reform period. Arrighi's analysis is based on two main arguments. First, the Chinese economy has turned out to be a market economy rather than a capitalist economy as Arrighi asserts. Second, China historically has never had imperialist tendencies according to Arrighi, and he relates this fact to a prediction that the world would be peaceful if China becomes the next hegemon of the world. These two arguments have their roots in Fernand Braudel's *Civilization and Capitalism, 15th-18th Century* (1992). In this book, Braudel indicates the distinction between market economy and capitalism through a detailed historical

analysis on capitalism and presents China as the best example of a market economy opposing a capitalist economy (Braudel, 1992: 600). Building on the two arguments, Arrighi puts the emphasis on the possibility that China becomes the hegemon of the world after the US as his analysis indicates that power of the US has been declining steadily while China's has risen (Arrighi, 2007: 277-389).

Adam Smith in Beijing has obviously the merit of presenting a detailed historical analysis of the international economic and political power relations and locating China in these relations, in which China has regained a significant position. On the other hand, it is important to mention that there have been a number of criticisms on this book. First of all, Arrighi's analysis includes no comments on China's internal conditions, he actually says nothing about the reforms, the political system, the economy, the society or the relations among these (Pradella, 2010: 91-99). Consequently, what he means by market economy is not clear. In this regard, Arrighi uses any characteristics of China such as labor power only in the manner that it plays a role in integration to global capitalism (Christiansen, 2010: 114).

Samir Amin who also provided a world-systems approach in explaining China's reform process through sharing Arrighi's main assumptions, did not follow him in the sense of ignoring the internal conditions of China (cf. Amin, 2013). Amin (2013) states that China has followed an anti-capitalist path since the beginning of the 1950s, even during the reform period and hence it is a specific example in the global capitalist world. Within this perspective, China's economic success during the reform period has been the result of "a process of 'governing the market' by a set of structural-institutional factors that are China-specific, but can be of general importance for late developing countries" (Lo and Zhang, 2010: 166-167). The Chinese leadership recognized undesirable consequences of neoliberal policies and responded with a fundamental policy reversal of welfare packages and financial controls (Lo and Zhang, 2010: 171). Consequently, China's economic success in the reform period cannot be related to neoliberalism, rather it would be seen as a good alternative model of late development (Lo and Zhang, 2010: 174). Within the debate of the Beijing Consensus versus the Washington Consensus, Huang (2010) also offers a similar argumentation as explained below.

In line with the official discourse of the Chinese leadership, such an approach explains the rising capitalist relations in China during the reform period as a stage of

building socialism. It is true that the Chinese economy has integrated to the global economy through the *open-door* policy and privatization which has entered the reform agenda to a limited extent, it is pointed out that large state owned enterprises (SOEs) have not been privatized and shock therapy strategy has not been adopted in financial liberalization. According to this approach, China has managed to control the coincidence with neoliberalism and global capitalist economy. During the reform process foreign capital has not been dominant in the Chinese economy and consequently China's economic success cannot be attributed to foreign capital (Amin, 2013: 19-24). Within this perspective, it is accepted that Chinese labor have suffered from the process of integration to the global economy; however it is thought that the Chinese state has worked hard for improving the conditions of the Chinese workers (Lo and Zhang, 2010: 171-172). It is actually difficult to claim that this perspective has the merit of explaining the transformation of Chinese class relations since the reform period began, and hence the analysis adds only a little to Arrighi's which fully ignored China's internal conditions.

The analysis which also presents China as an alternative to the West and also focuses on the new position of China in the global order, while does not ignore the internal conditions is the so-called "Beijing Consensus". According to the Beijing Consensus, situating China's experience at the opposite of the Washington Consensus, Chinese economic development which has been moved to a more "coordinated" path as a consequence of the reforms, has been based on innovations in different aspects. In this manner, "it turns traditional ideas like privatization and free trade on their heads" and consequently within this perspective China which has been embedded to the global order turned out to be a problem for the West (Ramo, 2004: 4, 21, 55). In addition to these, one of the discussion points on viewing China as an alternative has been whether China's system after the reforms represents the model of developmental state (Horesh and Lim, 2017: 431). In order to understand whether China would be seen as an alternative to neoliberalism, it is appropriate to overview the discussions on neoliberalism.

3. Is There an Alternative to Neoliberalism?

3.1. What is neoliberalism?

It is obviously difficult to present one definition of neoliberalism, and hence neoliberalism and its impacts have been one of the striking discussion topics.

Theoretical foundations of neoliberalism are related to neoclassical economics, to be found especially in the thought developed by Frederick August von Hayek. On the other hand, there have been plenty of authors who have been skeptical on whether neoliberalism is really based on any theory. In this regard, the literature which is critical on neoliberalism has concentrated on the distinction between theory and neoliberal practices. It is important to emphasize that the relation between neoliberalism and state have had significance within these discussions. In general, it is discussed that neoliberalism requires pulling back the state from the economy in line with Hayek's expectations. On the other hand, another striking discussion point has been the transformation of the state by neoliberalism, rather than its retreat (c.f. Munck, 2005: 63). Since the beginning of the 1980s, what neoliberalism is and whether there has been an alternative to it have been critical questions. As a consequence of the discussions, it may be easier to indicate what neoliberalism is not. Neoliberalism is not a scientific discipline, while it cannot also be labeled as an ideology with its assertion of being based on modern liberal theory (Clarke, 2005: 58).

To envisage an alternative to neoliberalism it is essential to understand it in all its complexity. Neoliberalism is not just a set of economic policies, or even an ideology, as focused on by its critics, but much more a strategy for governance of the complex global world we now live in.¹

Within such perspective, neoliberalism is defined as a global political project which has been set up at the end of the 1970s and the beginning of the 1980s in order to ensure sustainability of capitalism in response to one of its cyclical crisis which indicated itself with the deficiencies of the Keynesian capital accumulation regime. It is important to point out that countries have had different experiences of neoliberalism as a consequence of their different political, economic, social, geographical...etc. characteristics, and mainly their historically-determined conditions. This fact is evidently one of the challenges in defining and understanding neoliberalism. It is especially difficult to provide a theoretical definition of neoliberalism, since it is not a mode of production although it represents some common characteristics across countries (Saad-Filho and Johnston, 2005: 1).

¹ Munck, R., "Neoliberalism and Politics, and the Politics of Neoliberalism", in *Neoliberalism, A Critical Reader* edited by Alfredo Saad-Filho and Deborah Johnston, Pluto Press, London, 2005, p.68

Neoliberalism represented the end of Keynesian ideology and welfare national state which had been dominant in the post-war era (Radice, 2005: 96, Jessop, 2002: 58-61). According to Jessop (2002), *Keynesian Welfare National State (KWNS)* had four general characteristics. First of all, Keynesian economy was based on the policies of full employment and demand-side management in order to ensure functioning of markets. Second, the citizens of the KWNS were granted social and economic rights which were known as welfare rights. Third, one of the most important characteristics of the KWNS was that it was a nation state with its national territory. Finally, the KWNS was dominant in its relations with both economy and society. In addition to sustaining mixed economy, the state had the responsibility of correcting market failures. On the side of state-society relations, the state presented a dominant role in its relations with the civil society organizations (Jessop, 2002: 58-61).

At the end of the 1970s and at the beginning of the 1980s, the KWNS experienced a crisis which had economic, social and political causes (Jessop, 2002: 80). In this regard, neoliberalism is seen as the next phase or a stage of capitalism, and thus it would be meaningful to search for how to distinguish it from the other phases or stages in order to have a better understanding of it. Although each country has different experiences of neoliberalism, there is a common characteristic of neoliberal practices in different countries in the manner of using the state to ensure functioning of the markets and realizing the global neoliberal project. This fact has been observed although putting an end to state intervention is presented as a must within the neoliberal discourse (Saad-Filho and Johnston, 2005: 3).

Neoliberalism is the contemporary form of capitalism, and it is based on the systematic use of state power to impose, under the veil of 'non-intervention', a hegemonic project of recomposition of the rule of capital in most areas of social life.²

One of the main targets of the neoliberal project has been solving the problem of economic backwardness of the developing countries through strict macroeconomic management as presented with the policies and programs offered by international financial institutions (IFIs). It is known that the International Monetary Fund (IMF) and the World Bank (WB) enforced the developing countries to realize

² Saad-Filho, A., Yalman, G.L., "Introduction" in *Economic Transitions to Neoliberalism in Middle-income Countries-Policy Dilemmas, Economic Crises, Forms of Resistance*, Routledge, London and New York, 2010, p.1

the targets of promoting faster economic growth, reducing inflation and managing the other macroeconomic indicators through structural adjustment programs especially during the 1990s. The main purpose of these programs was integrating these countries into the global neoliberal hegemonic project (Saad-Filho and Yalman, 2010: 2).

3.2. From Washington Consensus to Post-Washington Consensus

Until the mid-1990s, neoliberalism found its expression in “Washington Consensus” which is mainly based on the neoclassical contradiction of “state versus market” and presented the state to be inefficient in economic development process. In this sense, the neoliberal emphasis was mainly put on the minimization of state intervention in the economy (Pender, 2001: 399). Within the perspective of Washington Consensus, imperfect markets are superior to imperfect states; because state is composed of an interest group full of politicians and bureaucrats seeking for the maximization of their personal interests. “Getting the prices right” without state intervention and “through trade liberalization, privatization and reduced public spending, freeing key relative prices such as interest rates and exchange rates and lifting exchange controls” (Öniş and Şenses, 2004: 264). Consequently, functions of the state were limited to three which are “defence against foreign aggression, provision of legal and economic infrastructure for the functioning of markets, and mediation between social groups in order to preserve and expand market relations” (Saad-Filho, 2005: 114).

In addition to the neoclassical premise of the “efficient market versus the inefficient state”, neoliberalism also puts emphasis on the necessity of foreign capital attraction and enlarging foreign trade volume as the most important factors of economic growth. Interest rates are also important, as they coordinate most of the other macroeconomic variables in the way of ensuring economic growth. Free market prices are also emphasized as they provide “correct” incentives to the economic agents. Also, Washington Consensus outlines the set of policies used by neoliberalism in order to achieve its targets, such as privatization, deregulation, tight fiscal and monetary policies, devaluation, trade liberalization, capital account liberalization, liberalization of domestic financial system and flexibilization of labor market. It is obvious that the common goal of all these policies are reducing the role of the state in the economy (Saad-Filho, 2005: 113-114). In addition to these,

neoliberalism has served global competition and increasing competitiveness as being compulsory for ensuring economic growth and its sustainability.³ Most importantly, neoliberalism, with all its policies, has been presented to the developing world under the principle of “there is no alternative” of neoliberalism. This notion is also based on the conviction that the costs of labor have to be decreased and the labor market is deregulated in order to ensure global competitiveness. Capitalists through high profit potentialities and low taxes are able to perform such policies. In line with these, the scenario of “there is no alternative” is completed with decreasing welfare spending and accelerating privatization (Radice, 2005: 96-97).

Although one of its purposes has been presented to ensure the withdrawal of the state from the economy, it is seen that neoliberalism assigns an important role to the state in practice. On the other hand, it is obvious that neoliberalism envisages a different role to the state when compared to the Keynesian welfare state. As stated above, neoliberalism has transformed the role of the state in the economy rather than eliminating it. At the beginning of the neoliberal era, the state was seen as the source of inefficiency in contrast to the efficiency of markets, and hence was expected to avoid intervening the economy on the contrary to most important premises of welfare state. On the other hand, the *inefficient* and *non-intervening* state continued to hold the important responsibility of making the economic, social and political spheres suitable for properly functioning markets. Thus, it is impossible to claim that neoliberalism has achieved to exclude the state from the economy as it envisaged theoretically.

This part of neoliberal assumptions related to non-intervention of the state was eased since the mid-1990s. The change in one of the golden rules of neoliberalism stemmed from identification of the problems within neoliberalism and its practice. This actually meant that “the Washington consensus is dead, long live the (post)-Washington consensus” (Fine, 2004: 226). At the beginning of the 1990s, criticisms arose regarding Washington Consensus policies and their consequences, even from inside the World Bank. East Asian experience, both the miracle and the crisis,

³ In this regard, Philip Cerny identifies the ‘competition state’ as a model which functions for the promotion of neoliberalism globally, instead of concentrating on national targets (Munck, 2005: 63).

accompanied by the Mexican crisis played a role in the rise of criticisms within neoliberalism (Pender, 2001: 400,402, Cammack, 2004: 197).

Structural adjustment programs did not function, since they did not solve the economic problems of the developing countries, even worsened the conditions in these countries (Saad-Filho, 2005: 117). On the contrary to the macroeconomic targets of these programs, stagnation, inflation, increasing poverty, unemployment and inequalities were observed (Saad-Filho, 2005: 116). In addition to these, financial liberalization policies made the economies of the developing countries highly vulnerable to speculative attacks and financial crisis. Financial systems of these countries were not developed as the systems in capitalist countries and hence needed to be regulated and controlled by the state. IMF's suggestion of not controlling short-term financial flows in response to a financial crisis generally deepened the crisis (Öniş and Şenses, 2005: 268, 271). Within this perspective, it is stated that neoliberalism does not even provide a suitable environment for capital accumulation and consequently threatens its own existence (Saad-Filho and Johnston, 2005:5). Structural adjustment programs did not function, conditionality was not successful any more in enforcing the developing countries to implement most of the specific policies (Ruckert, 2006: 45).

Post-Washington Consensus was mainly outlined by Joseph Stiglitz who was the chief economist of the World Bank at the end of the 1990s. Stiglitz was deeply critical of the Washington Consensus, especially because of his observations regarding the East Asian experience. Within this perspective, Post-Washington Consensus mainly puts emphasis on the partnership and cooperation between the governments of developing countries, the IFIs and civil society organizations on the issues of economic development. In this regard, an approach which is against the enforcement of the structural adjustment programs by the IFIs has emerged (Ruckert, 2006: 36).

Post-Washington Consensus assigns an active role to the developing countries to shape their future on the contrary to the exclusive character of the Washington Consensus (Ruckert, 2006: 45). In this regard, the World Bank has invented the concepts of partnership, cooperation and ownership; because taking some support of the national governments was necessary. Also, these concepts have served for making the developing countries feel like they are involving the process so that

criticisms which have risen as a consequence of structural adjustment programs would be avoided (Ruckert, 2006: 60).

Post-Washington Consensus certainly prioritizes liberalization; while it distincts itself from the Washington Consensus through the recognition of the complementary role of the state in the process of development. In this sense, it is accepted that the market may also have failures which would be corrected by state intervention (Cammack, 2004: 191). State is the partner and the supporter of private capital through ensuring macroeconomic stability (Cammack, 2004: 197). On the other hand, state effectiveness would be increased through using market-like mechanisms in addition to changing the role of institutions in the development process (Öniş and Şenses, 2004: 275-276).

GDP growth was the fundamental indicator of development according to the Washington Consensus (Pender, 2001: 398). Within the perspective of the Post-Washington Consensus, economic growth has lost the primacy. Consequently, it is observed that the World Bank has begun to give priority to a number of some noneconomic objectives such as sustainability, equality and democracy and it is expected that economic growth plays a role in reaching these objectives. In other words, a new understanding of development has risen, which is not identified only by increasing economic growth and per capita income (Pender, 2001: 404). Within this perspective, the Post-Washington Consensus envisages increasing living standards, provision of better health and education services in addition to the improvement of macroeconomic indicators as expected by the Washington Consensus. According to Stiglitz, Post-Washington Consensus puts the emphasis in equitable and democratic development (Stiglitz, 1998: 30).

In line with this shift, James Wolfensohn, who served as the President of the World Bank between 1995 and 2005, declared that the Bank should “consider the financial, the institutional, and the social, together” while emphasizing that the latter had been neglected by concentrating overly on the economics. (Cammack, 2004: 200-201, Pender, 2001: 407). This was actually a step of developing “inclusive neoliberalism” through the inclusion of the actors who were excluded by the Washington Consensus, while this was also an attempt to solve the legitimacy problems of neoliberalism (Ruckert, 2006: 37). On the other hand, it is important to point out that the IFIs will continue to make the final decision regarding the policy options under the *new* perspective of the Post-Washington Consensus (Ruckert,

2006: 48). As a consequence of this process, the IFIs, especially the World Bank turned out to be the “monopoly of the development knowledge” as a hegemonic discourse (Cammack, 2004: 190, 196-197). Thus, the World Bank’s emphasis on the role of state partnership in poverty reduction or in some other issue related to development, has served for the creation of a consensus for its strategy “whose parameters have been defined by the IFIs before participation even begins.”⁴ It is also important to mention that IFIs, especially the World Bank, expect that the countries establish transparent and accountable institutions while this condition is not realized by the IFIs (Öniş and Şenses, 2005: 285).

Washington Consensus was based on the imposition of a very particular development model provided by the IFIs, which deprived the developing countries from searching for their own models (Pender, 2001: 399). On the contrary to its discourse, it is not possible to expect that the Post-Washington Consensus has given these countries such a chance fully. Also, it would be misleading to claim that the emphasis of the Post-Washington Consensus on the role of the state in the development process makes it totally different from the Washington Consensus. Both the Washington Consensus and the Post-Washington Consensus are based on the systematic use of state power in order to realize the neoliberal project. In other words, neoliberalism is not able to function without taking the help of the neoliberal state. The state and its relations with economy and society have been transformed by neoliberal policies since the beginning of the 1980s. Post-Washington Consensus especially puts the emphasis on the role of the state as complementary to the market in building human capital and transferring technology. Within this perspective, it is also pointed out that some of the low-income countries have weak states and weak markets; while it is possible to strengthen both. In this regard, it is possible to regulate the states through the usage of market and market-like mechanisms (Stiglitz, 1998: 27-30).

Related to the emphasis of the World Bank on the accumulation of human capital as one of the most important themes of the Post-Washington Consensus, the Bank concentrated on poverty reduction since the mid-1990s and declared its poverty reduction strategy (PRS). In this regard, the World Bank has also put emphasis on

⁴ Ruckert, A. (2006) “Towards an Inclusive-Neoliberal Regime of Development: From the Washington to the Post-Washington Consensus”, *Labour, Capital and Society*, Vol. 39, No.1, p.61

education as the most important factor of human capital accumulation (Cammack, 2004: 193). These new efforts have not been viewed to stem from altruistic concerns; but from the understanding that the presence of the poor damages the functioning of the neoliberal project (Ruckert, 2006: 41-42, Hart-Landsberg and Burkett, 2005:1). The poor are preferred to be integrated to the neoliberal system globally through proletarianisation (Cammack, 2004: 190). Consequently, the new emphasis on poverty reduction has not decreased the criticisms on the IFIs. Such a deep concentration in reducing poverty has been viewed as a new way to enlarge neoliberal policies in a global scale. Hence the Post-Washington Consensus has not overcome the limitations of the Washington Consensus, especially in the manner of examining power relations within and between nation states. (Öniş and Şenses, 2004: 284-286).

The PWC represents a response by the dominant establishment to the deficiencies of the neoliberal agenda and an attempt by them to overcome such deficiencies through a set of reforms that takes the existing structures of power as given. This may be justified in the short term, on the grounds of what is practical and feasible in terms of improving economic performance. But in the long run, such reforms may represent a partial and insufficient response, given the scale and depth of the problems involved, which include increased unemployment, poverty and inequality at the global level.⁵

Hence, there is not a considerable distinction between the Washington Consensus and the Post-Washington Consensus regarding the issue of poverty reduction as well as the issue of state intervention. This is the fact although the latter puts emphasis on assigning some roles to the governments such as supplying services of education and health as well as poverty reduction strategy (Hayami, 2003: 57). Consequences of the World Bank's poverty reduction strategy have also been questioned. As profit maximization logic of the market which is shared by the two consensuses is not fully compatible with the target of poverty reduction, the governments of the developing countries are expected to subsidize the poor in order to ensure that they would take part in the market activities. Hence, it is important to mention that "the neoliberal logic of commodification and market colonization of all aspects of social life" of the Washington Consensus has continued under the Post-Washington Consensus (Ruckert, 2006: 50-59). In other words, poverty reduction target of the World Bank is the target of ensuring "proletarianisation, and

⁵ Öniş, Z., Şenses, F., "Rethinking the Emerging Post-Washington Consensus", *Development and Change*, Vol.36, No.2, 2005, p.285

global competition between workers, as part of a larger transformation of social relations around the world”.⁶

The emphasis in poverty reduction and the efforts of the inclusion of states and NGOs in the process of economic development would be explained with the purpose of making neoliberalism truly hegemonic (Cammack, 2004: 190, Ruckert, 2006: 36-38). In addition to these, it is important to mention that the Post-Washington Consensus shares the same weaknesses with the Washington Consensus and reinforces the notion of “there is no alternative”. Consequently, “the two consensuses are, in effect, two branches of the neoliberal onslaught in development economics and policy.” (Saad-Filho, 2005: 118). As a conclusion, the Post-Washington Consensus does not represent a real shift from the Washington Consensus. In this regard, this so-called shift would actually be explained by a Turkish saying: “to show the ear from the opposite direction”.

4. China: The Follower of Neoliberalism

In addition to its economic success, China’s reform experience has also gained importance within the discussions on neoliberalism. As mentioned above, neoliberalism has been presented to have no alternative. On the other hand, there have been authors viewing China’s system as an alternative to neoliberalism. On the other side stand the ones who assert that China, since its reform period began at the end of the 1970s, has adopted neoliberal policies which were part of a dominantly rising global political and economic project. Within this perspective, China would not be seen as an alternative to neoliberalism; because it became open to the effects of neoliberalism at the beginning of the reform process as a consequence of opening up its economy.

In explaining the close relation between China’s reform experience and neoliberalism, there are several points to be mentioned. First of all, understanding the role of the Chinese state in the reform period is important in explaining the process. As mentioned above, neoliberalism has evidently or not, but deliberately assigned some roles to the states in neoliberal development model. It is possible to claim that the Chinese state has had even more specific role in the reform period as a consequence of its historical conditions. In this sense, Chinese state would be one

⁶ Cammack, P., “What the World Bank Means by Poverty Reduction, and Why it Matters”, *New Political Economy*, Vol.9, No.2, 2004, p.206

of the good examples of taking an active role in implementing neoliberal development project, having national, regional and global consequences.

If we summarize the process in a simple, if incomplete, fashion, one can say that Chinese society, under the continued form of the state power structure, promoted the radical adoption of the market principle. Moreover, under the guidance of this state policy, China became an active participant in the global economic system. The two traits of continuity and radicalization were characteristic of Chinese neoliberalism.⁷

Putting the emphasis on the role of the Chinese state in the reform process would not mean to point out a statist explanation which views the Chinese state as the only actor in the process. Rather, the consequences of the process would be explained by a number of facts and factors related to the reforms. For instance, sustaining state ownership in the Chinese economy despite the State Owned Enterprise (SOE) reform would be seen as one of the good indicators of the state's role. This process not only brought dual ownership structure, but has also meant that SOEs have been supported by the state through subsidies (Von Roda, 2010:1). Sustaining state ownership is also explained by the statist theoretical approach as a factor indicating state capacity and even increasing this capacity. As mentioned above, some of the authors have presented sustaining state ownership in the Chinese industry as evidence that China is an alternative to neoliberalism. From another perspective which is exactly on the contrary to the official discourse of the Chinese leadership, the specific role of the Chinese state is one of the characteristics of China's reform experience which fits to the neoliberal project. This transformation has been related to the great adaptation capability of the Chinese Communist Party as mentioned by David Shambaugh, though not in line with his intention (Shambaugh, 2008: 4-5).⁸

Another indicator of the fact that China has followed a neoliberal path during the reform period is the transformation of social relations especially at the cost of labor as a consequence of the integration to the global capital accumulation process. Within this perspective, the SOE reform has transformed the Chinese enterprise system through restructuring the SOEs by increasing market-oriented incentives, while sustaining state intervention. In this regard, it would be incorrect to claim that the Chinese economy has not been based on capitalist principles in line with the

⁷ Hui, W., "The Historical Origin of Chinese "Neoliberalism", *The Chinese Economy*, vol. 36, no. 4, July–August 2003, 2004, p.3.

⁸ Shambaugh appreciates this capability of the CCP in terms of strengthening the regime in China.

discourse of the Chinese rulers, by putting emphasis on sustaining state intervention (Hart-Landsberg and Burkett, 2006: 86-87). The transformation of the social relations in this sense have indicated that China has followed the neoliberal path and especially the deteriorated living conditions of the majority of the Chinese working people is seen as a proof of this fact (Hart-Landsberg and Burkett, 2006: 65). In addition, reforms have put pressure on the conditions of not only Chinese workers, but also all the workers around the globe (cf. Hart-Landsberg and Burkett 2005, Harvey 2007, Li 2008, Piovani and Li 2011). There is obviously an opposition to all of these arguments, which have been mainly based on the expectation that a neoliberal system would always require full privatization giving rise to “getting prices right” in all the markets.

In sum, neoliberalism became relevant as China’s planned economy entered into a deep crisis and the Chinese leadership reoriented its horizons from revolution towards economic development and integration into the global economy. While powerful forces continue to push for a neoliberal agenda, so far China has not fully embraced this path. The communist party and the state maintain a visible hand that not only seeks to provide the conditions for a smooth play of the invisible hand, but that consciously and actively shapes China’s economic development.⁹

It is true that the Chinese state and China’s SOE reform has played an important role in the creation of giant SOEs and collectives which have been increasingly competitive in the global markets. On the other hand, this fact would not be seen as China’s inability to adopt neoliberalism fully as Weber (2018) states. China’s SOEs act like private enterprises in both domestic markets and global markets. In this regard, lack of emphasis on privatization policy especially at the beginning of the reform period does not put China in a position against neoliberalism.

When privatization appeared in China’s reform agenda in the mid- 1990s, it was observed that the Chinese state preferred to privatize, close or merge the small-scale and inefficient SOEs which could not increase profitability and productivity (Meisner, 1999: 465). This strategy was obviously contrary to the policies of the other developing countries which had privatized first of all large-scale and efficient

⁹ Weber, I., “China and Neoliberalism: Moving Beyond the China Is/Is Not Neoliberal Dichotomy”, *The SAGE Handbook of Neoliberalism*, ed. Damien Cahill, Melinda Cooper, Martijn Konings, David Primrose, London: SAGE Publications Ltd, 2018, pp. 219-233.

SOEs. China's strategy was based on increasing the competitive power of its strong SOEs in the global markets.

China's examination with poverty and different types of inequalities despite its good performance on macroeconomic indicators would also be seen as another indicator of its neoliberal transformation. Although average life standards of Chinese people have been increased considerably since the beginning of the reform period began, it is not possible to claim that the problems of poverty and inequality have been solved. This fact has had a close relation with adoption of neoliberal policies. The gradual character of the reforms, giving rise to a dual character to the economy combining "plan" and "market", even deepened the problems of poverty and inequality.

With the prerequisite of state policy and politics, neoliberalism cannot use the mythology of "transition" to mask unemployment, loss of social protection, increases in poverty, and mounting social disintegration. The idea of "transition" is the key and clear prerequisite in discussions on contemporary Chinese society, the necessary link between the actual state of inequality and the final ideal. It does not therefore make sense to refuse to recognize the hegemonic status of neoliberalism because of the existence of state intervention.¹⁰

At the beginning of the reform period, though the Chinese leadership put efforts on decreasing poverty, the strategy was achieving economic growth at the expense of increasing inequalities. This fact was correct for at least income inequality, regional inequalities and urban-rural disparity which were at minimum levels during the pre-reform period. Since the beginning of the reform period, income inequality has been considerably increasing in China. China's gini index which was 0.309 in 1981 (Ravallion and Chen, 2007) increased steadily to 0.465 in 2019 (Statista, 2021). In addition to increasing income inequality, policies which were adopted for the development of Eastern region at the expense of Western region and Central region have deepened regional inequalities in China (cf. Ataçay, 2019). Similarly, urban areas were given priority (cf. Ataçay, 2020). The strategy was as it was officially accepted, initially giving priority to the agents and areas which would have more contribution to the overall development of the economy. In other words,

¹⁰ Hui, W., "The Historical Origin of Chinese "Neoliberalism", *The Chinese Economy*, vol. 36, no. 4, July–August 2003, 2004, p4.

inequalities were ignored in order to increase economic growth, which would not be seen to be in line with the socialist development model.

Corresponding to the shift of neoliberalism to Post-Washington Consensus, the Chinese state began to take measures to solve these problems after the mid-1990s. For China, problems of poverty and inequality turned out to be threatening economic growth sustainability, social stability and political legitimacy (Cai, Wang ve Du, 2002: 197, Li ve Piachaud, 2004: 1, Fan ve Sun, 2008: 1). Consequently, different programs have been started by the Chinese state to solve these problems, which gave rise to some improvement; however could not fully end the problems.

As a conclusion, there are several arguments which would support the view that China is not an alternative of neoliberalism, rather it is one of the followers. Intervention of the Chinese state in the economy would be seen in line with the arguments of the Post-Washington Consensus. Specifically continuing state-ownership in industry through giant SOEs competing in the global markets is in line with this process. SOEs acting like private enterprises have been one of the important factors which have supported China's increasing economic and political power since the beginning of the 1980s. In this regard, inadequate privatization policies would not mean that there is no neoliberalism in China as SOEs act in line with the neoliberal principles. In this process, the Chinese state has also been the partner and the supporter of private capital as Cammack (2004) states for any neoliberal state (cf. Cammack,2004: 191).

In addition, it is not possible to claim that economic and social transformation experienced by China since the beginning of the reform period has been in line with the socialist structure. It is true that China achieved to decrease poverty considerably; however neoliberal understanding of economic development increased different types of inequalities in China, putting pressure on the working class since the beginning of the 1980s.

5. Conclusion

China has recorded remarkable economic growth and integrated to the global economy considerably since the reform period began at the end of the 1970s. This success has attracted the attention of the whole world and gave rise to different academic explanations. The authors headed by Arrighi and Amin focused on how global power relations changed as a consequence of China's increasing power.

Within this perspective which actually has not provided a full analysis of China's changing internal conditions, especially their transformation as a consequence of the reforms, China's system is viewed as an alternative to neoliberalism which is presented to have no alternative.

Neoliberalism is certainly difficult to define; however it is known that it experienced a *kind* of transformation to Post-Washington Consensus especially with the emphasis on the role of the state in economic issues at the end of the 1990s. With the purpose of indicating that China has not been an alternative to neoliberalism, this paper points out the role of the Chinese state in the reform process and the transformation of Chinese social relations as a consequence of the reforms. It also states that the Chinese state began to take part in programs to deal with problems like poverty and inequalities corresponding to the shift within neoliberalism. These are viewed as some of the evidences of the fact that China has become the follower of the neoliberal development path.

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Çatışma beyanı: Makalenin yazarı bu çalışma ile ilgili taraf olabilecek herhangi bir kişi ya da finansal ilişkileri bulunmadığını dolayısıyla herhangi bir çıkar çatışmasının olmadığını beyan eder.

Destek ve teşekkür: Çalışmada herhangi bir kurum ya da kuruluştan destek alınmamıştır.