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ERCCT Online Paper Series:

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Republic of China: Washington Consensus and Beyond**

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March 2015

EOPS No. 0029

–Young Scholar Workshop 2013 selected collections –

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Debating the Neoliberal Transformation in People's Republic of China: Washington Consensus and Beyond

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Deng Xiaoping's coming to power in 1978 in People's Republic of China (PRC) paved the way for a whole set of economic transformations. Dengist rupture of 'reform' and 'openness' from the Maoist principles of self-sufficiency and de-linking has turned PRC from a socialist planned economy into a 'socialist market economy' characterized by significantly high growth rates and considerable levels of trade surplus. However, PRC's transitional path was not only constituted by the various economic transformations. Rather, PRC has been going through ground shaking social, political and cultural transformations for nearly forty years. Hence, what has become of PRC since 1978 set the stage for multi-dimensional debates within both itself and international circles.

This article discusses one of the primary questions on PRC, the question of the nature of Chinese transition. Shall PRC still be identified as a socialist country after four decades of reform and openness? What does the 'Chinese characteristics' imply in terms of the transition from a socialist planned to a 'socialist market economy'? How have the relations between the state, labour and capital been transformed in PRC and what does the new forms these relations have taken imply concerning the debates on the nature of Chinese transition? After four decades of transition, has PRC become a capitalist country? More importantly, concerning the international context and timing, has PRC been going through a neoliberal transformation since 1978?

The investigation of whether PRC has been going through a neoliberal transformation necessitates developing a general understanding of neoliberalism. For this reason, this article seeks to construct an account of neoliberalism in general in addition to addressing the debates on neoliberalism in the particular context of PRC. To fully explore neoliberalism in general, this article will turn to the examination of the two consequent phases in historical development of neoliberalism, the Washington Consensus and Post-Washington Consensus. Having offered a brief account of Washington and Post-Washington Consensus, this article

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will touch upon the debates on neoliberalism in PRC particularly referring to the so-called Beijing Consensus that emerged with the claim of being an alternative to neoliberal model of development.

A Discussion on Neoliberalism: Theoretical Roots

Looking into the experiences of middle-income countries, Saad-Filho and Yalman (2010) define neoliberalism as a comprehensive hegemonic project that aims to ‘re-establish the power of capital against labour’ through the ‘systematic use of state power’. At the domestic level, two pillars of neoliberal transformation are the transformation of the material basis of social reproduction and the imperative for the integration with the world economy. By the transformation of the material basis of social reproduction, Saad-Filho and Yalman refer to the ‘shifts in economic and social policies’ that led to the evaporation of welfare provisions, redistribution of wealth from working to upper classes in addition to insecure working conditions and high levels of unemployment. At the same time, the imperative for the integration with the world economy brings with it the subordination of the local working classes to the rules of international economy while state plays a crucial role for the disciplining of labour in the name of encouraging international competitiveness. In a similar vein, David Harvey defines the process of neoliberalization as the process of accumulation by dispossession². The notion of accumulation by dispossession assumes that in neoliberal times privatization and commodification become the instruments of opening up new fields for the accumulation of capital while the neoliberal state emerges as the ‘prime agent of redistributive policies from lower to upper classes’ through the diminishing state expenditures and privatizations (Harvey, 2005:165).

Theoretically³, the neoclassical conceptions of free trade and free market underpin the neoliberal shift in economic and social policies. The combination of strong private property

² The term accumulation by dispossession is the product of Harvey’s reformulation of the notion of primitive accumulation that originally belongs to Karl Marx. However, Harvey does not use the term accumulation by dispossession referring to a specific practice of the rise of capitalism. Rather, the term is used in reference to an ongoing process in the neoliberal era.

³ It is important to note Alfredo Saad-Filho and Deborah Johnston’s remark that a pure theoretical definition of neoliberalism cannot be made since neoliberalism is not a mode of production like feudalism and capitalism. Rather, neoliberalism is the current configuration of capitalism that is shaped by historically divergent experiences of different countries supported by various theoretical roots (Saad-Filho and Johnston, 2005). From these various theoretical roots, the neoclassical conceptions of free trade and free market will be discussed within the scope of this article.

rights, free trade and free market is regarded as the most appropriate institutional framework to ‘advance human well-being’ and ‘liberate individual entrepreneurial freedoms and skills’ (Harvey, 2005:2). The literature, overwhelmingly under the influence of Adam Smith’s political economy, celebrates the virtues of free market and free trade that are expected to provide mutual gain for the parties involved (Clarke, 2005). The conception of free market assumes that free exchange of rational individuals within the market best serves to the aim of profit-maximization (Colas, 2005). Since market symbolizes rationality in terms of efficient distribution of resources (Munck, 2005:61), only markets without restrictions would utilize economic resources in the most efficient manner, and generate full employment for the people *who wish to work*⁴ (Shaikh, 2005:41, emphasis added). The conception of free trade assumes that any restrictions on free trade should be eliminated since the restrictions would prevent individuals from getting opportunities to improve their situation. Once parties involved in free trade according to their comparative advantages⁵, none would emerge worse-off at the end. As Shaikh puts, unrestricted global trade is the essence of doctrine of neoliberalism and the overall benefit of global trade is conditioned by the competition all over the world (Shaikh, 2005:41). For the ultimate aim of competitive free trade to come true, it is necessary to eliminate the restrictions on markets particularly in the developing world (Bhagwati 2002, quoted from Shaikh 2005:42). The global capitalist market as a non-political, purely economic sphere is created through the undermining of political constraints imposed by states and other interest groups. Then, resources shall be distributed in a most effective manner via the competitive resource allocation on a world scale (Colas, 2005).

Looking into the historical development of neoliberalism, one encounters with a quite different picture from the theoretical commitment in free market and global trade as the generator of mutual gain and prosperity for individuals and countries. Thus, it is vital to differentiate the doctrine of neoliberalism from what neoliberalism implies in terms of actual practices (Harvey 2005, 2007; Munck 2005, Ferguson 2009). Harvey (2007) claims that neoliberalism as a utopian project provides a theoretical template for the reorganization of international capitalism while neoliberalism as a political scheme aimed at re-establishing the conditions for accumulation of capital and the restoration of the power of upper classes. The utopian project of reorganization of international capital worked as a system of justification

⁴ For further details on the policy shift from full employment to natural rate of unemployment, see Palley (2005).

⁵ David Ricardo introduced the theory of comparative advantage in 1821. The theory assumes that if the trading countries concentrate on the production of goods that they have relative and comparative advantage, the parties will all gain from this trade optimally (Hart- Landsberg, 2006).

and legitimization for restoration of the power of upper classes even though it was mostly a failed attempt for creating prosperity for the working classes. Conversely, surplus value created both at the domestic and international levels was centralized and redistributed from lower to upper classes (Saad-Filho, 2010). In fact, neoliberalism set forward lower growth rates, higher levels of unemployment, inhuman living and working conditions for the majority and sharpened the inequalities within and between countries by bringing economic instability for the periphery (Saad-Filho and Johnston, 2005). In the following part, the historical development of neoliberalism will be discussed to elaborate on the differences between neoliberal theory and practice.

Historical Development of Neoliberalism

The collapse of Bretton Woods and the system of fixed exchange rates in 1971 was significant for the emergence of neoliberalism. The collapse of fixed exchange rates system meant the introduction of floating exchange rates and subsequent liberalization of capital flows by the two leading countries of neoliberal transformation, US and UK. The reason why the floating exchange rates are regarded as the very first component of neoliberal policy framework (Dumenil and Levy, 2005) is that it led to the emergence of new financial instruments that significantly expanded the financial profits⁶ (McNally, 2009). At the same time, floating exchange rates was the source of increasing financial uncertainty that make countries prone to crisis.

The construction of neoliberalism as a global social order shall be analysed in two phases (Munck, 2005; Lapavitsas, 2005). The decline of the post-war Keynesian macroeconomics marks the first phase of neoliberalism whereas the second phase is associated with the Post-Washington Consensus and the formulation of the notion of market-friendly state. For the first phase, Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States are regarded as the two leading figures of the establishment of neoliberalism. Thatcher-Reagan assault on the Keynesian welfare state was based on the idea of reforming the government and restructuring the state through deployment of market mechanisms within the terrain of the state (Ferguson, 2009:172). Their policy agenda rested on the counter-Keynesian economic

⁶ Financialisation is one of the constitutive elements of neoliberalism (Saad-Filho 2010, McNally 2009, Fine 2010). However, comprehensive and multi-dimensional debates over financialisation are beyond the scope of this article.

measures and the reformulation of the state as a ‘strong but minimal’ entity under the rubric of New Right ideology. Thereby, neoliberalism was constituted as an attack on the Keynesian welfare state in the developed countries, specifically in the UK and US. In a broader sense, the attack of neoliberal hegemony was targeted at national developmentalism and the active role of the state within the development process (Öniş and Şenses, 2005). The first phase of neoliberalism was marked by labour market deregulation and the emerging of the more ‘flexible’ forms of labour; the elimination of ‘political constraints’ to the market and the rhetoric of ‘There is no alternative (TINA)’ that presents the previous welfare and developmental state models as archaic and invalid⁷ (Munck, 2005).

The neoliberal attack on national developmentalism and the active role of the state on development process was accompanied with emerging of a new developmental agenda for the developing countries. In John Williamson’s famous terminology, Washington Consensus, which is composed of policy prescriptions for the global South, emerged as the new developmental agenda. Washington Consensus was a set of neoliberal ideas, demanding of developing countries that they should achieve macroeconomic stability, deregulate their domestic markets, privatise state enterprises and open their economies to foreign trade and finance (Lapavitsas, 2005:38). The terminology of Washington Consensus meant there is a consensus among the three Washington-originated institutions, World Bank, International Monetary Fund and the US Treasury Department on these policy prescriptions. As mentioned above, theoretically, the neoclassical conceptions of free market and free trade underpin the neoliberal shift of economic and social policies. Thus, the policy prescriptions within Washington Consensus were based on the same conceptions of neoclassical theory. Neoclassical theory formulates market and state as two distinct and mutually exclusive realms. Within this framework, market is regarded as the realm of efficiency in allocating resources and maximizing profits while the state is regarded as the realm of inefficiency and rent seeking. Thus, under the rubric of Washington Consensus, state is regarded as the source of rather than the solution to developmental problems (Öniş and Şenses, 2005). In this context, efficient market rather than inefficient state should deal with developmental problems such as industrial growth, international competitiveness and employment creation. In other words, state should retreat from its welfare and developmental functions. The rolling-back of state

⁷ It is important to mention that Deng Xiaoping initiated the reform drive in China in 1978 with the claim that the reform was an imperative since the Chinese economy was at the point of bankruptcy toward the end of the Cultural Revolution (Hu, 2008 quoted from Chu and So, 2010). In other words, the market reforms in China was initiated with the claim of ‘There is no alternative’ (TINA).

from development policies is complemented with privatisation, deregulation and diminishing role of state planning. State is limited with the role of defence against foreign aggression, provision of legal and economic infrastructure for the markets and mediation between social groups in order to preserve and expand market relations (Saad-Filho, 2005:114). IMF and World Bank propounded the shift of the role of state under the guise of reforming the state⁸. However, continuous and obligatory reforms for the states of developing countries meant the ‘opening up of economy’ and the ‘freeing of market from political controls and regulation’ (Munck, 2005:65). In this sense, the reform of the state meant ‘privatisations, the introduction of the public-private partnership, commercialisation of the remaining public services, the imposition of the private sector performance requirements and credit ratings on state institutions’ (Saad-Filho, 2010: 254). In fact, the reforms did not end up with the total retreat of state from its regulatory functions. Rather, in Munck’s words, policies of deregulation have been creating new forms of regulation with new market-oriented rules and policies to facilitate the development of capitalism (Munck, 2005:63). Beside the discourse of the retreat of the state from its developmental functions and regulatory roles, Washington Consensus puts a special emphasis on the integration with the world economy for developing countries. Bearing on the neoclassical emphasis on free trade and capital mobility, Washington Consensus prescribes trade and financial liberalization as the engine of rapid growth. Thus, export-orientation rather than import-substitution became the new ‘recommended’ mode of integration with the world economy while domestic policies are expected to conform to the interests of the financial markets to attract foreign financial and productive capital. On the one hand, attractiveness for foreign investments became a new obligation for the developing countries in order to achieve expected growth levels. On the other, through trade and financial liberalization, capital is relocated in the global South to benefit from the reserves of cheap labour and raw materials (Li, 2008:69).

Why ‘there was no alternative’ for developing countries other than applying policy prescriptions put forward by IMF and World Bank? Third World debt crises of the 1980s were significant in understanding how neoliberal transformation took the form of Washington

⁸ Within the framework of Washington Consensus, the positive meaning attached to the word ‘reform’ was instrumentalized in order to describe the transformation of the role of state within development process and the transformation of the relations between the state and labour. The official representation of the large scale privatizations as ‘reforming the state-owned enterprises’ in the late 1990s in China is not coincidental. On the contrary, the term ‘reform’ is used by Chinese officials due to their concerns about the legitimacy problem created by the explicit usage of the term privatization.

Consensus conditionalities for the global South. Debt crises resulted in the emergence of international financial institutions (IFIs) as an external force for the developing economies to apply neoliberal practices. Structural adjustment programmes for debtor countries were designed by IMF and the World Bank to secure the repayment of debts. Receiving loans from IFIs was conditioned by the application of structural adjustment programmes that include severe austerity measures. Around 100 poor countries were compelled to agree one or more stabilisation or structural adjustment programmes in twenty years, leading to the cumulative imposition of the neoliberal policies around the world (Filho, 2005:115). Under the rubric of structural adjustment programmes, many Third World countries cut their public spending, changed their development strategies from import-substitution to export-promotion, opened up their trade and capital accounts, made way for large-scale privatisations.

In fact, the attempts in the first phase of the construction of neoliberalism did not succeed in bringing high rates of growth and financial stability. On the contrary, the period between 1973 to early 1990s was characterized by slow growth and economic and financial instabilities in the world economy (Kotz, 2003). Both the experiences of developed, developing and the transition countries of formerly communist background supported this case. Developed countries like US and Britain showed poor economic performances after they led the shift to neoliberal restructuring. In the same vein, the economies of former Soviet Union countries as well as communist countries in Eastern Europe significantly declined in the period of neoliberal restructuring. Only in the particular case of East Asia, profitability was restored after 1982 in such a way to expand capitalist reproduction (McNally, 2009: 53). However, pre-1970 profitability levels could not be reached even in the East Asia and growth rates were highly prone to cyclical contradictions and regional crises.

In addition to the failed attempt of Washington Consensus to provide rapid growth rates, the first phase of neoliberalism was not a success story in terms of bringing freedom and democracy to developing countries. Instead, first phase of neoliberal establishment was marked by military coups in countries of Latin America like Argentina and Chile. Besides, these countries and others were forced to apply neoliberal policy prescriptions due to debt crises. In this context, structural adjustment programmes were instrumental in international spread of neoliberal macroeconomic policies. As a way out of economic crises, IMF and World Bank pushed countries to follow neoliberal policies and perform the criteria of credibility. Washington Consensus became the new developmental model that in turn contributed to the restoration of power of capital against labour in developing countries.

Furthermore, in countries where a capitalist class did not exist due to a communist background, like China, neoliberalism created the conditions for the formation of a capitalist class (Harvey, 2007:34).

The Second Phase of Neoliberalism: Post-Washington Consensus

Before going into details of Post-Washington Consensus, it is important to look at the challenges to Washington Consensus that render this shift necessary. First, the overall growth in world economy was lower and highly unstable in 1980s. The gap between developed and less developed countries was widening. Furthermore, East Asian countries that performed their ‘miracles’ and Latin American countries that were implementing stabilization policies and living through their ‘lost decades’ in 1980s were highly polarized among themselves in terms of growth levels. In this sense, the so-called East Asian Miracle⁹ constituted an exception to the neoliberal development agenda of Washington Consensus and once again triggered the debates on the role of state within development process. On the one hand, the neoliberal interpretation of the success of the East Asian countries in achieving high growth levels suggested that these countries owed their growth rates to their fewer protectionists, outward oriented and free-market based development strategies. On the other, the institutionalist interpretation of East Asian Miracle propounded that the success of these countries was grounded on the effective interventionism together with the mix of state and market as well as the mix of import-substitution and export-promotion strategies (Öniş and Şenses, 2005:266). Second, other examples that furthered the scholarly discussion on the role of the state within development process were the post-communist countries. In that respect, the famous former chief of the World Bank, Joseph Stiglitz led the criticisms to Washington Consensus policies. As Stiglitz puts, the experiences of post-communist countries that followed Washington Consensus guidance in their transitions created a huge disappointment in terms of Washington Consensus policies (2005: 19). The commitment entailed in Washington Consensus to large-scale privatizations ‘without adequate government regulation’ gave rise to the disruption of these economies and destroyed their public finances (Stiglitz, 2005: 18). However, China was an exception that constituted a significant challenge to the

⁹ The term signifies superior economic performance of eight East Asian economies, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Singapore, Taiwan and Thailand in the 1980s and the 1990s. Together with growth promotion, these countries also followed income distribution policies for achieving greater equality in key social indicators (Stiglitz, 1996).

Washington Consensus policies. For Öniş and Şenses (2005), what lies behind the successive growth rates of China was an active industrial policy led by Chinese state. Third, under-regulated financial systems and open capital account regimes ended up with financial crises in the 1990s and in the early 2000s. Due to financial globalization without the proper regulatory infrastructure, Mexico in 1994, East Asian countries in 1997, Brazil and the Russian Federation in 1999, Turkey and Argentina in 2001 were hit by severe financial crises. The cases of Turkey and Argentina were dramatic since these countries were strictly implementing the neoliberal agenda under IMF stand-by agreements when they were hit by deep economic crises. Besides, the East Asian Crisis was a decisive turning point for the hegemonic macroeconomic policies supported by financial institutions such as the IMF to be criticised not only by outsiders but also from within the neoliberal circles (Öniş and Şenses, 2005:274). As highlighted by Stiglitz (2000), China and India were the two countries that survived the East Asian Crisis by virtue of strong controls over short-term capital flows. In fact, one of Stiglitz strong criticisms to Washington Consensus is because it pushes the countries for financial and capital market liberalizations without building the adequate regulatory frameworks¹⁰. For Stiglitz (2000), capital market liberalization neither necessarily leads to faster economic growth nor leads to more investment. On the contrary, financial and capital market liberalization is closely related to greater instability and increased frequency of financial and economic crises. Moreover, the China case proves that the attractiveness to Foreign Direct Investments (FDI) is not conditioned by the capital market liberalization and openness to short-term capital flows. China achieved a significant success in terms of FDI inflows while imposing high levels of restrictions on short-term capital inflows. Finally, in the 1990s, there emerged widespread protests at the local and international levels against the social consequences of neoliberal restructuring. Zapatista Movement in Mexico, Food riots in Argentina, anti-globalization movement in Seattle in 2000 as protests against the meeting of World Trade Organization were the manifestations of huge international discontent with the neoliberal social order. So were the gatherings of World Social Forums during the first half of the 2000s.

The above-mentioned challenges called into question the Washington Consensus policies and paved the way for the new debates within the framework of Post-Washington Consensus. In

¹⁰ Albeit Stiglitz's criticism against Washington Consensus due to its imposition of capital account liberalization without adequate regulatory framework, Williamson (2004) rejects that, his version of Washington Consensus includes capital account liberalization. For Williamson, 'there was no call for capital account liberalization' in Washington Consensus. On the contrary, the underlying reason behind the East Asian Crisis was 'premature capital account liberalization'.

what manner Post-Washington Consensus differs from its early version? First, under Post-Washington Consensus policy framework, states and markets are regarded as complementing rather than substituting for each other (Öniş and Şenses, 2005). In other words, Post-Washington Consensus is an attempt to build a 'more balanced' relationship between state and market (Stiglitz, 2005) which brings states new responsibilities in terms of 'shaping the economic environment' such as regulation of the financial system and providing necessary infrastructure for the markets (Öniş and Şenses, 2005: 274). In addition, the state regains its responsibilities in terms of providing public services specifically education (Stiglitz, 2005) as well as promoting equality and alleviating poverty (Öniş and Şenses, 2005:274). Thus, active state intervention is rendered as necessary for correcting market failures. The second point that distinguishes Post Washington Consensus from Washington Consensus is the renewed emphasis on the institutions. Institution building and once created, the strengthening of the institutions are regarded as essential parts of a development strategy. Looking into the transitional experiences of the post-communist countries, a distinguished scholar of the transition literature Gregorz Kolodko (1999) claims that 'the failure of Washington Consensus with regard to transition economies' was significant for the revision of the policies in such a way to include institution building. Thus, the main conclusion deduced from the 'shock therapy' experiences of post-communist countries of Eastern Europe and the former Soviet Union was that 'institutional arrangements are the most important factor for progress towards durable growth' (Kolodko, 1999). Indeed, it is of vital importance for governments to be involved in the process of comprehensive institution building.

However, whether Post-Washington Consensus represents a clear rupture from the main premises of Washington Consensus is debatable. One strand of the literature conceives Post-Washington Consensus as a rupture within development thinking in terms of its emphasis on the role of the state and the institutions. Another strand takes quite an opposite stance and claims that Post-Washington Consensus instrumentalizes the state to institutionalize neoliberal reforms in developing countries. Against this background, Ruckert (2006) introduces the term *inclusive neoliberalism* in order to locate the Post-Washington Consensus within development literature. The term inclusive neoliberalism implies that Post-Washington Consensus involves new forms of domination to include previously excluded people from neoliberal policy framework (Ruckert, 2006:37). Thus, inclusive neoliberalism tends to include civil society actors and excluded segments of society into the policy-making processes with an attempt to subsume the critics of the neoliberal policies. In that sense, new

inclusionary norms such as empowerment, participation, the promotion of opportunities, ownership of reforms and poverty reduction became common themes of Post-Washington Consensus within development literature. Among them, poverty reduction strategy is the most visible policy tool of the inclusive neoliberal policy framework¹¹.

Taking a critical stance against Post-Washington Consensus, this article suggests that the Post-Washington Consensus policy framework propounded by World Bank as a new outlook to development process was not a clear rupture from the Washington Consensus policies. First, Post-Washington Consensus follows Washington Consensus policy prescriptions concerning its emphasis on the ineffectiveness of the state. The way the markets operate is rendered as the most effective operational mechanism and the emphasis on the restructuring of the state through deployment of market mechanisms is maintained. Second, the state is rendered as responsible for stimulating competition between private firms. Meanwhile state enterprises are expected to compete with private firms since competitive pressures will contribute to the effectiveness of the state enterprises (Öniş and Şenses, 2005: 276). Another important continuity between Washington and Post-Washington Consensus is the stress on the privatizations in developing countries. Despite Stiglitz's emphasis on 'adequate government regulation' to privatization process, it does not entail a rupture from the privatization itself. Rather, the 'adequate government regulation' is rendered as necessary to provide the proper environment for competition and operation of markets. Finally, the emphasis on property rights was a continuity rather than rupture between Washington Consensus and Post-Washington Consensus policies. As put by Harvey (2005:2), neoliberalism assumes the combination of strong private property rights, free trade and free market as the most appropriate institutional framework to 'advance human well-being' and 'liberate individual entrepreneurial freedoms and skills'. Built upon the assumption that secure property rights will enhance growth by providing a proper environment for investments, Washington Consensus policies aimed at securing property rights. In terms of the emphasis on secure property rights as a determinant of development and growth, Washington and Post-Washington Consensus policies were in continuity albeit a slight difference. Beside the importance of secure property rights, Post-Washington Consensus also points out the importance of broadly accessible property rights against the challenges by the state agents especially in transition countries (Deininger and Jin, 2007). Thus, there was a shift of terms

¹¹ Similarly, the considerable decline in the number of people living in poverty is celebrated as one of the most significant achievements of the reform period in China. According to the World Bank estimates, there was a sharp fell by 500 million people who lives less than 1 \$ per day between 1981 and 2001 (Lippitt, 2005).

from 'secure' property rights to 'strengthened' property rights as part of second-generation reforms in addition to foreign trade and investment liberalization, public enterprise reform and bank restructuring (IMF, 1997). Yet, the emphasis on property rights was a continuity rather than rupture between Washington Consensus and Post-Washington Consensus policies.

Transformation of the relations between state and labour

Turning back to Saad-Filho and Yalman's (2010) definition, neoliberalism in middle-income countries is a hegemonic project that reestablished the power of capital against labour through the systematic use of state power. There are two bases that neoliberalism rests upon; the transformation of the material basis of social reproduction and the imperative for a new mode of integration with the world economy. Against this background, this article assumes that the two bases of neoliberalism have triggered a transformation of the relations between state and labour in favour of capital.

As mentioned above, Post-Washington Consensus renders a shift in terms of the definition of state 'as an impediment' to the 'reformed state as the facilitator' of the development process (Yalman, 2009). Despite the shift in the role of state, what Washington Consensus and Post-Washington Consensus have in common is their persistent commitment for the transformation of the relations between the state and labour. Following David Harvey's (2005) conceptualization, this article asserts that the neoliberal transformation of the relations between the state and labour has mainly two dimensions. First, the neoliberal attack against labour takes the form of repressive measures against trade unions and the dismantling of working class organizations. At the same time, the consolidation of 'flexible' labour markets has been complemented with the state's withdrawal from the provision of social welfare and social security for workers (Harvey, 2005:168). Because of the cutbacks in subsidies, benefits and non-market protections for workers, reduction in real wages, structural unemployment, rising informalization and faster turnover has become widespread (Saad-Filho, 2010). Meanwhile, the privatization of welfare provisions such as housing, education, health care and retirement benefits has a significant role in the compression of real wages. Nonetheless, states assume an active role in disciplining labour through limiting the right to collective action through trade unions and shop floor organizations especially in developing countries. Second, the transnationalization of production supported by the financialisation and increasing mobility of capital has served to the composition of a global labour force whose own

geographical mobility is constrained (Harvey, 2005:168). Thus, illegal internal and international migration has deprived migrant workers from the rights and benefits that belongs to citizens (Ong, 2006) while turning them into a huge and highly exploitable reserve army of labour (Harvey, 2005)¹². In other words, local working classes have become highly subordinated to the rules of international economy.

The combination of export-led industrialization model with the transnationalization of production has facilitated significant changes in the structure of world manufacturing since the 1980s (McNally, 2009). To give one example, between 1980 and 2005, the number of manufacturing workers increased four times worldwide while in East Asia the increase in the number of workers was about nine-fold from 100 million to 900 million workers (McNally, 2009:51). In fact, by 2002, the total number of manufacturing workers in G-7 countries was about one-half of the number of Chinese manufacturing workers (McNally, 2009:52). Beyond these mind blowing numbers lies the picture of international division of labour and the new geography of production. However, the relocation of production is not only limited with the East Asian countries. As Washington and Post-Washington Consensus prescribe export-led industrialization to developing countries as the only way of integration with the world economy, the workers in various regions of the world such as Eastern Europe, sub-Saharan Africa and Latin America has joined the ranks of international competition between national working classes (Saad-Filho, 2010). The fact that rising numbers of workers take part within the transnational production processes makes a downward pressure on wages while leading to an increase in the rate of surplus value (McNally, 2009). In addition, what flexible working conditions means for the increasing numbers of workers is longer work hours, piecework production and and lack of job security. In short, neoliberalism facilitated the transformation of the relations between the state and labour in favour of capital since the state assumes an active role in reestablishment of the power of capital against labour. Hence, what Washington Consensus and Post-Washington Consensus have in common is their persistence with the neoliberal attack against labour.

Beijing Consensus as an Alternative to Washington Consensus

¹² According to the estimates, about 200 million migrant workers has been floating to the cities in search of seasonal jobs and turning back to their villages for the rest of the year in China.

Albeit never left out from the scope of scholarly discussion, the debates on the nature and future of neoliberalism have been blazed out by a very recent global economic crisis in 2008. At first sight, the 2008 crisis was increasingly a US based financial crisis. However, closer engagement with the structure of the crisis has showed that the effects of the crisis have gone beyond the sectoral and national borders in a very short time. What is more remarkable is that the global nature of the crisis has also broadened the scope of concerns about the sustainability of the neoliberalism including not only the concerns about developing countries but also about the developed world (Saad-Filho, 2011). In this context, the measures taken by developed countries, especially by the US, against the 2008 crisis such as nationalizing some of the largest financial institutions and bailing out banks by injecting significant amount of public money into them were regarded as if a shift away from the main neoliberal principle of non-intervention was taking place before the eyes of the whole world. Thus, the quest for a model that is alternative to neoliberal relations of capital accumulation gained momentum.

Originally coined by Joshuo Cooper Ramo, an expert on China issues at Goldman Sachs, in 2004, the term Beijing Consensus signified 'China's new developmental approach' that is an alternative to Washington Consensus policy framework. For Ramo (2004), Beijing Consensus was 'driven by a desire to have equitable, peaceful and high-quality growth' that will 'turn traditional ideas like privatisation and free trade on their heads'. According to Ramo (2004:4),

'China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity.'

The Chinese path for development is composed of three pillars. First, Beijing Consensus highlights the importance of innovation for developing countries. For Ramo, the agricultural reform in China in the 1980s was an outstanding example of how innovation and productivity growth goes hand in hand. Second, Beijing Consensus goes beyond the statistical measures such as GDP and tries to develop a comprehensive, equitable and sustainable approach to development. In Ramo's terms, the primary concern of Beijing Consensus is 'balanced development'. Finally, Beijing Consensus contains a 'new security doctrine' based on self-determination and the path of Peaceful Rise. As put by Ramo (2004:5), these three pillars of Beijing Consensus 'draws a wake of new ideas that are very different from those coming from Washington'. Beside Ramo, the chair of the World Economic Forum, Klaus Schwab was one of the early participants of the debates on Beijing Consensus. Taking a positive stance to 'China model', Schwab claims that 'China's unique development experience of coordinated

development' has achieved macroeconomic stability and predictability while China goes beyond growth rates and tries to reach 'balanced, comprehensive and coordinated development' ("Beijing Consensus", 2004).

However, not all the scholars of China is as assertive as Ramo that Beijing Consensus will 'turn the traditional Washington Consensus ideas on their heads' and be the new developmental approach of the future. On the contrary, there are very lively debates on the nature of Beijing Consensus and the heart of the problem revolves around whether or not it offers an alternative to Washington Consensus policy framework. In this context, very nascent strands of scholars have been formed concerning their approaches to the idea of Beijing Consensus. In a very recent article, John Williamson, the founder of the term 'Washington Consensus', takes a quite opposite stance to Beijing Consensus and asserts that 'the wisdom we [*the West*] have accumulated over the years should not be abandoned in favour of Beijing Consensus' (Williamson, 2012:12). In his article, Williamson identifies five components of Beijing Consensus as follows: incremental reform, innovation and experimentation, export-led growth, state capitalism and authoritarianism. In details, what Williamson refers as 'incremental approach' shall be understood relative to the 'Big Bang Approach' applied by many post-communist countries including Russia during their transition from state socialism to market economy. Besides, Williamson defines state capitalism as a system within which many companies are state-owned and they have an explicit advantage in terms of getting access to resources whose prices are not competitively determined and getting easy credit from banks that are also owned by the state (Williamson, 2012:6). Finally, Williamson defines China as an authoritarian regime. Albeit being undemocratic, 'Chinese leadership has a sense of the collective good of the community' (Williamson, 2012:7). According to Williamson, Beijing Consensus does not hold more premises for the future than giving a central role to the free market within the operation of the economy. Analysing the five components systematically, Williamson claims that developing countries should concentrate on imitation rather than innovation since it is costly for them. Second, incremental reforms do not work at all circumstances. If the economy of a country is not well functioning, then it needs a 'Big Bang' to fix it. Third, China's export-led growth is based upon its undervalued currency that has significant side effects for the world economy. Fourth, Williamson is a committed advocate of free market capitalism 'that prevailed in the West until the financial crisis in 2008'. However, he makes a distinction between monopoly capitalism and free market capitalism and suggests that replacement of national industry with

a private monopoly is not what Washington Consensus understands from privatization. In addition, for Williamson, the 2008 crisis triggered a policy reversal with regards to minimizing the role of state under Washington Consensus. However, the vital difference between US and China is that in the US the state's active role in bailing out banks, financial institutions and leading the economy is a temporary measure while what Beijing Consensus suggests for the states is to stop privatization and initiate an industrial policy (Williamson, 2012: 10). Finally, Williamson sees an urgent need for the Chinese people to participate in political processes. What is remarkable about Williamson's analysis of Beijing Consensus is that Williamson takes Ramo's approach one-step further and elaborates on Beijing Consensus as a model not only for developing countries but also for the West after the 2008 crisis. Albeit his stance is against the dismantling of the 'wisdom that the West has accumulated over the years', it is a clear indication of the quest for alternatives to neoliberalism not only for developing but also for developed countries.

Contrary to the Williamson's negative engagement with Beijing Consensus debates, in one of his lectures in 2011, Ben Fine highlights the challenge of China to Washington Consensus policies and emphasizes the 'positive role of state in the wake of the 2008 crisis' inspired by China's developmentalism. Fine (2011) claims that 'China might serve as an enabling factor in the promotion of developmental states elsewhere' since its growth is based upon expanding domestic markets that makes an upward pressure on wages, increasing labour productivity and high levels of infrastructural investment financed by state-owned banks. Fine also mentions China's widening trade surplus sourced by its export growth. However, for Fine (2011), the low-wage export economy is 'neither typical of nor predominant in' the success of Chinese economy. In line with Fine's stance, Strange defines the Chinese state as a 'developmental state that is one integrated with globalisation' (Strange, 2011:18). Despite the fact that the rise of China corresponds to the rise of neoliberalism throughout the world, China constitutes a challenge to neoliberalism with its regulatory and macroeconomic capabilities as well as its constructive engagement with liberal global governance (Strange, 2011:6). Strange (2011) claims that the combination of the state controlled resource importation and the high technology sector dominated by China's own multinationals is the key to China's successive economic growth. Moreover, China's increasing engagement with the global governance institutions such as IMF and WTO constitutes a pressure upon these institutions to transform their structure in favour of a balance between developed and developing member nations.

Beside the approaches to Beijing Consensus from Western scholars, it is also vital to investigate how Chinese scholars take part within the debates on Beijing Consensus. Albeit not using the term Beijing Consensus, Lo and Zhang (2010) claim that China's economic transformation challenges the market fundamentalist doctrine of Washington Consensus. In details, China has achieved 'real development' based on productivity growth during its economic transformation. In this process the Chinese state has 'governed the market' by a set of structural, institutional and China-specific measures. Thus, neither in the 1980s nor in the 1990s, developmental achievements of China's economic transition can be reduced to Washington Consensus policies (Lo and Zhang, 2010:174). With this regard, the Chinese experience shall be a model for other late developing countries. A Chinese professor in international management at the MIT Sloan School of Management, Yasheng Huang (2010) disagrees with Lo and Zhang (2010) concerning their claim that China's economic transformation challenges Washington Consensus prescriptions. According to Huang (2010), there are two China models. The first China model is applied in the 1980s in China and based upon financial liberalization, private entrepreneurship and political opening to some degree. Therefore, the model applied by China in the 1980s is in full conformity with Washington Consensus policies (Huang, 2010:32). In contrast, the second China model which is applied from the 1990s onwards is based upon financial and political controls and favours state-owned enterprises at the expense of private entrepreneurship. Huang identifies this model as a move away from Washington Consensus for embracing more statist Beijing Consensus policies (Huang, 2010:32). Huang claims that Beijing Consensus supports the authoritarian political structure in China since it is regarded as enabling China's rapid growth rate. In fact, the highly limited political reforms made in the 1980s were reversed from the 1990s onwards. In addition, Beijing Consensus policies resulted in the declining share of household consumption within GDP while the share of investments has massively increased (Huang, 2010:46). This is an indication of the slowdown in personal incomes especially in rural areas as a result of Beijing Consensus policies that inhibits rural entrepreneurship in favour of a more urban-based development.

A professor at the China Center for Economic Research in Peking University, Yang Yao claims that Beijing Consensus refers to the 'unique way' China has applied 'the institutional and policy reforms' prescribed by Washington Consensus in the Chinese context (Yao, 2011:28). For Yang, during the 30 years of reform China has applied 'prudent fiscal policy, economic openness, privatization, market liberalization and measures for protecting private

property'. All these policies are in line with the neoclassical market doctrines proposed by Washington Consensus. In addition, China comes right after US in terms of inflows of FDI and it has either privatized 80 percent of its state-owned enterprises or turned them into publicly listed companies (Yao, 2011:28). However, the uniqueness of China is based on the institutional adaptations such as Township and Village Enterprises (TVEs) and dual track price system it has made to increase the efficiency of reforms in the Chinese context. According to Yang, what other developing countries can learn from the unique experience of China with Washington Consensus policies is its 'pragmatism featuring constant experimentation with a defined objective to improve on the status quo' (Yao, 2011:30). From another standpoint, the former president of Beijing University, Professor Wu Shuqing points out a critical difference between the Washington and Beijing Consensus ("The Washington Consensus and Beijing Consensus", 2005). For Wu, Marxism and Deng Xiaoping Theory guide the reforms in China and the nature of the Beijing Consensus is 'self-improvement and development of the socialist system'. Therefore, the critical difference between the Washington and Beijing Consensus is the 'guiding thoughts and different goals' of the reforms that two consensuses have prescribed. Being a member of the Communist Party of China since 1955, Wu represents the Party's official stance in terms of the reform process in China. Beside the different standpoints from younger and older generation of scholars from China, a news item from the People's Daily Online manifests a different dimension about Beijing Consensus. 'BRIC nations sign Beijing Consensus' says the headline ("BRIC Nations Sign Beijing Consensus", 2011):

'The BRICS countries, including China, Brazil, Russia, India and South Africa, signed the Beijing Consensus on Wednesday, stating that coping with the financial crisis and promoting long-term, steady and relatively rapid economic growth are their shared tasks. The consensus, signed at the second BRICS International Competition Conference, called on all countries and regions to build more consensuses and adopt effective competition policies, which it said "are vital for ensuring fair competition, protecting the interests of consumers and promoting the healthy development of a market economy.'

The interesting point about the news of People's Daily is that Beijing Consensus has took the form of an international agreement signed by 'emerging countries' so as to guarantee the fair competition and promote the operation of the market economy.

Conclusion

Since the voicing of the term in 2004 by Ramo, Beijing Consensus has triggered lively debates about an alternative development model to neoliberalism. The crisis in 2008 that emerged as a financial crisis in the US but in a very short span of time transcended the sectorial and national borders, furthered the scope of debates. Hence, the widening concerns about the sustainability of neoliberalism for both developing and developed countries was started to be spoken out. In this context, the very nascent strands of scholars have been formed concerning their approaches to the notion of Beijing Consensus. For one strand of scholars, Beijing Consensus policies constitute a challenge to neoliberal policy prescriptions of Washington Consensus. Thus, China's successive growth rates are based upon its unique developmental approach that deviates from Washington Consensus policies especially by outlining the state as a facilitator of the development process. Moreover, Beijing Consensus is regarded as an attempt to go beyond the statistical measures of growth and initiate 'balanced, comprehensive and coordinated' development. On the contrary, other strand of scholars negatively engage with Beijing Consensus policies since the state with its authoritarian character assumes a central role in the development process. The central role of the state is perceived as an impediment for the development of free market while its authoritarian character inhibits political liberalization. With respect to the above-mentioned standpoints, the following research should unpack the transformation of China in the 1980s and the 1990s. By doing so, the attempts should be to identify the ways in which Chinese transformation overlaps with and differs from neoliberalism by its unique and challenging characteristics.

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