

RETURN OF MARXIAN
MACRO-DYNAMICS IN
EAST ASIA

RESEARCH IN POLITICAL ECONOMY

Series Editor: Paul Zarembka

State University of New York at Buffalo, USA

Recent Volumes:

- Volume 21: Neoliberalism in Crisis, Accumulation, and Rosa Luxemburg's Legacy – Edited by P. Zarembka & S. Soederberg
- Volume 22: The Capitalist State and Its Economy: Democracy in Socialism – Edited by P. Zarembka
- Volume 23: The Hidden History of 9-11-2001 – Edited by P. Zarembka
- Volume 24: Transitions in Latin America and in Poland and Syria – Edited by P. Zarembka
- Volume 25: Why Capitalism Survives Crises: The Shock Absorbers – Edited by P. Zarembka
- Volume 26: The National Question and the Question of Crisis – Edited by P. Zarembka
- Volume 27: Revitalizing Marxist Theory for Today's Capitalism – Edited by P. Zarembka and R. Desai
- Volume 28: Contradictions: Finance, Greed, and Labor Unequally Paid – Edited by P. Zarembka
- Volume 29: Sraffa and Althusser Reconsidered; Neoliberalism Advancing in South Africa, England, and Greece – Edited by P. Zarembka
- Volume 30A: Theoretical Engagements In Geopolitical Economy – Edited by Radhika Desai
- Volume 30B: Analytical Gains of Geopolitical Economy – Edited by Radhika Desai
- Volume 31: Risking Capitalism – Edited by Susanne Soederberg

RESEARCH IN POLITICAL ECONOMY VOLUME 32

RETURN OF MARXIAN MACRO-DYNAMICS IN EAST ASIA

EDITED BY

MASAO ISHIKURA

Hitotsubashi University, Japan

SEONGJIN JEONG

Gyeongsang National University, South Korea

MINQI LI

University of Utah, USA



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2017

Copyright © 2017 Emerald Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78714-478-1 (Print)

ISBN: 978-1-78714-477-4 (Online)

ISBN: 978-1-78714-941-0 (ePub)

ISSN: 0161-7230 (Series)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

CONTENTS

LIST OF CONTRIBUTORS *ix*

EDITORIAL ADVISORY BOARD *xi*

INTRODUCTION: RETURN OF MARXIAN
MACRO-DYNAMICS IN EAST ASIA
Masao Ishikura, Seongjin Jeong and Minqi Li *1*

PART I MACRO-DYNAMICS IN EAST ASIA

LABOR VALUE AND EXPLOITATION IN THE GLOBAL
ECONOMY
Taiji Hagiwara *15*

FINANCIAL INSTABILITY IN JAPAN: DEBT,
CONFIDENCE, AND FINANCIAL STRUCTURE
Kenshiro Ninomiya and Masaaki Tokuda *39*

A HISTORICAL PERSPECTIVE AND EVALUATION OF
ABENOMICS
Takeshi Nakatani and Taro Abe *63*

BIASED TECHNICAL CHANGE AND ECONOMIC
GROWTH: THE CASE OF KOREA, 1970–2013
Sangjun Jeong *81*

DYNAMICS OF THE RATE OF SURPLUS VALUE AND
THE “NEW NORMAL” OF THE CHINESE ECONOMY
Hao Qi *105*

PART II
STATE AND HEGEMONY IN EAST ASIA IN THE CONTEXT
OF TRANSNATIONAL CAPITALISM

THE TRANSNATIONAL CAPITALIST CLASS AND RELATIONS OF PRODUCTION IN ASIA AND OCEANIA <i>Jeb Sprague-Silgado</i>	133
A CRITICAL REVIEW OF CHINA’S REFORM <i>Gyu Cheol Lee</i>	159
WHY CHINA IS DIFFERENT: HEGEMONY, REVOLUTIONS AND THE RISE OF CONTENDER STATES <i>Lorenzo Fusaro</i>	185

PART III
CONSIDERATION OF ASPECTS FOR A MARXIAN
ALTERNATIVE FOR EAST ASIA

THE CHONGQING MODEL – SOCIALIST ALTERNATIVE OR PROPAGANDA CLICHÉ? <i>Anna Zakharzhevskaya</i>	227
SUBVERSIVE MIGRATION, CITIZENSHIP FROM BELOW AND DEMOCRACY AGAINST BORDERED CAPITALISM <i>Dae-oup Chang</i>	253

PART IV
COMMUNICATIONS ON CHAPTERS ON
SRAFFA IN *RPE*

ADDENDUM TO CARTER’S “RESPONSE TO PROFESSOR SOLOW” <i>Yoann Verger</i>	287
--	-----

<i>Contents</i>	vii
COMMENTS ON VERGER'S "ADDENDUM" <i>Scott Carter</i>	295
REPLY TO YOANN VERGER <i>Robert M. Solow</i>	301
INDEX	303

This page intentionally left blank

LIST OF CONTRIBUTORS

<i>Taro Abe</i>	Nagoya Gakuin University, Japan
<i>Scott Carter</i>	University of Tulsa, USA
<i>Dae-oup Chang</i>	Sogang University, South Korea
<i>Lorenzo Fusaro</i>	Universidad Autónoma Metropolitana, Mexico
<i>Taiji Hagiwara</i>	Kobe University, Japan
<i>Masao Ishikura</i>	Hitotsubashi University, Japan
<i>Sangjun Jeong</i>	Mokpo National University, South Korea
<i>Seongjin Jeong</i>	Gyeongsang National University, South Korea
<i>Gyu Cheol Lee</i>	Kyungpook National University, South Korea
<i>Minqi Li</i>	University of Utah, USA
<i>Takeshi Nakatani</i>	Onomichi City University, Japan
<i>Kenshiro Ninomiya</i>	Shiga University, Japan
<i>Hao Qi</i>	Renmin University of China, China
<i>Robert M. Solow</i>	Massachusetts Institute of Technology, USA
<i>Jeb Sprague-Silgado</i>	University of California Santa Barbara, USA
<i>Masaaki Tokuda</i>	Shiga University, Japan
<i>Yoann Verger</i>	National Institute for Agronomic Research (INRA), France
<i>Anna Zakharzhevskaya</i>	State Academic University for the Humanities, Russia

This page intentionally left blank

EDITORIAL ADVISORY BOARD

GENERAL EDITOR

Paul Zarembka

State University of New York at Buffalo, USA

EDITORIAL BOARD

Paul Cooney Seisdedos
*Universidad Nacional de General
Sarmiento, Argentina*

Radhika Desai
University of Manitoba, Canada

Thomas Ferguson
*University of Massachusetts at
Boston, USA*

Seongjin Jeong
*Gyeongsang National University,
South Korea*

Jie Meng
*Tsinghua University, People's
Republic of China*

Isabel Monal
University of Havana, Cuba

Ozgur Orhangazi
Kadir Has University, Turkey

Jan Toporowski
*The School of Oriental and African
Studies, UK*

This page intentionally left blank

INTRODUCTION: RETURN OF MARXIAN MACRO-DYNAMICS IN EAST ASIA

Masao Ishikura, Seongjin Jeong and Minqi Li

For many economists, regardless of their political positions, the economic growth in East Asia has been believed to be the model case of the triumph of capitalism. Indeed, conservative mainstream economists still quote “miracle” stories of the Japanese, South Korean, and Chinese economy as the best examples of economic catch-up based on market economy. On the other hand, some progressive economists (like the developmental state theorists) also viewed the East Asian model (including Japanese, South Korean, and Chinese variants) as the progressive alternatives to neoliberal market fundamentalism, despite their substantial shortcomings.

However, with the sudden advent of “Lost Decade of Japan” in the 1990s, and the ensuing “IMF Crisis” of South Korea in 1997, and now the slowing down of the Chinese economy, the East Asian “miracle” story seems to be a thing of the past. On the contrary, East Asia has become an epicenter of the contradictions and crisis of global capitalism. Today, deepening economic crisis, exacerbation of social polarization, rising popular discontents, and escalating geopolitical tensions are common to China, Japan, and the Korean peninsula. East Asia (especially China) has also been at the center of global ecological contradictions. Indeed, East Asia has become the typical place of Marxian macro-dynamics. Although “miracle” stories of East Asia are still on

Return of Marxian Macro-dynamics in East Asia
Research in Political Economy, Volume 32, 1–12
Copyright © 2017 by Emerald Publishing Limited
All rights of reproduction in any form reserved
ISSN: 0161-7230/doi:10.1108/S0161-72302017000032001

sale by the developmental state theorists as well as mainstream ideologues, it is obvious that their audience substantially shrank. Instead, critiques of and resistances to capitalism rapidly proliferate in East Asia. Several million peoples' candlelight in Korea against President Park Geun-hye's abuse of power and corruption, culminated in her impeachment, was just a recent example.

With the deepening contradictions of capitalism, interests in anti-capitalism and Marxism began to revive in East Asia after a long period of marginalization under "miracle" regimes.¹ Also, as it became clear that the export-led or investment-led growth model, which has sustained the "miracles" in East Asia, is petering out, some progressive economists are now trying to find new alternative in the Keynesian wage-led growth model or the universal basic income program, triggering the new interesting debates with Marxists.

In this spirit, current volume features 10 papers, which discusses the issues of macro-dynamics, state and hegemony in the context of globalization, and socialist alternatives in East Asia, mostly concentrated on three countries: China, Japan, and South Korea.

MACRO-DYNAMICS IN EAST ASIA

A review of economic growth and fluctuations in East Asian countries since the 1980s shows how Marxian-dynamics regarding overaccumulation, devalorization, and the subsequent restructuring of capital have evolved in various historical and institutional contexts. The evolution is exemplified by the Japanese experience from the late 1980s to the mid-2010s.

Following the Louvre Accord signed by the G7 countries in February 1987, in order to halt the dollar's sharp depreciation caused by the Plaza Accord in September 1985, the Bank of Japan cut the official discount rate to 2.5 percent and maintained the same rate from February 1987 to May 1989. This led to a surge in both stock and land prices and a concomitant credit expansion in the banking sector. This situation supported an accelerated pace of capital accumulation and a higher production capacity. However, following the subsequent monetary tightening from May 1989 to July 1991, both stocks and land prices started declining, and the assets offered as collateral for loans also depreciated, being directly triggered by the administrative guidance of the Ministry of Finance from March 1990 through December 1991, which requested financial institutions to restrict the lending growth to real estate firms below total lending growth. The result was an increased concern over repaying existing loans and the overaccumulation of capital that manifested as a high amount of uncollected loans.

In the post-war Japanese economy, the financial sector was protected by the "convoy system" of financial regulations, where the Ministry of Finance arranged an insolvent bank to be merged with another bank to protect the

interests of depositors and borrowers. Since the middle of 1997, when the financial administration of this system was abandoned, even large and influential banks were forced to leave the market in case of financial difficulties.² In parallel with the financial administration reform, the ban on financial holding companies (defined as holding companies, the subsidiaries of which were financial institutions such as banks, insurers, brokerages) was lifted in 1998, which facilitated the restructuring of the financial sector.

Regarding the three large banks that failed between 1997 and 1998,³ the financial authorities did not allow them to survive, and their nonperforming loans were settled through injections of taxpayer money. The nonperforming loans held by the other ailing financial institutions were disposed of during the period of quantitative monetary easing by the Bank of Japan from March 2001 to March 2006. Following the intensive disposal of nonperforming loans, firms in financial distress were forced to bankruptcy, leading to accelerated devaluation of capital in both real and financial sectors. Concomitantly, there was a series of alliances and mergers between financial institutions under financial holding companies, leading to capital restructuring in the financial sector.⁴

Since the mid-1990s, when the financial crisis started, deregulation regarding non-regular employment – namely a series of amendments to the Worker Dispatching Law – allowed companies to utilize dispatched workers more flexibly in response to an increasing pressure for cost reduction in the global market. In the post-war Japan, the worker dispatching businesses had been prohibited by the Employment Security Law enforced in 1947. Following the enforcement of the Worker Dispatching Law in 1986, the ban on worker dispatching was lifted for 13 specialized jobs (software developers, operators of office equipment, translators, etc.). The amendment of the law in 1987 also removed the ban on worker dispatching in another three jobs (designers of machinery, operators of broadcast equipment, etc.). Afterward, the 1996 further amendment of the law permitted companies to utilize dispatched workers in the 26 specialized jobs, including the 16 jobs mentioned above, specified by the government ordinance. Then, the amendment of the law in 1999 opened the way for worker dispatching in all jobs except construction, port and harbor transportation, security, manufacturing, and medical-related businesses.

Subsequently, with the amendment of the Worker Dispatching Law in 2004, the ban on worker dispatching in manufacturing jobs was further lifted. Under the amended law, for 26 specialized types of jobs specified by the government ordinance, the client companies could use workers dispatched from temporary staff agencies with no restriction on duration. On the other hand, for other types of jobs, including manufacturing jobs, companies could use dispatched workers for one year, which could be extended to three by consulting a majority representative of the employees in each company. Following yet another 2015 amendment of the law, for all types of jobs, companies could use dispatched workers in the same department for more than three years by replacing a currently dispatched worker with a new one and after consulting a majority

representative of the company's employees.⁵ The deregulation on worker dispatching implies that the capital and wage-labor relationship was restructured as follows: the worker dispatching agencies could have more opportunities for earning profits and the client companies could use the labor force of dispatched workers in more flexible ways, although some dispatched workers would find their income insufficient to make a living.

The Japanese economy experienced a relatively long expansion that began in the second quarter of 2002, amid monetary easing, and ended in the first quarter of 2008, two years after the end of monetary easing.⁶ Afterward, the economy entered contraction, adversely affected by the collapse of Lehman Brothers through the fourth quarter of 2009. Subsequently, the economy returned to expansion, which lasted through the first quarter of 2012, supported by the supplementary fiscal measures on the negative impact of the global financial crisis. However, during the same period, on March 11, 2011 the Great East Japan Earthquake and Fukushima nuclear plant disaster occurred, having disastrous effects on the regional economies. Since then, following a mild recession, the Japanese economy has been in expansion from the fourth quarter of 2012 to the present (early 2017).

The current cabinet of Shinzo Abe, leader of the Liberal Democratic Party who took office as prime minister in December 2012, advocated an economic policy package, the so-called "Abenomics," that comprised bold monetary easing, flexible fiscal policy, and growth strategies for promoting private investment. Monetary easing in tandem with fiscal policy implies the coordination of both government and the central bank. Indeed, in January 2013, the Japanese government and the Bank of Japan announced a strengthening of their policy coordination in order to overcome deflation and achieve sustainable economic growth with price stability.⁷ As shown below, monetary easing was implemented mainly through the Bank of Japan's purchase of long-term government bonds.

In April 2013, the Bank of Japan announced the introduction of quantitative and qualitative monetary easing (QQE) to achieve more quickly the price stability target of 2 percent annual inflation in terms of consumer price index. Its main measures were the money market operations that would cause the monetary base to increase at an annual pace of around JPY 60–70 trillion through purchases of long-term Japanese government bonds and extending their maturity.⁸ In the balance sheet of the Bank of Japan at the end of March 2013, just before the introduction of the QQE, the total assets amounted to JPY 164.8 trillion, including long-term government bonds of JPY 91.3 trillion, and the liabilities included JPY 83.4 trillion of banknotes, and JPY 58.1 trillion of current deposits.⁹ At the end of March 2015, two years after the introduction of the QQE, the total assets doubled to JPY 323.6 trillion, including JPY 220.1 trillion of long-term government bonds, which significantly exceeded the banknotes issued, and the total liabilities included JPY 89.7 trillion of banknotes, and JPY 201.6 trillion of current deposits held by financial institutions. During the two

years after the introduction of the QQE, the long-term government bonds held by the Bank of Japan increased 2.4 times and, correspondingly, the current deposits of the bank increased 3.5 times.

As the target of 2 percent annual inflation in terms of consumer price index was not achieved, the Bank of Japan maintained the QQE with a series of modifications. In January 2016, the Bank of Japan announced the introduction of the “QQE with a negative interest rate” for the purpose of achieving as early as possible the price stability target of 2 percent annual inflation in terms of consumer price index. Its main measures were to apply negative interest rates to current deposits and cause the monetary base to increase at an annual pace of about JPY 80 trillion through purchases of long-term Japanese government bonds and extending their maturity.¹⁰ Following these measures, since mid-February 2016, the unsecured overnight call rate fell into the range of 0 and -0.1 percent and the Japanese 10-year government bond yield became negative and lower than the unsecured overnight call rate. This behavior of long- and short-term interest rates implied the decline and flattening of the yield curve, leading to increased concerns about its negative impacts on the bottom lines of financial institutions.

In light of this situation, in September 2016, the Bank of Japan announced the introduction of “QQE with yield curve control” to achieve as early as possible the price stability target of 2 percent annual inflation in terms of consumer price index. The main measures to control the long- and short-term interest rates were as follows. First, a negative interest rate of -0.1 percent should be applied to the component called “policy-rate balance” in the current deposits held by financial institutions. Second, the bank should purchase long-term government bonds so that the Japanese 10-year government bond yield would remain around 0 percent. Further, the Bank of Japan committed to continuing the “QQE with yield curve control” until an observed annual rate of increase in the consumer price index exceeded the price stability target of 2 percent.¹¹ Following the introduction of yield curve control, in the middle of November 2016, the Japanese 10-year government bond yield returned to positive values.

Even after the introduction of the “QQE with a negative interest rate,” both the Japanese long-term government bonds held by the Bank of Japan and the current deposits held by financial institutions at the bank increased. In the balance sheet of the Bank of Japan at the end of December 2016, the total assets amounted to JPY 476.5 trillion, including JPY 360.7 trillion of the long-term government bonds, and the total liabilities included JPY 102.5 trillion of banknotes, and JPY 330.2 trillion of current deposits held by financial institutions. From the end of March 2013 to the end of December 2016, the long-term government bonds held by the Bank of Japan increased 4 times and, correspondingly, the current deposits of the bank increased 5.7 times. Moreover, there has been a rise in the proportion of government bonds held by the central bank. According to the flow of funds statistics,¹² at the end of September 2016, the Bank of Japan held 37.9 percent of the outstanding long- and short-term bonds

issued by the central government and the Fiscal Loan Fund, while it held 13.2 percent at the end of March 2013, just before the introduction of the QQE. While the Bank of Japan noted that “The aforementioned Japanese government bond purchases are executed for the purpose of conducting monetary policy and not for the purpose of financing fiscal deficits,”¹³ there are increasing concerns that further increases in the central bank’s holding of government bonds could eventually lead to the monetization of fiscal deficits. The Bank of Japan has yet to suggest the withdrawal from monetary easing.

One of the key issues in contemporary political economy is the valorization and accumulation of capital in the global economy. In the paper titled “Labor Value and Exploitation in the Global Economy,” Taiji Hagiwara constructs a theoretical model to measure the labor value of commodities in the context of international division of labor. To measure the total labor time embodied in goods that domestic workers produce using both domestic and foreign products as materials, we need to consider the labor time embodied in imported materials, and the direct labor time of domestic workers and the labor time embodied in domestic materials. Using data from the World Input Output Database, the author measured the labor value of the wage goods basket consumed by workers in four Asian countries: namely, China, Japan, Korea, and Taiwan, and two groups: namely, advanced countries and developing countries. Then, the author investigated the exploitation of labor in the global economy through the composition of domestic and foreign labor embodied in the wage goods basket.

In the late 1990s, the Japanese economy experienced increasing financial anxieties with banks holding a huge amount of nonperforming loans and financial institutions experiencing a series of failures. One of the critical issues regarding contemporary financial crisis is the effect financial anxieties have on the macroeconomy. In the paper titled “Financial Instability in Japan: Debt, Confidence, and Financial Structure,” Kenshiro Ninomiya and Masaaki Tokuda measure financial anxieties using a proxy variable called “the instability of confidence,” which was econometrically estimated using the diffusion indexes of changes in interest rates on borrowings and corporate financial positions declared by the Bank of Japan. The instability of confidence rose from the early 1990s, peaked at the end of 1998 amid the financial crisis, and then started to decline. Using a recursive vector autoregressive model with interest rates, income, debt burden, and the instability of confidence as the variables, the authors demonstrated the presence of a negative response of the instability of confidence to an increase in the debt burden in the period from the first quarter of 1980 to the fourth quarter of 1996 and a positive response of the instability of confidence to an increase in the debt burden in the period from the first quarter of 1997 to the fourth quarter of 2014. This result implies that the macroeconomic structure has become unstable following the financial crisis in the late 1990s.

With the restructuring of capital in both the real and financial sectors, as well as the deregulation of the labor market, the Japanese economy has yet to

find a path to sustainable growth. To address this problem, we need to examine the economic policies implemented since the 2000s and their consequences. In the paper titled “A Historical Perspective and Evaluation of Abenomics,” Takeshi Nakatani and Taro Abe critically examine the effectiveness of the economic policy package implemented by the current cabinet of Shinzo Abe, also known as “Abenomics,” which is marked by bold monetary easing, flexible fiscal policy, and growth strategies for promoting private investment. Based on the following facts, the authors investigated the reason behind the failure of the QQE that started in April 2013 in increasing production and employment. From 2012, just before the introduction of monetary easing, till 2015, the money stock held by the nonfinancial private sector increased at a slower rate than the monetary base. In the same period, GDP growth stagnated. Although the unemployment rate declined, the average disposable income per workers’ household hardly improved. Following the labor-related deregulation that led to an increase in non-regular workers, the growth of workers’ income was curbed and employment became increasingly precarious. The authors pointed out that higher wages and job security are essential for achieving a sustainable economic recovery in Japan.

Mainstream neo-classical economics tend to regard the “miracle” of the South Korean economy as a vindication of the efficiency of the market. On the contrary, for most heterodox economics, especially developmental statist, it was the result of “getting the price wrong.” What is missing in this age-old debate between free marketeers and statist is the recognition of the central role of Marxian macro-dynamics, or “Marx-biased technical change,” in the capitalist development in Korea. Indeed, without it, neither the previous success nor the current difficulties of the Korean economy can be properly understood. Sangjun Jeong tries to tackle this issue in his paper, “Biased Technical Change and Economic Growth: The Case of Korea, 1970–2013.” Jeong establishes that “Marx-biased technical change” has predominated in Korea for the period of 1970–2013 by econometrically evidencing the unidirectional causality from real wages to labor productivity and labor-saving *cum* capital-using technical change against the increase of workers’ power. Admitting that the capital productivity appreciation after the 1997 crisis is a deviation from the long-run trend of “Marx-biased technical change,” Jeong does not attribute it to the vitality of new technological innovations but to the class dynamics over extracting productivity under weaker capital deepening. For Jeong, the recent deterioration of labor share due to weakened labor unions is the main culprits of the low incentive for technological progress in Korea, which contributes to prolonged stagnation.

China has been the leading engine of global capital accumulation. In “Dynamics of the Rate of Surplus Value and the “New Normal” of the Chinese Economy,” Hao Qi studies the long-term dynamics of capital accumulation by measuring key Marxian variables such as the rate of surplus value, value composition of capital, and the profit rate in the context of the Chinese economy.

Qi's data series cover the extended period from 1956 to 2014, illustrating the changing dynamics of the Chinese economy from the state socialist period to the market transition. The author finds that China's rate of surplus value followed a U-shape from 1978 to 2008. It rose strongly from 1997 to 2008 and reached its historical peak when the global economic crisis broke out. The rate of surplus value then fell slightly after 2008. The financial and economic crisis led to persistent stagnation in leading capitalist economies, depressing demand for China's exports. On the other hand, the reduction in the reserve army of labor has enhanced the bargaining power of the Chinese workers. And the massive investment in fixed assets has led to rapid increase in value composition of capital. The combination of rising value composition of capital and stagnating rate of surplus value implies a falling profit rate, jeopardizing the sustainability of China's economic growth. Qi contends that major institutional changes promoting pro-labor redistribution and a wage-led economic growth may be necessary for China to sustain economic development in the future.

STATE AND HEGEMONY IN EAST ASIA IN THE CONTEXT OF TRANSNATIONAL CAPITALISM

As components of society, social classes contain individuals who are carriers of productive relationships. In the era of global capitalism, as chains of accumulation functionally integrate across national borders and regions, the formation of productive relationships has been deeply transformed. In "The Transnational Capitalist Class and Relations of Production in Asia and Oceania," Jeb Sprague-Silgado raises several important questions in the time of transnational global capitalism. How can we understand the changing class relations in the global era, and in the context of regions and countries of Oceania and East and South Asia? How can the political economy of Asia and Oceania be seen in light of the novel dynamics of the globalist era, with the rise of transnational social, economic, and political processes? How are one-time nationally or internationally oriented state apparatuses, institutions, and corporations converging with new transnational processes? How do social classes and various social groups in Asia and Oceania connect objectively and subjectively to transnational and global processes? How do shifting social and material relations play out regionally or within particular frontiers or built environments?

To address these questions, Sprague-Silgado reviews the existing studies on transnational class relations and the associated political and economic changes and analyzes contradictions connected to the transnational capitalist processes. In particular, Sprague-Silgado evaluates the crisis of legitimacy that occurs through the abandonment by state managers of national development as they

seek transnational capitalist integration with consequences in social polarization and the deepening of the global environmental crisis.

An important aspect of Marxist political economy has to do with analyzing the interaction between capital accumulation, class struggle, and the role of the state. In “A Critical Review of China’s Reform,” Gyu Cheol Lee reviews the socioeconomic reform policies employed by China’s party-state system from the early 1980s to the mid-2000s. Unlike conventional frameworks seeing the reform process as an economic development project designed for “national interests,” Lee interprets China’s reform as a political attempt of the party-state in response to the late-Maoist political and economic crisis as slow growth of labor productivity made it difficult for the party-state to reproduce dominance over the working class.

The state managers of the post-Mao era embarked on the reform as a way to restore the state’s ability to impose work discipline upon the workers. By depoliticizing exploitative social relations of production, the market-oriented reform helped the party-state effectively repress workers without the risk of serious damage to political legitimacy. However, Lee does not think that China’s reform as a depoliticizing strategy of class dominance was completely successful and non-problematic. Beneath the apparent success of the reform, a growing tendency toward crisis has emerged. Faced with the burgeoning workers’ struggles, growing problems of overproduction and overaccumulation, and the looming banking system crisis, the party-state has been under growing pressure to bring economic management back into the sphere of politics, as the underlying political risks continues to grow.

One of the central questions regarding the future direction of global capitalist economy has to do with China’s position in the capitalist world system in the 21st century. In “Why China is Different: Hegemony, Revolutions and the Rise of Contender States,” Lorenzo Fusaro assesses the question from the perspective of international political economy. Unlike some theorization that sees China as being integrated within US hegemony or other accounts that claim we are witnessing the “terminal crisis” of US hegemony accompanied by a hegemonic transition toward China, Fusaro argues that China has been able to gain “relative geopolitical autonomy” as a result of the revolutionary processes it went through and will eventually assert itself as a contender state.

Dissatisfied with the existing theorization on hegemonies, Fusaro draws on the critical edition of Gramsci’s *Quaderni* and attempts to offer a new perspective. Applying the elaborated framework of analysis to the current situation, Fusaro argues that while the United States successfully managed challenges from its traditional imperial rivals such as Germany and Japan, the United States is facing difficulties in countering China’s ascent. However, the idea of a “crisis of US hegemony” is premature and China remains distant from fully realizing hegemonic relations, even at the regional level of East Asia.

CONSIDERATION OF ASPECTS FOR A MARXIAN ALTERNATIVE FOR EAST ASIA

What is needed first for the progressives who try to design a Marxian alternative for East Asia is to accept that none of the East Asia models is one of them. Even China is far from suggesting some sort of progressive “non-capitalist market economy” alternative, as Giovanni Arrighi has argued.¹⁴ Indeed, China is only a variant of state capitalist exploitative and repressive regime. It is also required for the left to break with any variant of nationalistic “socialism in one country” model, and pursue a Marxian internationalist alternative in East Asia, as was historically exemplified in the slogan for “United States of Socialist Europe” before the World War I. Struggles for Marxian internationalist alternative is not only realistic and desirable, considering the close economic nexus between the East Asian economies – highlighted by the “flying-geese model” or “East Asian production networks” etc., and their historically shared cultural commonalities – but also urgently needed to resist the escalation of the recent inter (sub-)imperialist geopolitical competitions in East Asia or the second coming of “Greater East Asia Co-Prosperity Sphere.”

In this respect, the recent attempt for socialist renewal in Chongqing is remarkable. From 2007 to 2012, China’s Chongqing Municipality undertook a number of bold policy experiments, including a successful campaign against organized crimes, promotion of “red songs” and red culture, and a more egalitarian oriented economic development model under the leadership of Bo Xilai. In 2012, Bo Xilai was suddenly dismissed because of corruption charges. The Chongqing incident attracted widespread attention throughout the world. In “The Chongqing Model – Socialist Alternative or Propaganda Cliché?,” Anna Zakharchevskaya examines diverging views on the Chongqing model.

The model has impressed both supporters of socialist identity of China and supporters of liberal identity. Some leftists perceived the Chongqing model as a return to the genuinely socialist way of development. Other leftists criticized the Chongqing model for being no more than another liberal variant. In the meantime, the liberals tried to present the Chongqing model as a return to Mao’s Cultural Revolution and denied Chongqing’s economic success as a debt dependent investment bubble. Zakharchevskaya discusses and helps to clarify to what extent the Chongqing model represented a genuine socialist experiment and the implications of the model for China’s future.

In order to build a progressive alternative socioeconomic system in East Asia, breaking with statism and forging peoples’ solidarity from below are essential. Dae-oup Chang’s paper, “Subversive Migration, Citizenship from Below and Democracy against Bordered Capitalism,” is written in this spirit. Chang defines contemporary capitalism as bordered capitalism, which functions to dilute tensions among “us” and strengthens the fetishistic state function by compartmentalizing the global working class within their nation states. From

this understanding, Chang questions the prevalent form of internationalism as cooperation between parallel attempts of national working classes to change their own worlds within national borders. Chang argues that challenging capitalism requires us to subvert borders as a central class and racial institution to the reproduction of global capitalism while trying to overcome the injustice of capitalist social relations. Therefore, migrant workers emerge as crucial agency of subverting bordered capitalism. Chang's case study on the struggle of migrant labor in Hong Kong and South Korea shows that migrant labor ruptures the migrant control regimes and struggles to form citizenship from below by exercising "social movement citizenship," that is, social movement toward universal citizenship that goes beyond borders. Indeed, abolishing bordered capitalism is unthinkable without the struggles of migrant workers for universal citizenship.

Communications on chapters on Sraffa in *RPE* Volume 29 (2014) of the *Research in Political Economy* began by "Reconsidering Sraffa," including a long chapter by Scott Carter, comments thereafter by Robert M. Solow, a response to him by Carter, and ending with a chapter by Bangxi Li related to the Chinese experience. In this issue, Yoann Verger offers an addendum to Carter's response to Solow, to which Carter and Solow offer their reactions. We are thankful to Paul Zarembka for organizing this exciting debate on Sraffa.

NOTES

1. For example, refer to Hart-Landsberg, M., Jeong, S., & Westra, R. (Eds.). (2007). *Marxist perspectives on South Korea in the global economy*. Aldershot: Ashgate; Li, M. (2015). *China and the 21st century crisis*. Chicago: The University of Chicago Press.

2. Ministry of Finance, *Financial system reform: Toward the early achievement of reform*, released on June 13, 1997 (http://www.fsa.go.jp/p_mof/english/big-bang/ebb32.htm).

3. The three failed large banks are as follows: Hokkaido Takushoku Bank, the tenth largest bank, which failed in 1997, and the Long-Term Credit Bank of Japan and the Nippon Credit Bank, both of which failed and were placed under temporary nationalization in 1998.

4. For the transformation of the Japanese financial system following the financial deregulation from the late 1970s through the early 2000s, see Ishikura, M. (2007). Reassessing the Japanese response to globalization: Causes and consequences of Japanese financial crisis. In J.-S. Shin (Ed.), *Global challenges and local responses: The East Asian experience* (pp. 116–139). London: Routledge.

5. For further details on the regulation of worker dispatching in Japan, see *Labor Situation in Japan and Its Analysis: General Overview 2015/2016*, edited by the Japan Institute for Labour Policy and Training, released in March 2016 (<http://www.jil.go.jp/english/lpj/general/2015-2016.html>), p. 162.

6. For dating the business cycles in Japan, see the Economic and Social Research Institute, the Cabinet Office, *The determination of business-cycle peak and trough*, released on July 24, 2015 (<http://www.esri.cao.go.jp/en/stat/di/150724rdates.html>).

7. Cabinet Office, Ministry of Finance, Bank of Japan, *Joint statement of the Government and the Bank of Japan on overcoming deflation and achieving sustainable economic growth*, released on January 22, 2013 (http://www5.cao.go.jp/keizai1/2013/130122_joint_statement_of_the_government_and_the_bank_of_japan.pdf).

8. For further details on the quantitative and qualitative monetary easing, see the Bank of Japan, *Introduction of the 'quantitative and qualitative monetary easing'*, released on April 4, 2013 (http://www.boj.or.jp/en/announcements/release_2013/k130404a.pdf).

9. Data on the balance sheet of the Bank of Japan are available from the site of the bank (<http://www.boj.or.jp/en/statistics/boj/other/ac/index.htm/>).

10. For more detail on the QQE with a negative interest rate, see the Bank of Japan, *Introduction of 'quantitative and qualitative monetary easing with a negative interest rate'*, released on January 29, 2016 (http://www.boj.or.jp/en/announcements/release_2016/k160129a.pdf).

11. For further details on QQE with yield curve control, see the Bank of Japan, *New framework for strengthening monetary easing: 'Quantitative and qualitative monetary easing with yield curve control.'* released on September 21, 2016 (http://www.boj.or.jp/en/announcements/release_2016/k160921a.pdf).

12. Data from the flow of fund accounts are available on the site of the Bank of Japan (<http://www.boj.or.jp/en/statistics/sj/index.htm/>).

13. Bank of Japan, *Introduction of the 'Quantitative and qualitative monetary easing'*, released on April 4, 2013, p. 2.

14. For more critique of Giovanni Arrighi's thesis of "non-capitalist market economy," refer to Seongjin Jeong, "Karl Marx in Beijing," *International Socialism*, No. 123, 2009.