

A House Divided: China after 30 Years of 'Reforms'

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The 30 years of Chinese capitalistic “reforms” now exceeds the 29 years of socialist revolution under Mao. A “new” China has emerged, economically powerful, showcased by the Olympics and spurred by nationalistic sentiments. But beneath this shiny surface there is growing polarisation between those with extreme wealth at the top and hundreds of millions in the working classes who have lost power and face a bleak struggle for survival in the global capitalist market. Despite ameliorative measures by the current leadership, there is no fundamental plan to reverse this ever widening divide. In the face of the deepening global economic crisis, these divisions are swelling. China is suffering its most severe downturn in decades, and working class protests are spreading. The Chinese left is re-emerging, but remains largely isolated from these popular forces. Only by beginning to bridge that gap, can China once again find a socialist alternative.

The fall of 2008 marked a significant turning point in China. The 30 years since late 1978 when Deng Xiaoping consolidated his hold over the Chinese Communist Party and state and began implementing his ever more capitalistic “reforms”, now exceed in length the 29 years from 1949 to 1978 of socialist revolution under Mao Zedong and his followers. The gains won at such high cost in the course of that revolutionary struggle – guaranteed jobs, nearly universal and free healthcare and education, old age pensions, collectively built factories and housing, communal agriculture and infrastructure and environmental projects and, most fundamentally, the sense that the working classes were in command, with a political and economic system representing their interests – recede ever further into the past. In their place, is increasingly a “house divided” along every social fault line – class, ethnic, rural/urban, geography, politics and culture – and total abandonment of the socialist revolution by the current leadership, for whom nationalist power, “efficient” economic development and “social stability” are overriding goals. Nor is the end anywhere in sight. Year after year, the hold of capitalism over all areas of the Chinese economy and every sector of society only grows deeper and wider, resulting in ever sharper contradictions.

1 A Dubious Milestone

China has profoundly changed over the past 30 years. Its rapid economic growth is unprecedented in the history of the global South. By erecting a capitalistic system on the foundations laid and achievements gained during the socialist era – collective rural transformation, diversified primary industrialisation, and fundamental social security – as well as by “opening up” the country to foreign investment, Deng and those who have followed in his path have catapulted the Chinese economy to ever greater heights. As a result, China is increasingly a major “player” in the global economic system, becoming the principle world “factory”, especially for low cost consumer goods, and able to use its newfound weight to begin to restore its historically central position in east Asia, a role that it had been forced, through much of the modern era, to yield to the Japanese. It has also become an ever more dynamic investor and seeker of raw materials across the globe, offering an alternative “pole” to the United States, western Europe, and Japan. Some even believe that it is well on its way to displacing us global pre-eminence.

Even a short visit to Beijing is enough to feel the enormous energy emanating from Chinese society, most obvious in the unremitting construction spreading out in rings around the city, as well as in the mood of almost palpable purposefulness on its streets. However critical they may be of the current regime, there

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seem to be widespread and genuine feelings of pride among much of the public in the rise of China as a powerful nation state and global contender. The national mobilisation in response to the Sichuan earthquake, reaction to the attacks on Olympic torch runners in the west, and the Beijing “coming out party” of elaborate spectacles and triumphant sports successes that followed, fuelled a wave of patriotic fervour. The government used the Olympics to fan nationalist feelings, combining historic pageantry with high tech wizardry and a shower of gold medals. The goal was to present to the outside world, but above all to the Chinese people themselves, the imagery of a united country on the move. The building of architectural monuments – the Olympic “Birds Nest” stadium, the gleaming National Theatre or “Egg”, and others – though mainly designed by those from outside China, have given Beijing the feel of a “global” city, not unlike the modern transformation of Paris by Haussmann in the late 19th century. Though less radical than there, the “cleansing” of the Chinese capital has similarly pushed the working classes away from its centre, helping to hide the ever widening social divide and limit the threat from unrest.

2 False Facade of a ‘Harmonious Society’

The effort to promote nationalist unity has a more formal ideological foundation in the concept of a “harmonious society”, called for by President and Party Secretary Hu Jintao and Premier Wen Jiabao. “Harmony” as a social ideal in China has roots two and a half millennia old, in the paternalistic and hierarchical Confucian ethic. The revival of Confucianism as an ideological basis for modernisation – despite its anachronism – is promoted by the Hu/Wen leadership and its supporters in the name of a stable society. Efforts have even been made to “harmonise” Confucius with Marx, by appealing to his more “humanistic” side, while ignoring his concepts of class struggle and revolution. But the appeal to Confucianism has wider purposes. A link to its historic role automatically conveys a patina of national uniqueness over modern concepts, providing them with “special Chinese characteristics”. The result is an ideological mix that may combine in varying degrees Confucius, Marx, western liberalism, and Mao, in the search for a uniquely “Chinese” path. Even some on the left find in Confucianism – as well as in other traditional belief systems such as Daoism and Legalism – approaches that offer an alternative to the dominant ideology of the west. In particular, earlier wide admiration in certain quarters for us neoliberal capitalism and “hard power” is rapidly declining.

But the Hu/Wen appeal to “social harmony” has a more practical basis as well. In pre-modern China, maintaining order and dynastic legitimacy required that the rulers attend to the welfare of the common people, keep infrastructure in good working shape, restrain corruption and dutifully perform traditional rituals. Well aware of this history, combined with growing pressures from the modern global economy, Hu and Wen have tried to promote “harmony” through a kind of “New Deal” programme of “reforms within the reforms”. They have cancelled the national agricultural tax and pushed local authorities to eliminate or reduce levies and fees on peasants, while raising prices for farm products and providing subsidies. For workers in the cities, there

are new labour laws, with longer term contracts, legal services, and minimum wage increases. In both urban and rural areas, efforts have been renewed to expand education and healthcare. An effort once again has been made to end corruption, with dire warnings that the failure to do so may undermine the Communist Party itself. Though less comprehensive than the sweeping changes of Franklin Delano Roosevelt (FDR), and at most a series of ameliorative social democratic adjustments, the Hu/Wen policies have a similar goal: to save the current system from revolutionary turmoil. Yet this very need to appeal for “social harmony” is an indication of its fragility, and the concept is less a call for action, than a false façade to cover up its current absence.

3 Beneath the Shiny Surface

It was no mere “oversight” therefore that the entire Mao era was left out of the Olympic ceremony historical review – though the mass performances resembled the ones of that time. Like rundown neighbourhoods hidden behind temporary walls so that visitors to the Olympics would not see them, the history of working class struggle also had to “disappear”. No reminder was permitted of the recent revolutionary past. Yet if only a few days in Beijing are necessary to feel the dynamism of China today, the same short period is sufficient to be confronted with its growing contradictions. A handful of casual encounters and conversations is enough to begin to see beneath the shiny surface. At the newly opened National Theatre, an enormous pool reflects its gleaming rounded surface. Taking in this view, the very essence of “new” China, a colleague and I run into a peasant from Shandong province, in Beijing to protest seizure of his property by local authorities without adequate compensation. Eager to tell his story, his tale is all too painfully typical. Village officials took his land and destroyed a building that he owned in order to build a road, paying him only a pittance – “I was supposed to get 100 yuan, but just got 1 yuan”. They also took personal belongings, and beat him after he complained, leaving hearing damaged in one ear. He was on his 15th trip to Beijing to the office for petitioners, where they put him in a data base and told him to go home. Sometimes they talk to the local authorities, but nothing happens. He had to sell personal items to pay for his trips, and it costs him 10 yuan a night for a place to sleep, or he finds a space at the railroad station. The complaint office is full of such rural petitioners, most of them, like him, there about land disputes. But such uncompensated seizures are only one of the many problems plaguing farmers. The main one, in his view, is the monopoly of power by buyers and sellers of agricultural goods and inputs, so costs are high and prices for crops are low. This unequal division – which he describes as “big ghosts and little ghosts” – is the chief problem confronting peasants.

The very setting for this chance meeting was fitting, for the inequality of power protested by this peasant is paralleled in the cities. The National Theatre itself was built over the ruins of centuries old *hutongs*, neighbourhoods of alleyways and one-story buildings, the most distinctive feature of the traditional architecture of Beijing. Not only were vast *hutong* areas cleared as part of a “modernisation” programme, especially before the Olympics – with similar or even more radical transformations of Shanghai and other major cities – but tens of thousands of often

old and poor residents were forcibly displaced, often without adequate relocation or compensation. But if the residents are dispensable, there is a new attitude toward the buildings themselves. The government is belatedly moving to preserve at least some of the remaining *hutongs*, in part for tourism, and private owners – including foreigners – have begun to invest in “gentrification”, turning traditional houses into luxury homes, unaffordable by their former occupants. Added to the enormous cost of the Olympics – some \$44 billion – in a country that still has staggering amounts of poverty, especially in the rural areas, such “cleaning up” of the capital and disruption of its old patterns of life, have brought home, even to many in the “new middle class”, the highly skewed character of governmental priorities, resulting in public resentment. Especially among the displaced and working classes, indifference to the Olympic spirit often turned to anger at actions of the authorities.

“Social harmony”, however, requires that any attempt to protest these policies be suppressed. Conflicts over land and property create a vicious cycle, while the absence of any regular dispute resolution mechanism means that even easily resolved cases escalate. Petitioners often spend a great deal, even going into deeper poverty, in order to pursue their complaints. The result is that their demands for compensation grow – to cover not only their original losses, but the costs of their appeals – leading the government to view the total as too high. On their part, local authorities often send agents to Beijing to fight the cases and to try to get complainants to go home, expenses that harden their resistance to making any payments. According to those assisting petitioners, most complaints are legitimate, and the costs for both sides would more than cover a settlement. But the authorities fear that solving too many cases will lead to more coming, including those with bogus claims. In Beijing, after Hu Jintao had a shelter built for them, even more arrived. South of the main railroad station, a whole encampment grew, with a kind of “cottage industry” to meet needs for food, letter writing and so on. Activists say that petitioners are hard to organise, tending to fight their individual cases, without common interests, at times acting almost like a *lumpenproletariat*, easily manipulated. “Regulars” among them form a sort of subculture, with some even mentally disturbed. There are unofficial group “heads”, and sexual and other forms of exploitation. Women petitioners have formed their own “union”, a kind of “family”.

So now the authorities focus on suppressing them, trying to keep them away, pressuring landlords from renting them rooms, breaking up concentrations, using spies to identify leaders, and arresting or buying them off, dividing their ranks. The Olympics saw a heightened crackdown. In one notorious case, two poor women in their 70s were sentenced to a year of “re-education through labour” – later rescinded – for appealing the undercompensated taking of their home. The government has also changed tactics, using the judiciary more. In part this was in response to the growing boldness of petitioners who began riding buses without paying, acting as if free transport is their right. For the authorities, such actions represent a kind of “cancer” that broad attempts at repression have only tended to spread, so they turned instead to trying a “surgical knife” approach. Before, they

detained, and sometimes brutalised, transient petitioners. Now they have made it illegal for more than five to appeal jointly, and require that petitions start with local or factory authorities, and work their way up the system. It is against the law not to follow these guidelines, and those who violate them can be treated as criminals. As a result, for most petitioners there is no adequate way to resolve their situation. For the few leftist organisers working with them, these new government methods have made their work even more difficult. Some now focus on urban workers, especially if a group of them come for just a few days and leave, avoiding the more individualistic approaches often taken by peasants, and giving the officials less time for a crackdown. Nevertheless, the number of worker petitioners is going down, and denial of redress only spreads the mood of injury, alienation and anger.

4 The Ever Widening Gap

The experience of petitioners is just one form of the fundamental contradictions now confronting Chinese society after 30 years of “reform”. If 10 years ago, the word that seemed to be on the lips of everyone was “corruption”, by the summer of 2008, the term that was almost an obsession was “polarisation”. The two are closely linked. Many believe that the newfound wealth of those at the top of the society has been obtained largely through corruption, not as a result of productive contributions to the economy. But the ever widening class gap – not just economic, but political and social – seems to have taken on a life of its own, as the primary focus of public dissatisfaction. In large part this is due to the hardening of the lines between classes. Even a few years back, the social structure seemed rather more fluid, with “superrich” emerging, but still as a bit of an oddity, and the sense that the possibility for upper mobility was fairly widespread. Those who occupy the top reaches of the society, however, have now assumed a position of unassailable superiority of wealth and power, and perhaps even more importantly, are reproducing their privileged status in ways that have brought a sense of entitled lifestyles.

China today has over 100 billionaires, measured in dollars, second only to the United States (<http://www.hurun.net/listreleaseen25.aspx>). In 2002 there were three, and as late as 2005 only ten, but “China’s economy has been expanding rapidly, boosting the personal wealth of the country’s leading entrepreneurs” (CRIENGLISH.COM, 3 January 2008). The familial ties linking top party and state authorities to these superrich are often direct. In 2005, the richest of all was Larry Rong Zhijian – son of former vice president and leading “Red Capitalist” Rong Yiren, who helped to open China up to the global market (*BBC News*, 4 November 2005). But he was only the wealthiest of many with such ties, and an aura of pervasive corruption hangs over the newly rich, regardless of their personal practices. Stocks and real estate are especially rife with manipulation and speculation, creating cyclical “bubbles” and busts, leaving ordinary investors with heavy losses, while those with the inside tracks and connections continue to build their financial empires.

These “superrich” now form the Chinese contingent of international bourgeoisie. Beneath them is a broad stratum of wealthy party and state bureaucrats, their corporate partners, growing ranks of private entrepreneurs, and *compradors* serving multinational

corporations. Next come the very large in absolute numbers – estimated at 100-200 million – though still proportionately quite small, “new middle class” of cadre, business people, managers, professionals, and academics. It is these well to do strata who are the most enthusiastic about the new capitalist economy. A 2008 survey by the Pew Global Attitudes Project found China one of only 6 out of 24 countries where there was not widespread popular discontent, with 86% expressing satisfaction with the way things are going, and only a slightly smaller majority viewing the economy favourably – in striking contrast with the deep and growing alienation in the United States, where 70% were found to be dissatisfied with the direction of the country (*New York Times*, 13 June 2008, A11). But those surveyed in China were heavily weighted to the better off urban areas. Their enthusiasm is not widely shared by the working classes, where hundreds of millions are falling further behind – at least relatively, and for many, absolutely. The Chinese Gini index – a standard measure of inequality – has been steadily rising, and now stands around 47.0, up 10 points from 15 years ago. A figure above 40 is usually considered “dangerous”. China is even more unequal than Indonesia at 34.3, India at 36.8, the Philippines at 44.5, or the United States at 40.8, though below Brazil at 57.0 (*UN 2007/2008 Human Development Report*, <http://hdrstats.undp.org/indicators/147>; *World Development Report 1996*, World Bank and Oxford University Press, Table 5, 196). Such a gap, however, is not simply economic. It is social as well, a widening divide in class expectations and attitudes. In the shopping malls of the bigger cities, chic teenagers, the children or even grandchildren of the upper classes, now wander through luxury boutiques with a sense of entitlement and easy familiarity that bespeaks growing up in a life in which such perks are assumed. Much of the culture and media is oriented toward stimulating their “needs” for ever more consumer goods, especially from the west, seen as the emblems of a worldly “modernism”. This produces stark juxtapositions and jarring visual clashes, such as the row of swarthy and grimy migrant construction workers, sitting on a curb after an exhausting day, beneath enormous ads for luxury clothing and jewellery, full of slim white western models in slinky dresses – an almost taunting image of the “new” China, ever more completely beyond the reach of those whose labour built it.

This growing social divide is generating attitudes and practices among the newly rich that are increasingly reminiscent of the worst forms of pre-revolutionary “mandarin” behaviour. Those who work with migrant domestics serving such families, hear horror stories that parallel excesses and abuses familiar from the Persian Gulf oil states or the Hamptons on Long Island. One family has three servants, one to cook, one to take care of the dog, one to clean. In another house, those working in the kitchen were told that they cannot eat at the same table as the family or even share its food – “too good for you” – but only leftovers, and not even decent meat or fish, only vegetables and scraps. A graduate of one of the growing number of “domestic training programmes” – themselves a sign of the increasing institutionalisation of class divisions – came back to her classroom and said that she had been treated worse than a dog in the house where she was employed. The trainer asked the other students

what they thought about this. They were shocked, but were told that they “just have to take it”. Discrimination and sexual harassment is common, especially toward those from Henan province, which provides many Beijing domestics, who are often accused of stealing or publically humiliated by their employers. One organiser compared their treatment to that suffered by Latino and Black domestic workers in the United States. But it is not only among the superrich that such attitudes and practices have spread. Mobo Gao recounts an encounter with a “smooth and urbane” professor from a leading Beijing university, who “told me that [the] Chinese government at all levels had so much money these days that officials did not [know] how to spend it”. When Gao suggested using it on education and healthcare for the poor, he was told that “There are too many people in China, and if you spent one dollar on each person it would be too costly”. But the academic “expressed pride” in a plan “to build *en suite* bathrooms in professors’ offices at some leading Chinese universities” (Mobo Gao, *The Battle for China’s Past: Mao and the Cultural Revolution*, London: Pluto Press, 2008, 121).

5 ‘Robbing Peter to Pay Paul’

Despite certain ameliorating policies by the Hu/Wen government, therefore, the internal polarisation is still rising. This contradiction derives in part from the “robbing Peter to pay Paul” aspect of many of the new initiatives, taking away with one hand what is given with the other. As a result, even where the intent seems genuinely to be to help relieve the pressures building on the working classes, the actions often have unintended consequences, merely shifting burdens in ways that do little to solve problems, and may even exacerbate them. This is especially so in implementing national policies at the local level. Changes in the rural areas, for example, which Hu and Wen have labelled the “New Socialist Countryside”, include investments in infrastructure such as roads. Along with tax relief and subsidies, these have bettered the lot of many farmers, especially after the neglect and “free market” excesses of former president Jiang Zemin and premier Zhu Rongji. The new approach has been well received by much of the rural population, helping peasants get produce to markets, and relieving some of the isolation which the young in particular so dislike. In areas of the countryside, the economic situation has shown a general improvement, even drawing some migrants back from the cities. Overall under the reforms, many peasants have gained access to a wider variety of foods and clothing, while technological advances, such as small-scale agricultural machinery and cellphones, have lessened the hard labour and lack of communications in rural areas. Those who disparage or ignore such gains will fail to grasp the full complexity of the dynamic of Chinese society.

But the parallel result of the “New Socialist Countryside” has been to lessen the ability of rural communities collectively to increase production and meet social needs. Stripped of tax resources for providing schools and other services, and with national aid haphazard, each local government has been basically thrown on its own, and many have even had to borrow money in order to meet their basic budgets. In addition, nationwide educational policy is encouraging school mergers in the

countryside, to provide for better facilities and teachers, part of an ideological commitment to “modernisation”. But this has resulted in closing many village schools, or at least eliminating classes, especially above 4th grade, and transferring them to the county level – a “no 5th grade” policy that means loss of the transition from primary to junior high school. Such a consolidation, which one non-governmental organisation head calls “disastrous”, often forces parents to get apartments in bigger towns in order to stay with their children, who are too young to live alone in the dorms. This separates families, disrupting homes and work, and placing an often unbearable cost burden on them, one that is much higher than any eliminated school fees. Some even have to take out loans to meet expenses, or pull their children out of school altogether. With the burden now on individual households, better off families are able to take most advantage of the centralised schools, while those who are financially stressed fall further behind. Rather than providing collective opportunities for all members of rural society, access to schooling becomes a source of widening class division – as in pre-revolutionary China. New health insurance plans are similarly structured, with costs rising at higher levels of care, so that many peasants fail to get needed treatment. In this way, gains in some areas are offset in others, with the larger effect of further polarising the countryside.

But the consequences are even more far-reaching. With families putting the needs of children first, many end up leaving the villages altogether. Young couples especially are moving out, virtually emptying many farming communities of their main labour force, and destroying what remains of their social networks. Those left are mainly the old and very young. One migrant organiser said that when she was growing up, her village had “friends, love and a social climate”, but now these are gone – and not only in rural areas but throughout society, where everyone seems to be “just money oriented”. Adding to the negative climate, tens of millions of children left behind when their parents migrated are now coming of age, many of them with psychological and attitude problems. Often raised by grandparents, many can barely wait to join the rural exodus. As a result, a lot of land in the villages is not being farmed any longer. Up until now, this exit of young peasants from farming was largely made up for by a rise in productivity through greater use of fertilisers, pesticides, machinery and high-yielding seeds. But such improvements are reaching technological limits for the very small size average Chinese farm, while rising costs of inputs and relatively low value of crops are producing a price “scissors”, eating up whatever gains derived from cancelled taxes.

Overall, recent partial advances have a “short term fix” quality, when viewed from the perspective of the larger contradictions of Chinese agriculture today. For the vast majority of peasants the situation remains extremely hard, and is often said to be in “crisis”. The fundamental problem is the inability of small farms in China to survive in the global market that now pervades all sectors. Chinese peasants on tiny plots simply cannot compete with thousand acre mechanised farms, and pig or chicken “factories” in the United States, Australia or Brazil, or with multinational monopolies in agricultural processing and marketing. Over time these contradictions will only grow, and there is no clear solution.

The “New Socialist Countryside (NSC)” – never carefully defined – offers no collective approach to resolving this dilemma. Even the movement toward cooperatives, a limited but significant part of the rural scene for several years now, has been given little support by the national government, and what aid is provided is often largely siphoned off by village authorities, dominated by “rich” peasants and local clans, who use it to build their own power bases and projects. Far from restoring socialist collectivisation, the “NSC” often bypasses what cooperative models there are, and results in ever wider class divisions, as wealth and authority – and rural poverty – are further concentrated

6 ‘And the First Shall Be Last’

Despite some improvements in the countryside, the large gap between rural and urban incomes in China, now among the highest in the world, continues to grow, and the cities remain a magnet for hundreds of millions off the farms. Only in those villages that have managed to combine local industries with farming – a practice that goes back to the Great Leap Forward – and to maintain schools and other collective services, do young peasants tend to stay. Elsewhere, the rural economy depends heavily on the earnings of those who migrate to urban areas. Given the lack of a viable way to remain on the land for many of them, a growing number of these “peasant workers” are determined not only to move to the cities but to stay there. The migration of young peasants, especially, is creating a new kind of semi-proletariat, with insufficient earnings back in the villages, but inadequate urban pay. Though some younger migrants have a happy-go-lucky “earn what you can, while you can” attitude, overall their situation remains extremely bad, with most working under brutally exploitative conditions of excessive hours, miserable wages, lack of benefits and abysmal housing. Still largely treated as outsiders without rights – their condition is often compared to that of “illegal” foreign immigrants elsewhere in the world – there is no solid place for them within the urban structure. In particular, they cannot get a good education for their children, who in most cases have to go to separate schools, or none at all. Most are just surviving in the cities, barely able to help their parents back home. Nevertheless, their determination to remain in the urban centres is often a desperate one, as in the case of young rural women who turn to prostitution.

Many of these younger migrants now say that they no longer want to be called “peasants”, and see themselves as new urban “workers”. Growing numbers do not even send money to their families, but use their earnings to build their own newer city lives – a profound change from earlier migrant workers, who still looked on their farms as their primary occupations and work in urban areas as temporary. Some now manage to set up businesses or get their children into regular schools, and certain cities have made efforts to integrate them better. Parallel with these changes, there has been a sharp decline in the fortunes of the “old” urban working class. From the time of the revolution on, urban and industrial workers were considered the “leading force” in society. This was not merely empty rhetoric. Their conditions were in general much better than those of peasants, and in many cases were equal or even superior to professionals. Even today, their

sense of entitlement in their former work units, including a share in decision-making, and a belief that having built these facilities, they were the “owners” of them, remains strong. Now, however, it is common to hear that urban and industrial workers are in the worst position of all classes in Chinese society, and that “the first have become last”. This rests on two transformations. One is the firing of tens of millions from the state-owned enterprises (soes), which have largely been converted into private or semi-private corporations. The loss not only of jobs, but of the housing, health-care, and pensions that went with them, have left these workers largely abandoned, devoid of their former economic leverage and political clout, and almost entirely neglected by the government, which has turned its attention to the rural areas. The Chinese urban working class has thereby been reduced again to the state of the “classical” proletariat as defined by Marx, stripped of any access to the means of production, other than by selling their labour power in the marketplace to the capitalists.

This has led to a striking reversal. Today it is common to hear the sentiment that peasants are better off than workers. Some in the countryside have even taken to viewing their situation – bad as it often is – as superior to those in the cities. Workers are worse off because they have no land, but a peasant, no matter how poor, still has a plot to farm and a place to build a house and raise a family. Young peasants can depend on the older generation, which has traditionally helped them to get an independent start in life. But in the cities, younger workers are often in desperate straits, unable to find regular work, and forced to rent or even to live with parents – who in many cases have themselves already been beaten down – in small, dark and crowded apartments, restricting their opportunities for marriage and children. It is common to hear that the top leadership no longer cares about the urban working class, and has largely left it to face the capitalist market alone. Of course, there are those who do better – some taxi drivers, many dismissed from the soes, say that they earn more now than in the factories. But they are responsible for their own housing, healthcare, and education, and no longer have pensions. Nor are they the only ones facing such conditions. “Crisis” and “financialisation” are hitting even the urban middle class. Many of them used to talk about the “poor peasants”, but now they realise that hard times are affecting them too, with rapid inflation, and losses in the stock and real estate markets.

7 Into the Void

It must be stressed that these conditions were occurring in “good” times. China has yet to face fully the slowdowns, and even crashes, that almost certainly await it. So far, the remnants of its socialist organisation, including tight control over banks, currency rates and investment, and a still significant state role in enterprises, have buffered it from the worst effects of the worldwide economic chaos. But it has already had close calls – for example the collapse of the us mortgage market, in which almost \$400 billion of its dollar holdings were invested, and where it avoided dire losses only because of the Wall Street “bailout”. Up to 60% of recent foreign investment in China is “hot” money betting on future currency revaluations or fluctuations in real

estate prices, rather than for productive purposes – the same kind of speculative flow that caused the Asian financial crisis of the 1990s. In late 2008 stock and housing markets declined sharply, and its once booming auto sales followed suit. With limited consumer spending, especially in rural areas, accounting for only a little over a third of its economic production – “probably the lowest share in any country in the world” – there is no way China could avoid suffering a significant downturn from the slump in the wealthier countries (*New York Times*, 27 October 2008, A22). Even before the global crisis hit fully, over half of Chinese toy manufacturers – more than 3,600 mainly small and mid-size companies – had shut down plants or gone out of business altogether (*Associated Press*, Santa Cruz, CA, *Sentinel*, 20 October 2008, B-10). Some 1,000 factories, one-fifth the total in Dongguan, a major export centre in the Pearl River Delta, have stopped production. Up to 2.5 million jobs in that region alone may be lost in 2008, while nationwide more than 68,000 small companies closed in the first half of the year, spreading deepening anger among the swelling ranks of unemployed workers (*washingtonpost.com*, 4 November 2008).

Under such conditions, the economy as a whole is beginning to suffer its own form of “scissors”, squeezed between the rising demands of the working classes and the relentless pressure of the world capitalist system. Governments at all levels face growing demands both domestically and from abroad to improve conditions, especially for those producing for the export market. Without a pay raise, survival in the face of inflation had become impossible for many. The choice of growing numbers of migrants to return to their villages rather than accept extreme exploitation in the factories led to shortages of labour, especially in coastal areas, resulting in wage increases over the past several years. The attitude of those who have stayed in the cities that they are now “workers” and their growing unwillingness to accept bad conditions and violation of their rights increased the pressure. Official minimum wages rose and legal protections have been expanded. Employers still find ways to avoid these new guarantees, granting raises but shortening the period of employment. Others moved inland to cheaper areas – or out of China altogether, often to Vietnam or Cambodia. The overall impact, however, has been to raise costs, putting pressure on enterprises to cut corners elsewhere, leading to such disasters as the tainting of dairy products with the industrial chemical melamine, resulting in the death of four babies and the sickening of more than 50,000, and forcing the recall of products both in China and abroad. Among the sharply rising expenses are those for imported fuel. The government has raised prices, while offering fewer subsidies to truck and cab drivers. Diesel sales are limited, and lines at gas stations often stretch for blocks, snarling traffic and wasting time and energy, while adding to the often dire air pollution.

In the past, rural areas provided a release valve for hard times in the cities. But with ties to their villages increasingly tenuous, it will not be as easy as before to push mainly young migrant workers, many of whom left home at a very early age and do not know or like farming, back to the countryside. In addition, before the October 2008 meeting of the party Central Committee, there was speculation about a move to privatise farmland, allowing peasants

to “capitalise” the value of their individual plots and laying the basis for concentration of production on fewer but larger farms. In part, the goal is to attract more capital investment into the rural areas, boosting incomes and consumption. Such a move – long warned against by the left – would complete the recapitalisation of the countryside, bringing potentially devastating consequences (www.chinyleftreview.org). Chief among these is restoration of the pre-revolutionary class division between landlords and “rich” farmers on the one side, and poor peasants and a vast pool of landless rural labourers on the other. Over time, tens of millions of migrants might no longer have a plot of land back in the villages. This would only increase the necessity for rapid economic growth and dependency on exports, to absorb the ever growing urban population.

A resolution on these questions was adopted at the Central Committee meeting but, partly under pressure from the left, it did not address outright privatisation. Instead, it reaffirmed the right to lease, transfer or exchange land use rights. It also restated the right to hold on to individual family lands – necessitated by rampant efforts of local authorities to compel peasants to surrender their plots. Given such concerns, it is not only leftists who oppose privatisation. Premier Wen is known to be an opponent. But there appear to be divisions within the party and state leadership on the best approach to this question. The implications of the Central Committee resolution are therefore not yet fully clear. But it did stress a need for more concentration and commercialisation of rural production, regardless of the form of land tenure. This will further stimulate the growth of agribusinesses, which is already quite advanced in some areas of the countryside. Many peasants either produce directly for such enterprises, or lease lands or hire out as workers to them, even if continuing to farm their individual family plots. Pressure for land transfers is common and growing, and has many of the same effects as privatisation, further encouraging mass migration to the cities, and even weaker ties to the countryside. It will also likely mean loss of even more agricultural lands, undermining Chinese food security, already under threat from urban development and environmental degradation.

8 The Gathering Storm

There is much debate within China, as well as abroad, as to the exact nature of the current regime under the Hu/Wen leadership – socialist, capitalist, or a unique mixture of elements, “market socialism with special Chinese characteristics”. The question of what “label” is put on China today, however, is increasingly moot. Many outside the party or state, especially in the working classes, say “this is not the socialism that we knew” or “if this is socialism we do not want it” – even if they do not use the term “capitalism”. For what cannot be disputed, is that the revolutionary socialist programme launched under Mao, with its working class mobilisation and egalitarianism, has long since been abandoned. The contrast between that era and the present grows ever sharper, and with it a realisation on the part of many Chinese of what they have lost, and of the increasingly disturbing changes taking place in their society. Though many remain critical of aspects of the Mao era, more and more recognise that his warning of the dangers

of the “capitalist road” in the Cultural Revolution were a prescient and timely prediction of what has come to pass.

This growing realisation has opened the door to a revival of the Chinese left. “Old” leftists, including “rebels” from the Cultural Revolution, are coming out of the woodwork, in many cases for the first time in decades, protesting openly against the current orientation of the party and state and reclaiming the goals of the socialist past. They harshly oppose the “official” Marxism that serves as a cover for the capitalistic “reforms”, and find ways to use their positions as cadre or academics to undermine it. Recent open letters to Hu Jintao from respected party veterans and prominent leftists have severely criticised current ideology and practices and called for a return to the socialist path – though their appeals have been all but ignored by top leaders. There is also a small, but growing cohort of younger left activists, some rediscovering and promoting the values and practices of the Mao era, others part of a “new left” that combines in varying degrees Marxism, western liberalism and social democracy. They are particularly active on the web, which is harder to control than print media. Some leftists support Hu and Wen, both for their immediate policies, and as a bulwark against the potential threat from a political and military hard right. As one sign of the growing left ranks, the dozen or so members of a Marxist reading group that I talked with in 1999 at Qinghua University, has expanded into an organisation with 400-500 members, and an activist core of 100, who hold nightly study and discussion sessions and regular public forums. Some go out to the factories and farms to research conditions – though not to organise – and bring legal and other aid to workers and peasants, often guided by older revolutionaries, while “learning from the masses”, as in the days of Mao.

This does not mean that China is now on the cusp of a new revolution. But in a dramatic development, Wei Wei, a self-described “revolutionary old guard”, issued an open call shortly before his death in August of 2008 for renewed struggle, using “underground” methods and a “ground up mass movement”, to overthrow the “fascist dictatorship” of “revisionists and bureaucratic and comprador bourgeoisie”, and rebuild the “real” Communist Party and “proletarian democracy” (“Some Thoughts Regarding Our Future Revolution by a Revolutionary Old Guard”, www.hongqiawang.com/read.php?tid=2172&page). Just a few months earlier, discussion of a “new revolution” in such a public manner was being discouraged. Yet as Wei Wei pointed out, the greatest weakness of the Chinese left – hardly unique to it – is isolation from the struggles of the working classes. Many within the party are very critical of the leadership, but they have little to back up their protests. The personal ties that “old” left cadre had with workers and peasants are largely in the past, and younger radicals have so far failed to establish their own close links. Leftist intellectuals who do have deeper roots in the working classes tend to operate largely on their own or with just a few trusted associates. Though Hu Jintao at times appeals to the spirit of Mao to bolster his legitimacy, any attempt by the left to mobilise the working classes meets with quick and severe repression. Recent efforts at bottom-up organising in the All China Federation of Trade Unions, serve to ameliorate the capitalist “reforms”, but

not to challenge them – and at times have official backing, as a way to deflect attention from the state. A leftist organisational alternative is lacking, and many feel it would be “premature” to move to a higher level of revolutionary action at this time. Nevertheless, consciousness is rising, and there is a sense that the left is on the verge of moving into a new stage.

For now, however, the Chinese working classes, among whom leftist sentiments and positive views of the Mao era are common, are largely left to struggle on their own. Among those dismissed from SOEs, many barely survive on inadequate payments – if they get them at all. Their earlier wave of protests has largely died down, though some continue to struggle to protect pensions and housing. With most still living near their former factories, they are semi-organised in informal structures, and often petition the state for redress. Their political consciousness is growing, and they remain a possible source of mobilisation, and even a leading role, in the future. Those who still have jobs in the SOEs, once the most privileged of workers, have lost their sense of ownership in the plants, most of which are semi-privatised, with managers exercising all the power. Increasingly reduced to proletarian status, and forced to work much harder than in the past, they have become more willing to protest. Asked why their anger does not erupt in more forceful actions, many workers say that they have become demoralised and fearful: “Mao is dead already, how can we make revolution?” Among migrants, there are many job actions and demonstrations, but most are relatively sporadic and short-lived. The overall level of migrant organisation is low, though generally somewhat higher in the coastal regions. Efforts are often made to buy them off to settle protests, but sustained labour action tends to be met with heavy repression. Many turn to legal appeals – 10,000 petitioned in Shenzhen in 2006 for free arbitration services in labour disputes (*Financial Times*, 8 September 2008). As for the peasants, there is widespread discontent, which breaks out in thousands of conflicts annually, but their overall level of organisation is very low, and few left activists leave the urban areas to help them mobilise.

The number of significant protests by the working classes mounted to 90,000 by 2007, according to official figures (*Guardian.co.uk*, 19 September 2008). The scale and violence of these “disturbances” seem to be rising, with more regions and social strata taking part. Many are protests against the corruption of both enterprises and the authorities. From July to November 2008, 30,000 rioted in Guizhou, burning cars and government buildings, to protest the cover up of the rape and murder of a teenage girl, allegedly by three men with ties to the police and local officials. In Zhejiang, hundreds of migrant labourers protested for four days against the arrest and mistreatment of a fellow worker. In Guangdong migrants smashed windows and burned a security kiosk over the beating of a co-worker who jumped a plant cafeteria line – the last straw after job losses, wage cuts and abuses affecting even office personnel, while elsewhere 100 rioted and set fires after police beat to death a motorcycle driver, with one killed and ten injured. In Sichuan, hundreds of taxi drivers turned violent and attacked police cars in a protest over shortages of fuel, having to wait for hours at gas

stations, as well as low fares, high fines, profit gouging by company owners and competition from unlicensed cabs. In Hunan, soldiers and armed police clashed with 10,000 protesters demanding money back on a fraudulent investment scheme, while an equally large crowd threw rocks and bottles at a factory, claiming that a young boy had been tossed from a window. In Yunnan, ethnic minority villagers rioted over low prices paid to rubber farmers by buyers in collusion with local authorities, leaving 41 police injured and eight vehicles burned, with two farmers shot dead and 15 hurt. In Henan, thousands of high school students attacked a county office, clashing with riot police, to prevent development of apartment blocs on their sports field.

Additional thousands of protests take place, especially in the rural areas, without gaining the same kind of public attention. So concerned is the government by mounting clashes that Minister of Public Security Meng Jianzhu warned that “police must avoid inflaming riots and protests” by inappropriate or harsh actions, especially those resulting in “bloodshed, injury or death” (*Guardian.co.uk*, 3 November 2008). On top of uprisings in Tibet in 2008 and ongoing agitation among Uighurs in the north-west, as well as the suppressed demonstrations of parents who lost children in the Sichuan earthquake in shabbily built schools, the authorities are fearful that they will soon face rising levels of working class struggle. “Since mid-October, there have been dozens of labour protests involving thousands of workers at major exporters” (*New York Times*, 7 November 2008, B1). There are predictions that if inflation soars or the economy suffers a severe downturn, largely local actions by the working classes may turn into a more organised nationwide movement. Late in 2008, exports, investment and consumption were all “slowing more sharply and quickly than anyone anticipated” (*washingtonpost.com*, 4 November 2008). In part to head this off, the government launched a \$586 billion stimulus package of investments in infrastructure, earthquake repairs, housing and social services. On the local level, worker payoffs, migrant benefits and company bailouts have been introduced. The authorities are doing everything that they can to prevent the struggles of the working classes from uniting, and few if any activists expect a general uprising anytime soon. But far from achieving “social harmony”, the 30 years of capitalistic “reforms” have only left China ever more polarised. Despite its “new” gleaming face to the world, its leaders dread a working class explosion. As Mao long ago noted, “a single spark can light a prairie fire”.

9 Conclusions

China today is being whiplashed by contradictory forces, some of them primarily the result of its internal developments, others mainly related to its position within the capitalist world economy and its pursuit of an expanded role internationally. Despite calls for social stability and national “harmony”, the Chinese leadership is following policies that lead to growing polarisation. Attempts to ameliorate the effects of this ever widening divide, even when temporarily and/or partially successful, do not address the underlying cause of the expanding gap between those at the top and bottom of the society. This growing division has left China, with

its deepening integration into the world market, ill prepared to withstand the blows of the global capitalist system. The impact of the worldwide crisis of 2008 has hit its economy much more rapidly and heavily than was anticipated. The “boom/bust” cycle is already in full swing, with its economic direction having reversed in the course of just a few weeks from being overheated and inflationary, to its sharpest and most rapid slowdown in decades. Stock markets have plummeted, and property values have fallen 30-40% in many cities, with related industries such as home supplies following. Even the superrich have been affected, with CITIC-Pacific, the financial and real estate Empire of Larry Rong Zhijian, facing potential losses in October 2008 of \$2 billion from foreign currency speculation, leading to a 55% drop in its stock, and an investigation by regulators into its monetary practices. Nor is this incident unique. Tensions between enterprises and authorities over corruption are just one of the many divisions that are increasingly rending China today. Though still growing overall, the rate of growth of the economy has fallen sharply, and will likely drop into the “danger zone”, where it is unable to create the tens of millions of jobs needed for an expanding workforce and those who continue to migrate to the cities. Even President Hu warned that China was losing its competitive edge, calling for a reduction of its dependence on exports, more sustainable forms of production, and a rise in the consumption level of the working classes. The very ability of the party to rule, he suggested, was being challenged.

It is the working classes who are feeling the primary effects of the downturn, and it is their rising protests that are the source of the greatest fear at the top. There is wide concern among the national leadership of social dislocation and instability, threatening the entire system. The closing of factories and a drop in investment for new construction have dried up the markets for steel, cement, and glass, spreading to heavy industry the layoff of workers already common in export factories. At the same time, the ability of many of the newly unemployed to return to the farms is hampered by their reluctance to leave the urban centres, and by the ongoing poverty of so many rural areas. There has already been an upsurge in protests, with militant taxi driver strikes in several cities, and a violent riot of hundreds of workers demanding severance pay from a toy manufacturer in Guangdong province – warning signs of the potential for more widespread instability as the effects of the global crisis spread. Short-term governmental investment plans, financial adjustments, and even payoffs to workers may ease the immediate threat, but they will not deal with the deeper contradictions. The unwillingness of workers and peasants to spend more on consumer goods – viewed as the best replacement for export dependence – is a function not only of their low incomes, but of the collapse of collective forms of social security. Forced to depend entirely on their individual family resources to pay for education, healthcare, and old age, most members of the working classes save whatever they can, limiting their buying to necessities and an occasional discretionary purchase. This pattern cannot be reversed without restoration of a comprehensive series of socially provided educational and medical services, and support for the elderly, as well as a narrowing of the increasingly extreme gap between the rich and the

poor. But such a reversal would require a turn back toward socialist goals, with an end to the profit motive as the main engine of economic development, and the rebuilding of collective forms of production, popular mobilisation and a working class share in governance, as in the Mao era – though in a new synthesis that builds on the past, rather than simply repeats it.

There is no hint of such a move on the part of the current national leadership, despite limited experiments with cooperative models. On the contrary, any organised attempt at bottom-up mobilisation that is not strictly under party and state control is quickly and heavily repressed. The general yearning for greater transparency and democracy – though not necessarily along western lines – is almost entirely blocked, making it nearly impossible to deal with such areas as corruption, and generating a widespread and growing frustration at the inflexibility of the current system. It is the gradually reviving forces of the left that offer the only viable way to begin to find an alternative path forward, one that once again addresses the issues of inequality in the interrelated realms of the economy, political power, social class and cultural participation. Leftist sentiments and memories of the socialist past remain deeply imbedded in much of the working classes, and the public re-emergence of elements of the “old” left, and the turn against capitalism by growing numbers of the younger intelligentsia and “new” leftists, could provide the basis for a powerful and united movement for radical change and a renewal of the goals of the socialist revolution. But this will only occur if elements of the left find a way to join forces with the workers, peasants and migrants and help to lead their mounting struggles – a higher level of mobilisation and organisation than now exists. Given the lack of such forces today, party and state leaders may find a way to make it through the current crisis without a major working class explosion. But the battering of the global capitalist system will continue to eat away at the social order. The next downturn, which will inevitably come, may prove even more difficult to contain. The left in China needs a greater degree of unity, programmatic ideas, and organisational development to meet this coming challenge and opportunity. The working classes are increasingly demanding change and developing their own leadership. The revival of a revolutionary left would be a major step in helping them to raise their level of struggle.

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