

## A NEW PARADIGM FOR ECONOMICS AND SOCIAL SCIENCES IN THE 21st CENTURY

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**Abstract:** With the escalation of the global economic and financial crisis and the proved failure of the neoliberal mode of development, the attention of both the academia and policy makers has again shifted towards socialism as a viable alternative for capitalism at the global level. Actual changes, however, require the integration of theoretical insights and a program of concrete actions. To that end, an international congress was held in Mexico City at the end of October 2010, to discuss alternative development models and present vanguard thinking with regards to social science research and social progress in the 21st century. Drawing upon the experiences in China, Russia, India, Brazil, Mexico, Venezuela, the UK, US, etc., scholars from these countries engaged in dialogues about such topics as the China Model, the experience of the BRIC countries, the historical lessons of the Soviet Union, and socialism in Latin America. With profound analysis and solid understanding of the current situation, the conditions of 21st century socialism were formulated and presented.

**Key words:** international congress; new paradigm; social sciences; 21st century

### Background and Objectives

An international congress on Economics and Political Economy hosted by the Metropolitan Autonomous University was held in Mexico City, Mexico from 27 to 29 October 2010. Entitled “A New Paradigm in 21st Century Economics and Social Sciences,” the congress attracted social scientists from Great Britain, the United States, Russia, China and Venezuela along with Mexican scholars. One of

the major topics discussed was the advance of political economy as an alternative to contemporary capitalism. The congress constituted not only an important academic event providing profound analysis of the fundamental problems of global capitalism, but was also a call for collective action to advance towards a new form of progressive society based both on reflections on the crisis in contemporary capitalism and on theories of new models of development.

To put the congress in a broad global context, it is an act demanded by the urgent task of shifting the paradigm for social and economic development from a 20th century model to a 21st century model for some, and from traditional socialism to 21st century socialism for others. The recent economic and financial crisis that paralyzed global capitalism has reawakened a broad interest in theories and practices aiming to establish an alternative society for capitalism. A major piece of evidence for this is the growing number of readers of Marxian works and interest in programs with a socialist orientation. Some have also declared the dawn of a new revolution, a declaration which has followed virtually every major crisis of capitalism in history. But substantial changes, let alone revolutionary events, have yet to be seen. This contrast between expectation and reality, as well as between the drama of the economic crisis on the one hand and the stasis of socio-economic alternative on the other, is precisely what should concern social scientists who are more or less perplexed and disoriented. Waiting for capitalism—which tends to feed on its own crisis and produce more monstrous and disastrous results—to recover and enter yet another cycle of crisis has been the usual practice in the past. This congress thus also constitutes a two-fold wake-up call for progressive scholars around the world, with a stress on the formation of an alternative and then the strategic presentation of such an alternative. To that end, the following summary of the congress is presented. It is hoped that insights and perspectives from the congress will feed the progressive social and political movement around the world, so that the search for a common program as the focal point of paradigm shift will transform into a unifying force that renders possible actual movement towards a post-capitalistic world of peace and common prosperity.

### **Learning from Practice: Implications of the China Model**

With its stated aim of seeking feasible programs for the future of mankind in collective economic terms, the congress saw discussions and debates concerning the specific experiences of many developing countries in their search for the best way of development in their own context. More often than not, these types of experiences are today labeled as “models” that function as points of reference. They merit careful examination in the search for the path leading towards a post-capitalist society. A prominent example in this respect is the China Model.

Professor Enfu Cheng, director of the Academy of Marxism in the Chinese Academy of Social Sciences, made a special presentation on what is often called the China Model. He explained the context, basic contents, challenges and critique of this concept, which has in recent years attracted increasing attention from around the world due to China's dramatic development, with its attendant achievements and problems.

Since the proposition of the "Beijing Consensus," international discussions and debates have centered around how to categorize what has been observed in China, economically and otherwise. And within China too there has been no less discussion of three decades of development and how it should be analyzed. Both domestic and global discussions reveal the anxiety and uncertainty about a potential—albeit not problem-free—solution for the crisis in global capitalism. Among such discussions, Cheng distinguished himself by defining the China Model from a multi-leveled perspective, in the sense that it is an intrinsic part of the Chinese context, socialist in nature, and particularly applicable to developing countries. It is impossible to grasp the import of the China Model without connecting it in a real sense to the experience of a developing country and a socialist methodology. All successful cases in the experiences of China's reform and opening to the outside world point explicitly to a well defined strategy laid out by the Communist Party of China as early as the 1980s, and which has been termed a model of socialism with Chinese characteristics. Specifically, the content of the China Model can be understood from an explication of its four basic aspects, i.e., the socialist market economy, socialist democracy, socialist culture, and the construction of a socialist harmonious society. The success of China's economy in the past three decades and in handling the impact of the recent world economic and financial crisis lies primarily in its maintenance of the public ownership of means of production, including both material and cultural production, as well as a distribution system based on the value of labor. This economic base of a socialist state constitutes a solid foundation for social development under an innovative spirit of ethical citizenship with mechanisms for interest coordination, appealing, conflict mediation and rights protection, known as the construction of harmonious society.

The China Model is thus a well defined concept describing a sophisticated system for economic, political, cultural, and social development in China. It does not claim to be a universal model that could be replicated outside the Chinese context, but nonetheless provides an important reference point for developing countries as well as giving momentum to context-specific transformation in their societies. Theoretically, it overthrows the stereotype that a rising power is necessarily aggressive and that state-owned enterprises are necessarily inefficient, as well as the confusion of a vigorously maintained system of socialism with political pragmatism. There are still many challenges when putting this model into actual practice, such as incidents

of mass disturbance and conflicts of interest in international relations. To solve these problems, there is no better way other than sticking to a Marxist outlook and methodology, and remaining unfettered by either theoretical dogmas or idealized examples of success.

### **The Possibility of a New World Power Structure**

China no doubt provides much food for thought in the search for a new paradigm of economic and social development, but it is certainly not the only case with such potential. In a specific and narrow sense, Brazil, Russia, India, and China, have been identified as the potential dominant economic forces (along with the US) by 2050. Despite the explicit geo-political and commercial nature of such a juxtaposition through the term “BRIC” nations, it nonetheless serves as a useful reference in the discussion of a global phenomenon in terms of economic alternatives, particularly with regard to new possibilities presented by nations demonstrating the potential and determination to challenge the current US-dominated world order.

#### **India: a power of peaceful development**

The Indian ambassador Dinesh K. Jain addressed the ascent of the BRIC countries both from an individual perspective and one with the benefit of their official positions and policy approaches. He began with a challenge to traditional concepts of power and to the way discussion about BRIC countries is often framed. The idea of a global power system based on military strength, he pointed out, should be gradually phased out and replaced by a more democratic, equitable, and multi-polar approach, with an increased emphasis on economic and technological strength as well as cultural appeal. This, he stated, is already an inexorable trend. Conceptually, India never considered itself a world power, and will not accept the position of an “emerging” power, if that implies anything more than merely an emerging country or economy. Such conceptualization has its obvious historical context, in the principle of non-alignment, or independent foreign policy. With peace and prosperity as the objective of its foreign policy, India seeks to build a pluralistic, democratic, secular and tolerant society of its own and promote the same values abroad.

The notion of BRIC and India’s global engagement should therefore be understood particularly with regard to the evolution of a pluralistic world order, accommodating new players who might contribute towards solutions to tomorrow’s problems. Globalization, while producing unprecedented connectivity among countries in the world, has also aggravated some of our major threats such as terrorism and environmental degradation. The global economic and financial crisis has not only paralyzed the economic systems in developed countries, but had a major impact on developing economies with respect to such vital issues as food and energy

security. Solutions to global challenges undoubtedly lie beyond the capacity of any single country. Rather, they demand collective effort not just by the small grouping of industrialized, most developed countries, but also by emerging economies. To that end, the institution of global governance must be reformed in order to build a better representative system, expand international, regional, and sub-regional cooperation, and manage global diversity under the principle of democracy, pluralism, inclusiveness, and tolerance. It is in such an emerging world that India is willing and seeks to assume its responsibilities.

India has established friendly and mutually beneficial relations with each of its neighbors, as can be seen in its great assistance to Afghanistan's reconstruction, its effort to live in peace with Pakistan, and its involvement in the SAARC process of cooperation in South Asia. India's increased global engagement has illustrated that the greater a country's capabilities are, the more it needs to be further integrated into the world. India has weathered the global crisis fairly well, with an annual economic growth rate of 7 to 9 percent, success as an offshore provider of skill-based services such as software development, industrial research, business services, a growing consumer class, and a dropping poverty rate.

To sum up, Jain stressed that India's ascent will be limited only to the economic, technological, and cultural sense, and carry no negative implications for world stability. Its economic development will always be positive, responsible and mature, and conducive to the promotion of peace, cooperation, and better international relations. In order to deal with the complex challenges that the world is facing today, we need to build a new world order based on understanding and inclusive participation rather than conflict and monolithic vision.

### **Russia: development in crisis**

The Secretary for Economic Affairs of the Russian Embassy, Dr. Nikolay Shkolyar, talked about Russia's role as an integral part of the world economy. First, he pointed out that the recent world crisis demonstrated that Russia is politically stable and has a functioning market economy. Despite a drop in public finances from surplus to deficit, and growth of external debt in GDP composition, the economic situation in Russia, both before and after the crisis, has been good, as can be seen in its stable monetary situation, strong Russian ruble, and persistent trade surplus—its trade with Mexico grew by 300 percent between 2006 and 2008. As an important competitive force at the global level, Russian participation in multinational organizations and cooperation in general matters has been active. An on-going world crisis demands international cooperation. Specifically, Russia is an important player in the G-20 innovations regarding its role in coordinating economic development and regulating the world economy. In addition, state interventions in economies are necessary. This can be observed in Russia as well as other countries. Shkolyar talked about

the problems common to Russia and the rest of the world which derive from the international financial crisis. These include the lack of direct investment, the quality of human capital, terrorism, and social stratification. In the meantime, each country is facing its own particular problems, which may include the quality of growth and obstacles to growth cycles, the quality of state management, quality of services, insufficient integration into world economy, and unequal regional developments. To address all these problems, reform of the international financial system is absolutely necessary. There should be mutual evaluation. Both are essential for avoiding the next crisis.

### **China: an explicit challenge to US hegemony**

Returning to the perspective of China, Professor Enfu Cheng presented his understanding of the BRIC countries' ascent mainly from the perspective of their challenge to the current world power system in which the US dominates politically, financially, and militarily.

Basically, China's rise has been a peaceful one. Contrary to the concerns of many regarding the possibility of China's growing into yet another "super power," China has consistently reiterated its position as "no dominance" (by Mao Zedong) and "no world leader" (by Deng Xiaoping). Such a position forms a direct contrast with that of the US, which was involved in at least six wars even after the cold war ended, and has taken away—legally or otherwise—other countries' wealth through such organizations as the WTO, IMF, and World Bank. Such a world leader is obviously not a leader that people around the world would be willing to elect.

During the current financial crisis, China and the US have been identified as the G-2, or Chimerica, indicating a new world power system. This is a highly inappropriate juxtaposition. Even if China's GDP exceeded that of the US, or if China became the number one economy of the world, it would never treat other countries the same way that the US has done. A hegemonic China would go completely against the tenets of Marxism and conceptualizations of scientific socialism. Unlike many other countries in the West, China does not have a military-industrial complex based on private monopolistic interests, and consequently has no drive for war and military competition. The transformation from G-8 to G-20, however, is a positive development for the world, even though its achievements in recent years are far from satisfactory to developing countries. China is also very happy to see the ascent of the BRIC countries and their role in many international organizations. This constitutes a positive force in the promotion of world peace and in breaking the US economic and financial monopoly, particularly the dollar monopoly.

Cheng talked proudly about the growth of China's international relations in a positive direction. He pointed out that China is not against any country that grows strong, hence its strategic partnership with Russia, cooperation with India

in international carbon-reduction negotiations, and relations with the Shanghai Cooperation Organization. The ascent of China, and other BRIC countries, while presenting the possibility of a different model of development, illustrates the inefficiency and exploitative nature of the US hegemony in the world economy as the worst managed among developed countries. It will be the responsibilities of the BRIC countries, and of countries such as Mexico, to promote their vanguard programs and transform the world into a just and equal community of new economic, political, and cultural order.

### **Latin American experiences**

Countries in Latin America have long histories of colonialism and anti-colonialism, the fight for national sovereignty, and revolutionary spirit in both secular and religious sectors. Today, with some countries like Brazil and Mexico showing the momentum of rising as world-changing forces, and others like Venezuela and Bolivia adopting an explicitly socialist route, Latin America as a whole is very likely to geopolitically determine the mode of development in the latter part of 21st century. That at least was the message behind what the Bolivian Ambassador, Jorge Mansilla had to say about Bolivia's history and current struggle.

Since the beginning of the Spanish conquest of Bolivia the indigenous people offered resistance until the last day of the colony. They defended their dignity, their land, their natural resources and their way of living against the European intruders. The great indigene uprisings at the end of the 18th century, by Tupac Amaru in Perú and the brothers Katari in Bolivia, bear witness to their secular struggle.

Many of the elements of this struggle were socialist in nature, beginning with the right to self-determination, including national sovereignty, the right to one's own language, culture, customs and economic system. They also expressed their concept of ecological and protective relationship with Mother Earth (*pacha mama*), in the famous saying: "We don't inherit the earth from our ancestors. We borrow it in trusteeship from our sons."

With the government of Evo Morales, Bolivians' struggle for national autonomy has finally succeeded. And again, the government applies certain socialist policies. The country now is constitutionally defined as a "plurinational republic" with a multiethnic population. Strategic economic sectors, such as the immense lithium and iron reserves, have been nationalized. These raw materials will be industrially processed by Bolivia in order to develop its own industrial basis. The ancient collective forms of land ownership and cooperative labor are also being protected vis-à-vis the market economy.

Another aspect is the embryonic welfare state that the Bolivian government has initiated with social reforms, help to the elderly, educational measures, etc. Finally, Bolivia has recovered its political sovereignty, as demonstrated by the decision to

expel the US ambassador, who, in collusion with rich landowners, was organizing a coup against the Bolivian government.

### **Foundation of 21st Century Socialism**

To begin, the advance of socialism as an alternative to capitalism in the 21st century necessarily involves a recognition of the genuine achievements and failure of 20th century socialism. This understanding of 20th century socialism could be further narrowed down to the understanding of one of the most tragic events in the history of Marxism and Socialism, i.e., the collapse of the former Soviet Union. Not surprisingly, there are more debates than agreement on this issue. For example, Professor Alexandr Buzgalin from the University of Lomonosov Moscow State University suggests that internal contradictions inevitably led to the collapse of socialism as the result of a democratic process of social creativity of masses, while Professor Enfu Cheng raised a different point of view concerning the lesson of the Soviet Union. He pointed out that if we believe that the immaturity of the system, bureaucracy, lack of freedom and innovation, and all the internal contradictions of traditional socialism inevitably led to the collapse of the Soviet Union or socialism in general, then we cannot explain how China has combined socialism with tremendous economic development, despite having the same political and economic structure as the Soviet Union in its first thirty years of development. Therefore, Cheng suggests, rather than “inevitable collapse,” the traditional form of socialism leads to “inevitable reform,” or, after successfully fulfilling its tasks of building the economic foundation of a socialist state, the traditional form of socialism develops into reform and opening to the outside world to enable socialism to continue into the next stage of development.

Theoretically, there has been effort to connect Marxist labor theory of value with new economic, social, and even technological development. For example, as a computational scientist, Paul Cockshott from Glasgow University began with a scientific—as in hard sciences—definition of model and used modern methods such as information theory to test the accuracy of Marx’s labor theory of value. The results are that Marx’s labor theory of value demonstrates elegant simplicity characteristic of a law and information theory is consistent with broadly Marxian models. Such a rigorous test, Cockshott suggests, is absolutely necessary if any progress is to be made in solving theoretical disputes. With regards to the classical political economy, Allin Cottrell from Wake Forest University of the US introduced a theoretical advance through revisiting the so-called “transformation problem,” which absorbed much of the effort of Marxist economists in the 1960s and 70s. With the help of statistical mechanics in the analysis of political economy, his studies provided empirical support for the labor theory of value with consistently a close



relationship between value and prices. The strength of the labor theory of value lies in its use to derive an equation for the steady-state rate of profit, and hence to predict the motion of the profit for a given economy.

Finally, Heinz Dieterich, sociologist and retired professor from the Metropolitan Autonomous University of Mexico, laid out a general schema for 21st century socialism based on the reflection of its scientific-philosophical foundation.

Before everything else, Dieterich stated that Marxism, or historical and dialectical materialism, constitutes epistemologically what the time-space-motion paradigm is to modern science. Not only that, the advance in modern science with such a paradigm has not only changed the understanding of time, space, and motion as the three key conditions of our existence and cognition, but also changed the previous conceptualization of history and society, including what Lenin explains as the three components of Marxism, i.e., dialectics, political economy, and class struggle.

Investigating current capitalism with such a perspective, we would find that none of the four decisive subsystems of the bourgeois control—the chrematistic national market economies, the representative parliamentary democracies, the plutocratic states or the liberal-bourgeoisie states—is capable of resolving the great problems of mankind. In contrast, 21st century socialism, the mode of production of which is comprised of three basic elements, i.e., democratically planned economy, theory of labor value, and equivalence principle, contains a decisive answer to the current crisis of global capitalism. For example, Cockshott, Cottrell, and Dieterich have already sketched the stages of transformation of the European Union towards socialism, i.e., the nationalization of industry, the tie between the value of the euro to the working hour, and democratic planning within the European Union as a whole.

### **Conclusion: Strategic Presentation of a New Paradigm and Integration of Progressive Forces at the Global Level**

What the above discussion reveals is the tendency towards a collective global search for a new paradigm of development, one that is anti-imperialist, just, and encompasses regional, cultural, and economic differences. There is a strong sense of theorizing individual experiences in different countries and bringing forth a common program as a call for all to join in a broad movement of social reform towards post-capitalist society. The driving force is indeed growing. As was demonstrated at the congress in Mexico City, Cockshott, Cottrell and Dieterich are already proposing a concrete schema of transformation of the European Union towards socialism. The very support of the congress and its search for a vanguard program for social development from the Metropolitan Autonomous University, the National Autonomous University, and Mexico City alike illustrates both the attraction and the sense of urgency with regard to such a program. In Latin America, socialist

policies are not demonized, but practically implemented as viable alternatives to save economies from neoliberal failures. In Russia, Putin advocates a reevaluation of socialist achievements during the Stalin era which have been distorted under Gorbachev and Yeltsin. In China, the model of socialist market economy presents a definite rebuttal to the financial and economic crisis triggered by US-based speculations. We have every reason to believe that a new consensus—in accordance with collective welfare of the world and possible through concerted effort by the emerging forces—is not only necessary, but also a coming reality that demands our participation and critical contribution.