

This paper interrogates the changing categorization of value in China's early transition from state socialism to capitalism by closely examining a crucial policy episode in the mid-1980s. In 1983, China's top economic policymakers were deeply alarmed by a fiscal crisis that persisted despite repeated efforts to address it in the previous few years. Whereas in the past this fiscal crisis had been driven by excessive spending, it became clear in 1983 that the center of the problem shifted from excessive spending to insufficient revenue. The imperative to find a revenue-side solution to the fiscal crisis motivated China's leading politicians and policymakers to prioritize the curbing of workers' material demands and the taming of institutions of workplace democracy that enabled workers to pursue these demands. Consequently, the Party leadership united behind a decision to decidedly constrain workplace democracy and concentrate managerial powers into the hands of factory directors in 1984. This anti-democratic turn marked the end of the first phase of China's "market socialism" era, which combined embryonic marketization and partial workplace democratization, and ushered in a volcanic second phase featuring deepening marketization and degeneration of workplace democracy.

This episode of Party politicians blaming the Party-state's fiscal crisis on workers is worth theoretically unpacking, as it provides a window for us to analyze how the political economy of a socialist regime in transition shaped categorization of value, and how such categorization of value shaped policymaking. On the one hand, the nature of China's socialist public ownership produced a mode of fiscal accounting that saw any increase in workers' compensation as revenue forsaken by the state. Such fiscal categorization made it *objectively possible* for politicians to see the Party-state and workers as engaged in something akin to a zero-sum distributional conflict. On the other hand, these politicians were *inclined* to view workers' exercise of workplace democracy in a negative light – as something to discipline when the need arose – because they saw such exercise as encouraging the short-term and particularistic pursuits of "livelihood" concerns at the expense of the more fundamental goal of developing economic production. Such understanding betrayed a deeply internalized conceptual scheme, which I call the "productivist bias", that drew a sharp boundary between "production" (*shengchan*) and "livelihood" (*shenghuo*) and saw the realm of the latter as secondary to that of the former. I put these findings in conversation with James O'Connor's classic *The Fiscal Crisis of the State* to shed light on how these particular sets of fiscal and conceptual categories revealed the structural tensions in a transitioning socialist economy.