

China as Global Factory Is Incubator of Future Revolt

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Few developments are changing the world more than China's unprecedented economic growth. In 2004 industrial production in China increased 16%. A growing number of firms in the U.S. and Europe—from textile manufacturers to furniture makers—are shifting operations to China where the cost of production is often less than that of the raw materials needed to create the same products back home.

China is running up huge increases in fixed capital investment—40% a year in some sectors. This has led to massive increases in demand for steel, aluminum, coal, cement, nickel, and other primary products that have kept commodity prices high and led to massive windfall profits for many multinational corporations.

This growth is no flash in the pan. Per capita gross domestic product (GDP) growth in China averaged 8% a year since 1979. The strongest per capita Gross Domestic Product growth in the U.S. for any 25-year period since 1830 was 4%.

Nevertheless this growth rests on shaky foundations. The hunger for raw materials and products to fuel China's expansion is exacerbating the exploitation of labor and destruction of the environment. Many workers labor 12 to 14 hours a day for \$50 a month in sweatshops where unions are forbidden and working conditions are unregulated. There is little or no access to health insurance in the factories along China's east coast and industrial accidents are endemic nationwide.

In 2004, 10,000 workers were killed in mining accidents—85% of the number of deaths due to mining disasters in the world. Half of the deaths occurred in the coal industry (three quarters of China's electricity output is generated from coal). Such accidents are endemic in government-owned mines and in the growing number of "independent," privately owned mines where workers are being relentlessly pushed to increase output with antiquated, outdated equipment.

CRISIS OF CAPITAL ACCUMULATION

China's economy is extremely unbalanced. Farms, where 900 million reside, are tiny. Few are mechanized. With farms unable to attain economies of scale due to their small size and lack of mechanization, peasants are sinking deeper into poverty. Thus, the vast majority of the populace has no access to the surplus production being spewed out by the industrial expansion.

Since China's growth depends on its ability to attract foreign capital by keeping wages low (80% of world direct foreign investment outside the U.S. in 2004 went to China), urban workers are also unable to reap the benefits of its booming economy. Moreover, millions of workers in unprofitable state-owned enterprises are being laid off, adding to poverty and unemployment.

Though China has a middle class of 100 million, it too is hemmed in by fears of unemployment and the lack of adequate health care and housing. Those in the cities may be consuming a lot more goods than a generation ago, but nowhere near the rate of China's output.

So where is the output in production going? Largely overseas. China's foreign reserves are \$600 billion—in an economy with a \$1,000 billion GDP. It means 60% of China's GDP is tied up in foreign investments. Most of it is invested in U.S. treasury bonds and securities. China is lending the U.S. nearly two billion dollars a day.

In essence, the U.S. is borrowing China's surplus capital to make up for its inability to balance its own books. The U.S. is getting away with a massive trade deficit (and a growing federal budget deficit) by getting China to ship to the U.S. the profits gleaned from its exploitation of its underpaid workers and peasants. Chinese workers are effectively subsidizing the U.S. with low-cost consumer goods and surplus capital that keeps down interest rates and the cost of U.S. capital.

While this enables China to deal with an unbalanced economy in which investment far outstrips consumption, it comes with a downside. The U.S. dollar has declined in value by 30% against the euro and the yen over the last few years. That means the value of China's holdings in the U.S. has plummeted.

China can respond by pulling its investments out of the U.S., but that could trigger a rise in U.S. interest rates and the cost of capital, leading to an economic downturn that would threaten the stability of the world economy. China could increase the value of its currency, but that would make its exports to the U.S. more expensive—and exports drive its

economy. China will therefore probably sit tight and try to ride out the storm, even though it effectively means tossing tens of billions of dollars of its surplus capital down a sinkhole.

ONE WORLD

As I was able to see in a trip I took to China at the end of 2004 to attend a conference on Rosa Luxemburg in Guangzhou, one thing is clear: what is happening in China has immediate consequences for what happens in the U.S.

It is most of all seen in the way U.S. manufacturers are rushing to China. If present rates continue, furniture, consumer goods and even car manufacturing will shrink dramatically in the U.S. It was once assumed that as labor-intensive plants moved to China, the U.S. would still dominate the fields of high-tech and information systems. That no longer appears to be true.

One reason is that in China wages are so low and the control of labor is so strict that its factories are less capital-intensive than those in the U.S. When multinationals move their plants to China, they often strip them of their high tech components since they can obtain high levels of output without them. As a result, it isn't U.S. high tech firms but exporters of raw materials that benefit from China's growth. As BUSINESS WEEK put it (Dec. 6): "The U.S. looks like a developing nation. It runs surpluses in commodities such as oil seeds, grains, iron, wood pulp, and raw animal hides."

This also means that China is not experiencing the kind of modernization of its productive forces that defined the industrial revolution in Europe, America or Japan. What Marx called capital's "historic mission"—revolutionizing the forces of production by introducing technological innovations—is not occurring in China as it did elsewhere in the past. The very thing that drives its growth—a plentiful supply of cheap labor—also fetters the development of its forces of production.

The most important force of production is the working class. To see how it is being impacted by the dramatic transformation of Chinese society, we need to begin with where the changes all began—with the peasantry.

EXPROPRIATION OF THE RURAL LABORERS

In the 1970s Deng Xiaoping initiated China's economic transformation by allowing farmers to keep the profits from sales of produce that exceeded state-imposed quotas. Initially farmers' incomes rose dramatically. However peasants were not permitted to own

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their land; the state provided them with leases to work the land even as urban residents earned the right (by the 1980s) to buy and sell property.

As a result “land reform” in China has benefited city dwellers more than farmers since urban residents can buy and sell property whereas peasants cannot. Since the 1980s farm output and income have failed to keep up with the rising prices of inputs and goods, forcing many peasants to abandon their farms without getting any compensation. Over 300 million have been forced off the land and have moved to the cities to work in the factories, offices, and sweatshops.

Ten million Chinese migrate from rural areas to the cities each year. The key to China’s economic growth is this creation of a migrant reserve labor force that now totals 150 million. It represents the largest population migration in human history. Yet it has by no means run its course. The Chinese government aims to “compel” half a billion more peasants to abandon their farms and move to urban areas in coming years.

China today is a textbook case of what Marx called the basis of the whole process of capital formation—the separation of the subjective activity of the laborers from ownership of the conditions of their labor. Marx wrote, “As soon as capitalist production stands on its own feet, it not only maintains this separation, but reproduces it on a constantly extending scale.” The separation of the laborers from the conditions of production, Marx showed, turns “the social means of subsistence into capital, and the immediate producers into wage laborers” (CAPITAL, Vol. I, pp. 874-75).

In the West the expropriation of the agricultural laborers was achieved by transforming their collective property into capitalist private property. In China the same process is being achieved by maintaining nationalized property. It matters little what form of property is employed to separate the laborers from the objective conditions of production. What is decisive for capital is that the separation occurs.

CHALLENGES POSED BY MASS REVOLTS

Though China’s economy is booming, so is worker and peasant resistance.

Over 60,000 unauthorized strikes occurred in China in 2004. Some involved tens of thousands of workers at a time. In mid-December 12,000 women workers making wireless phones sold at Walmart walked off their jobs in a protest over low pay and inadequate health care. In October workers in Xian occupied factories in a protest against poor working conditions and police abuse. And last fall tens of thousands of workers in Wanzhou occupied the parts of the city.

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While many of strikes are in response to local grievances, there is growing coordination between workers at different factories, especially in China's southeast coast. The government has responded by imposing martial law and using paramilitaries to break up strikes and public gatherings.

There are also efforts underway to organize peasants on a nationwide basis. In November 100,000 peasants in Sichuan who oppose a dam project seized government offices. It took 10,000 paramilitary troops to quell the revolt. In the same month 50,000 migrant workers rioted in Guangdong over police abuse.

Given conditions in China today, resistance is inevitable. But many unresolved questions confront the struggles. Many workers oppose the privatization of state-owned enterprises, as it often results in wage cuts or plant closings. At the same time, nationalization is hardly an attractive option. When Mao Zedong nationalized industry in the 1950s it worsened conditions for many workers since they were deprived of independent unions and the right to strike.

Partly for this reason, Han Dongfang, the founder of the Beijing Workers' Autonomous Union that joined with student protesters at Tiananmen Square in 1989 who now lives in Hong Kong, has criticized the anti-globalization movement for focusing almost entirely on privatization as the problem facing Chinese workers. But if both privatized and nationalized industry isn't the solution, what is the alternative?

Han admits that the answer isn't clear. He recently stated, "Look at China's history. We have a history of revolution. And every time...the only thing we got was repeated dictators. So that gave us a lesson, we don't want revolution any more. But where is the way out if you don't resolve the problem?"

It is hard to see how the problems facing China can be resolved without a revolution. Yet the masses there are unlikely to become committed to one unless there is a view of how to avoid the fate of so many aborted revolutions. The difficulty of the question reveals how much we are suffering from the failure of radicals to develop a perspective of how to create a new society freed from the dominance of capital.

Whether the question of "what happens after" is evaded because it is assumed that nationalized property under the control of "the party" is the answer, or whether it is evaded out of fear of "imposing blueprints" and indulging in "speculations" about the future, the result is the same—masses of people are left without a concept of a new society that can energize and give direction to their struggles.

ROSA LUXEMBURG IN CHINA

The search for pathways for liberation in a land experiencing economic dislocation and political repression by a single party that still claims to be “Communist” underlines the importance of a conference on Rosa Luxemburg that was held in China in November, at South China Agricultural University in Guangzhou. It was sponsored by the International Rosa Luxemburg Society, the Institute of World Socialism in Beijing, and the Rosa Luxemburg Foundation in Berlin. It included 80 participants from China, Japan, India, Russia, Germany, Austria, France, and Norway. I was the one person present from the U.S. While this was not the first time that a conference on Luxemburg was held in China, it represented the most far-ranging and comprehensive discussion of her work in its history.

Luxemburg’s work remains compelling because she did not separate an analysis of what is now termed the globalization of capital from opposition to reformist, bureaucratic and centralist tendencies which stifle mass spontaneity and creativity.

While Luxemburg is not an unknown figure in China, she has usually been presented in a negative light in official discussions. This was not the view of those who attended this conference. Almost every one of the papers given by those from China was supportive of or highly sympathetic to her positions. Most remarkably, nearly every paper given by the Chinese participants focused on her concept of revolutionary democracy and her critique of Lenin’s organizational centralism.

Speakers were also present from Germany, who discussed her concept of democracy, her critique of nationalism, and the Luxemburg tradition in the German socialist movement. A woman from Norway spoke on Luxemburg and Hannah Arendt, taking issue with the latter for failing to grasp Rosa’s rootedness in Marx. Two papers by scholars from India said it was important to reexamine Luxemburg to recapture Marx’s humanism. Narihiko Ito of Japan, who is preparing a 17-volume Japanese edition of her collected works, discussed a manuscript by her on slavery in ancient Greece and Rome that he recently discovered.

I spoke on Luxemburg’s writings on the non-Western world, comparing her views of communal forms and pre-capitalist societies to Marx. All of the papers were published in Chinese, and there are plans to publish them as well in English and German.

The conference shows the objectivity of working out “what happens after” TODAY. As Luxemburg put it, “socialist democracy is not something which begins only in the

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promised land after the foundations of socialist economy are created... It begins at the very moment of the seizure of power.” She never wavered from the view that freely associated labor must emerge from the very inception of a revolution if humanity is to have any chance of transcending capitalism: “Socialism must be created by the masses, by EVERY proletarian. Where the chains of capitalism are forged, there they must be broken. Only that is socialism, and only thus can socialism be created.” This is not just some distant vision but THE perspective we must work out for today.

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