

Reworking Marxism: The Making of the National Economy in 1980s China

Bowen Li, Northwestern University

This paper examines how reform-era China redefined what counted as “the economy” through its 1980s transition from the Soviet-style Material Product System (MPS) to a GDP-centered national accounting framework. Drawing on statistical journals, policy documents, pilot materials, and interviews, I argue that this shift was neither a straightforward technical replacement nor a simple diffusion of Western statistical standards. It was a reorganization of the classificatory principles through which the state classified economic activity, produced aggregates, and rendered economic life governable. The transition from MPS to GDP was therefore not only a change in measurement, but also a transformation in how “the national economy” was constituted as an object of knowledge and governance.

Under MPS, the economy was bounded by the distinction between “productive” and “non-productive” labor. Developed through Soviet Marxist reinterpretations of Marx’s labor theory, this distinction confined national income to material production and excluded much of the service sphere from the core economic aggregate. Yet “productive labor” was more than a technical category. It functioned as the economy’s organizing principle: it determined what counted toward national income, structured understandings of accumulation, and anchored a hierarchy in which material production occupied a privileged place in socialist political economy. The economy, in this framework, was not an all-encompassing national totality but a structured domain organized around material production.

By the early 1980s, however, this boundary became increasingly difficult to sustain. Mounting urban employment pressures in the early reform era made commerce and services newly important as spaces of labor absorption, while chronic shortages in service provision heightened their administrative significance. These developments did not by themselves generate a new accounting system, but they destabilized the old one by making it harder to keep non-material activities outside the central field of economic administration. The issue was no longer simply whether such activities were theoretically “productive” in a Marxist sense, but whether

the inherited distinction between productive and non-productive labor remained workable as a basis for governing a reforming economy.

This tension surfaced most clearly in the scholarly debates over productive and non-productive labor that peaked in 1982. I read these debates not simply as doctrinal disputes, but as manifestations of a deeper classificatory strain. Participants disagreed over how non-material activities should be counted, how Marxist categories should be interpreted under socialism, and how inherited theoretical distinctions should relate to the needs of contemporary administration. Yet the debates did not produce a definitive theoretical resolution. No reinterpretation of productive labor restored its authority as the master principle for defining the economy. At the same time, the failure of theoretical closure did not halt reform. Instead, it loosened the monopoly of “productive labor” as the organizing principle of economic classification and opened space for more experimental solutions.

What followed was not a clean paradigm shift from one coherent system to another, but a pragmatic and provisional process of institutional reconstruction. Reformers selectively incorporated elements of the System of National Accounts (SNA) while avoiding an immediate abandonment of the existing statistical order. Through pilot projects, experimental reforms, technical discussions, and provisional administrative arrangements, they gradually assembled a transitional accounting order. This process mattered precisely because it did not require prior theoretical consensus: new categories could be tested, standardized, and administratively routinized before the old conceptual vocabulary had fully disappeared.

Within this transitional process, several categories proved especially consequential: tertiary industry, gross national product, value added, and sectoral accounts. These did not merely supplement the MPS framework with additional information. They redistributed key functions that had previously been concentrated in the category of productive labor. The tertiary industry expanded the administratively recognized economic domain by grouping together activities that had sat uneasily within a material-production framework. Value added provided a new basis for aggregation, allowing heterogeneous forms of activity to be compared and combined without relying on the older distinction between material and non-material production. Gross national product offered a more comprehensive national total, capable of representing the economy as an

integrated and measurable whole. Sectoral accounts further supported this reorganization by shifting attention from a hierarchy of productive versus non-productive labor to a broader representation of the economy as a set of interrelated sectors. In this sense, the reform did not simply replace one statistic with another; it redistributed the classificatory and aggregative work through which the economy was constituted.

The paper therefore argues that theoretical debate and institutional reform were mutually constitutive rather than sequential. Debates over productive labor exposed the declining capacity of an inherited category to stabilize the economy's boundary, while pilot reforms and accounting experiments translated this conceptual instability into a new administrative order. China's adoption of GDP was thus simultaneously the construction of "the national economy" as a new object of calculation and administration, and the epistemic condition for the later rise of GDP-centered developmental governance, as local officials increasingly came to treat growth as a measurable target, a comparative benchmark, and a language of political achievement.