



State Capitalism, Imperialism and China: Bringing History Back In

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State capitalism is experiencing a great revival as a term to capture the current capitalist constellations, increasingly replacing neoliberalism. Unlike neoliberalism, however, the term state capitalism has a long history reaching back to the age of imperialism in the late 19th century. While state capitalism has been used as a pejorative term by Marxists, liberals and neoliberals alike, it has served as a programmatic label for developmentalist and neomercantilist projects in reaction to imperialism in the periphery. This paper argues that we need to bring the intellectual history of state capitalism into the ‘new state capitalism’ debate. China has played a major role in the revival of state capitalism in the social sciences, but the long history of China’s engagement with state capitalism as a concept and program dating back to the late Qing reformers has been overlooked for the most part. State capitalism is by no means new to China, from Liang Qichao, Sun Yatsen and Mao Zedong to Deng Xiaoping, the idea that China had to create a modern nation state and industrial capitalism in the name of economic progress and to get ahead in the global competition is a recurring theme. What is new is that for the first time the ambition to use state capitalism as a means to catch up with the West is bearing fruits in ways that could undermine the predominance of Western economies.

Keywords: China, State Capitalism, Imperialism, Intellectual History

Introduction

An old term is gaining new currency in the social sciences: state capitalism. It is rapidly becoming a rival to neoliberalism as a favorite umbrella term. Like neoliberalism, it is an amorphous concept that takes on a great variety of meanings and as such serves better to structure discourses than it does as the source of a clear-cut classification of socioeconomic phenomena (Alami and Dixon, 2019). But just like neoliberalism, state capitalism is frequently employed to categorize the totality of a country’s economic system, state-market relations or policy paradigm. As I have argued for neoliberalism (Weber, 2019, 2020), I would argue for state capitalism that while it is virtually impossible to come up with definitive answers to the question whether a country or some aspects of it *is* state capitalist due the amorphous nature of the concept, we can constructively study how these broad, ideologically loaded concepts become relevant in a specific context. Yet, this task is more complicated for state capitalism than it is for neoliberalism.

As the simple Ngram at Figure 1 illustrates, the use of the term “neoliberalism” has experienced an almost exponential growth since the 1980s – when most would date the beginning of the age of neoliberalism – but was hardly employed before. In sharp contrast, “state capitalism” has had many lives since the turn of the 20th century. Importantly, state capitalism as a concept originated from theories of imperialism in Europe, and it has been at the core of intellectual reactions against the intrusion of state capitalist imperialism in the global South. When we ask how state capitalism has become relevant to a certain local context, we have to consider a much longer historical arc than in

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the case of neoliberalism and we need to take its relationship with imperialism seriously. In this short essay, I aim to sketch what this may look like in regard to China, going back to the country's early encounters with imperialism and state capitalism. China's relationship with state capitalism is implicitly or explicitly at the center of the ongoing new state capitalism debate but is for the most part negotiated in an ahistorical fashion. This essay urges to bring history back in. I start from the reformers and revolutionaries of the late Qing and trace the relevance of state capitalism from Mao via the reformers of the 1980s to the global chaos of our present day. Such a short essay can of course only be a starting point to this ambitious endeavor.

State Capitalism and Imperialism

Pundits and scholars with a neoliberal leaning have been key drivers of the recent revival of the term state capitalism. It has served international and domestic commentators to distinguish the allegedly degenerate forms of capitalism in China and other emerging economies from the good forms of Western liberal capitalism that should have followed from the “right” market reforms. Unlike for neoliberalism, there is no distinct school of economic thought nor an organized international thought collective that can be identified as state capitalist. For the most part, the terminology of state capitalism has been created as a marker of distortion and deviation from an ideal type. The use of state capitalism as a derogatory term is neither new nor unique to neoliberals. The term was first coined by Lenin and Bukharin in their analysis of imperialism (Sperber, 2019). Lenin (1996 [1916]) in *Imperialism: The Highest Stage of Capitalism* sees the monopoly capitalism of his time as the final stage, so degenerate that it would eventually lead to the system's demise. This form of statist capitalism had to be strictly distinguished from socialism in Lenin's eyes. The same argument would later be revived by Marxists in the West to set the reality in the Soviet Union and China apart from their vision for socialism (Bettelheim, 1988; Resnick and Wolff, 1993).¹

Even though this distinction between competitive private and monopoly state capitalism is shared between polar opposites on the political spectrum, it is yet shaped in both cases by the historical experiences of capitalist core countries. One can debate whether mostly abstracting from the state in analyzing the basic workings of capitalism is the right theoretical choice for the earlier decades of 19th century England – as has been common at the time both for leading political economists like David Ricardo and for large parts also for their fiercest critic, Karl Marx.

In the periphery, global capitalism from the outset presented itself as war capitalism (Beckert, 2015) sponsored by colonial states in such direct forms that the state could not be abstracted away. The reaction of those subjected to the imperialism of state capitalism in the 19th century was frequently what Helleiner (2021a) calls neomercantilism. This amounted to attempts to create a modern nation state where none existed which should then be mobilized to build a domestic capitalism strong enough to fend off Western imperialism. In a nutshell, nation states and capitalism were meant to be built in the periphery as a defense against imperialist state capitalism. In fact, state capitalism seems to have emerged as an explicit political program as opposed to a description of a degenerate stage of capitalism primarily in places that found themselves on the losing end of the alliance between foreign capitalists and imperialist states.

¹ For a discussion of the disillusionment of the American radical left, in particular economists, with China's state socialism in the context of the pivotal shift from Cultural Revolution to Reform in the 1970s, see Weber and Semieniuk (2019).

In the 20th century, Communists and Nationalists alike pursued projects of national development under the guidance of the state that followed a neomercantilist approach. Lenin and Bukharin, who had dismissed state capitalism as non-socialist, had to rethink their position when confronted with the disastrous failure of war communism in the 1920s (Erlich, 1960). The New Economic Policy ended up following similar tactics as neomercantilist developmentalism. Hence, even the most ardent critiques of state capitalism reverted to this approach when faced with the challenge of basic economic development in a predominantly agrarian country. After the Second World War, state capitalism was invoked in post-colonial settings as a project of national liberation by dependency theorists (e.g. Amin, 1976). After the failed development outcomes of the Washington Consensus, utilizing the state not only in the neoliberal mode as an enforcer of private competition, but as a weapon to gain competitiveness is experiencing a revival in poor and middle-income countries. These efforts are often inspired by the successes of the so-called East Asian development model – which can in turn be traced back to the 19th century responses to imperialism not only in Japan but also in China (Helleiner, 2021b).

Fighting State Capitalism with State Capitalism: Qing Reformers and Revolutionaries

Taking the late imperial Chinese reformers as a starting point can help us rechart our understanding of the relationship between China and state capitalism which originated in the global history of imperialism. A year before J. A. Hobson (1902) published what is commonly referenced as the first study of imperialism, Liang Qichao – one of the most influential Chinese reform thinkers of the late Qing dynasty – wrote an essay titled “the new rules for destroying countries” (灭国新法). After two opium wars, Chinese intellectuals like Liang saw China as sharing a fate with other countries around the world that faced colonial oppression. As Karl (2018, 2002) concludes in her analysis of Liang’s essay, cases as seemingly disparate as Poland, Egypt, India, South Africa and the Philippines were analyzed by Liang as connected to China in their experience of

non-state and state foreign actors hav[ing] used the modern methods of indebtedness, planting advisors in governmental roles, financial manipulations, intervention in domestic politics, and monopolization of commercial routes and finances as ways to insinuate themselves into a country and its systems, thus to facilitate its eventual take-over” (Karl, 2018: 4).

In a word, they were confronted with imperialist state capitalism. This, Liang argued, could wipe out a country without a military invasion. In China this took the form of indebtedness to Britain, Japan, and the United States through the Boxer indemnities, claims for railway and mining rights, and special privileges for foreigners in treaty ports after the country had been forced open (Karl, 2018: 5).

This is what Karl calls the “coerced insertion of capitalism into China.” In her interpretation of Liang, China had no choice but to reckon with global capitalism. China’s reformers and revolutionaries joined the global anti-colonial and nationalist quest and saw the creation of a modern nation state as the way out.

Liang and other reformers were familiar with classical and neoclassical economics. Liang read for example a translation of *Manual of Political Economy* by the Cambridge professor of political economy

and admirer of J. S. Mill, Henry Fawcett, and of W. S. Jevon's *Political Economy* (Mori, 2009). But he found the marginalist school of little relevance to China's deep crises. Liang started out as an admirer of Ricardo's principles of comparative advantage which he interpreted in conjunction with his teacher Kang Youwei's Confucian theories of universal harmony. Against a purely theoretical reading of Smith's *Wealth of Nations*, Liang promoted a historical interpretation that would situate this classic in the context of English history.

Despite these initial sympathies for classical liberalism and free trade, always grounded in his education in ancient Chinese classics, Liang radically changed his mind after the failure of the so-called Hundred Day Reforms. On the journey to his Japanese exile, Liang encountered the devastating critique of economic liberalism penned in novel form by Tokai Sanchi – a Harvard-trained Japanese economist and admirer of the theorist of American protectionism Henry C. Carey. Sanchi likened liberalism to the seduction of a beautiful girl by a Western dandy, who leaves her with nothing after infecting her with syphilis. Sanchi writes:

Treated with the beautiful words about free trade with 'brothers' all over the world, Turkey, India, Egypt and other countries traded freely with England and were taken over by the Englishmen. ... Year after year, the traders lose although they constantly deliver gold and diamonds. ... the people are deluded by theories, they fell into the trap of those Englishmen and cannot wake up no matter how much you try to help (quoted in Mori, 2009: 5).

In China, the balance of trade had started to turn negative in the aftermath of the second Opium War (1856-1860) following centuries of trade surpluses with Western powers (Keller and Shiue, 2020). Decades of attempts at "self-strengthening", emulating Western technology and efforts to create local industries with state support had by and large failed to lead China out of its subordinate position in the emergent global capitalism. In this context, China's intellectuals increasingly saw a need to change the basic economic and political system to save the nation. In the economic realm, Liang and others turned to the German Historical School and interventionism for inspiration. This led to longue durée comparative investigations of European and Chinese history (Bastid-Bruguere, 2009).

Employing Spencerist theories of evolution, Liang argued that China's united empire that had lasted for more than 2000 years was not prepared to confront the aggressive competition from intensely hierarchical European societies. Even though classical liberalism dismissed the Mercantile system, in China's preindustrial economy a form of mercantilism was necessary – just as the historical school suggested. Confronted with imperialist nationalism, China had no choice but to create a nation state (understood as a national grouping in the Confucian terminology) to save the country through a comprehensive form of protectionism – for which Liang used the Confucian term 保育主义 (Mori, 2009).

The turn to nationalism implied an explicit rejection of the universalist concept of all under heaven (天下) (Chang, 1971: 298). The use of Confucian terminology was more than a mere attempt to find an adequate translation in Chinese. Liang like other Qing reformers before him, pursued the ideal of practical statesmanship which he considered as part of the ancient practice of Confucian scholar-officials (Chang, 1971: 73-74). Despite all their focus on learning from the West, China's intellectuals also insisted that instead of wholesale copying, China would need to come up with a new political organization that reflected their own history and culture. Economics, they argued, was not a foreign

importation but dated back to the ancient Guanzi (Helleiner, 2021; Weber, 2021: 17-41). As Liang pointed out, when confronted with the interstate competition of the Warring State period, this collectively authored statecraft manual advised bureaucratic market creation and participation to strengthen the people and the state in ways that resembled some aspects of the mercantile practices which emerged more than a millennium later in Europe.

Late imperial reformers and revolutionaries were united in their goal of restoring China through a program that broadly falls within the realm of state capitalism, despite fundamental differences on the specifics. Liang Qichao never achieved political power, in contrast to Sun Yatsen, China's first republican president. The two men engaged in sharp debates. Sun, who had become acquainted with Karl Marx's and Henry George's critique of political economy in his British exile, promoted a revolutionary overthrow of the Qing dynasty and republicanism (Trescott, 1994; Gregor and Chang, 1982), whereas Liang and other reformers of the late empire aimed for a constitutional monarchy (Chang, 1971). Sun's famous three great principles – the principle of nationalism, democracy, and people's livelihood were derived from his interpretation of European and American history (Wei et al., 1994). Yet, Sun believed that China's "backwardness" presented advantages for its efforts to catch up. Defying his optimism, the Chinese republic that Sun presided over after the 1911 revolution turned out to be fragile. The vision of creating a unified Chinese nation state was only realized with the founding of the People's Republic of China in 1949 after decades of war.

From Mao to Economic Reform: Can State Capitalism Serve Socialism?

Mao's vision for communism parted in fundamental ways with the nationalist reformers and revolutionaries of the late Qing. Yet, Mao, too, initially saw state capitalism as a necessary step for China to finally free itself from imperialism and overcome economic backwardness (Karl, 2021; Mao, 1949, 1953a, 1953b). He explicitly invoked the contributions of Kang Youwei, Liang Qichao, and Sun Yatsen in his call to use bourgeois capital for industrialization despite also critiquing these thinkers' reactionary tendencies. However, the logic of using capitalism in the present to develop the forces of production for a future Communist society was rejected by Mao and Maoists in later years during the Cultural Revolution. The vision of continuous revolution upheld instead that ever more revolutionary social relations of production would also bring about economic development. Those who represented the earlier approach of utilizing capitalism as a tool for economic development were now ousted as capitalist roaders.

After Mao's death, when this mass mobilization approach had been exhausted, China's reformers returned to an approach of "making up lessons from capitalism" (Weber, 2021: 116-117; Weber, 2022). When decades of internal debates were being settled in the late 1980s, the Chinese leadership declared that China was still in a primary stage of socialism. In line with the Leninist and early Maoist orthodox understanding of historical materialism where progress required following a sequence of stages. This implied that China had to retreat from what was now seen as overly ambitious forms of revolutionary organization of production. Implicitly, this also meant utilizing capitalist means for the time being. Yet, the official designation of a socialist market economy with Chinese characteristics represented a choice not to return to Mao's early explicit language about the need for state capitalism, emphasizing instead the compatibility of socialism and a market economy. This hollowed out the meaning of socialism and resulted in an "anything goes" approach (Weber, 2022).

The State Capitalism Revival in our Age of Global Chaos

Against the background of this complex historical relation between China and state capitalism, I argue that the term state capitalism has to be used in relation to China in a way that is conscious of its various meanings in Chinese history. The use of this terminology in relation to countries of the global South more broadly requires an awareness of how state capitalism has emerged as a reaction to imperialism. The term state capitalism can be useful in exploring the connections between early nationalist and socialist movements and the continued quest for economic development – of which I only scratch the surface in this short essay in relation to China. Due to the variety of meanings associated with state capitalism in the course of Chinese and global history, the term is less useful as a characterization of specific economic systems. As I have argued elsewhere (Weber and Qi, 2022), understanding China's sui generis state-market relations requires to go beyond invoking big labels like state capitalism, socialism or neoliberalism and to conduct new conceptual work grounded in institutional and intellectual history.

What is new about the so-called new state capitalism in relation to China is not the attempt to weaponize the nation state and capitalism in global competition, but the fact that China for the first time since the 19th century is being economically successful in ways that shifts the global balance of power. In 2016, China's GDP in PPP terms (constant 2017 international USD) overtook that of the United States (World Bank, 2022). The 2008 global financial crisis and its aftermath is of symbolic and economic importance in this regard. China emerged as the winner from this crisis in the competition for economic power: in contrast to the United States, it did not experience a GDP decline. Instead, the Chinese state mobilized large-scale public investment programs to leap ahead with new infrastructure, as in the case of the railway network. To be sure, China is still far away from the United States in terms of per capita levels of wealth and income, and the medium run socioeconomic consequences of the pandemic are far from certain. What seems clear, however, is that we are living through what Arrighi (2010) identified as the chaos phase in a hegemonic crisis. We know that the current order is crumbling, we do not know what is coming. Arrighi observes: "As systemic chaos increases, the demand for 'order' – the old order, a new order, any order! – tends to become more and more general among rulers, or among subjects, or both" (Arrighi, 2010: 31). The new appeal of the old state capitalism lies in its promise that states can recreate some form of order, any order amidst the global chaos.

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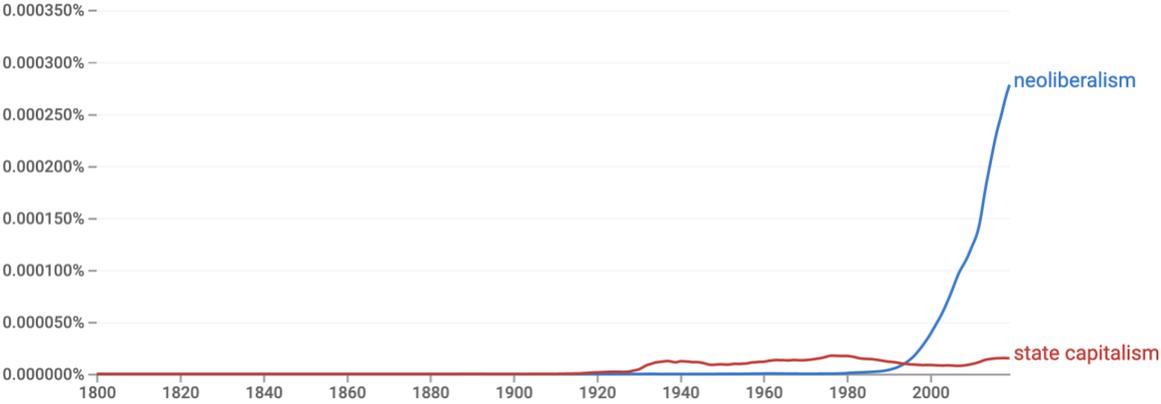
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World Bank (2022) GDP, PPP (Constant 2017 International \$) – China, United States.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.KD?locations=CN-US>

Figure 1: Ngram for Neoliberalism and State Capitalism



Source: Google Books Ngram, 2022