

China and the Restoration of Capitalism. The Largest Cheap Labor Factory in the World

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Region: [Asia](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

This article (edits and updates in 2018) focusses on China's capitalist system under a "Communist" label.

Wages are exceedingly low, productivity is high. These are the social realities of commodities "Made in China", marketed Worldwide.

China is an advanced capitalist economy integrated into the World market. Wages for non-skilled labor in Chinese factories are as low as 300\$ a month (or lower), a small fraction of the minimum wage in Western countries.

The factory price of a commodity produced in China is of the order of 10% of the retail price in Western countries. Consequently, the largest share of the earnings of China's cheap labor economy accrues to distributors and retailers in Western countries.

In recent developments, Trump has duly instructed his administration to impose tariffs on about \$50 billion worth of Chinese imports.

His stated objective is to reduce the trade deficit with China.

What Trump does not realize is that the trade deficit with China contributes to sustaining America's retail economy, it also contributes to the growth of America's GDP.

Trade sanctions directed against China would immediately backlash against America.

China is not dependent on US imports. Quite the opposite. America is an import led economy with a weak industrial and manufacturing base, heavily dependent on imports from China.

Imagine what would happen if China following Washington's threats decided from one day to the next to significantly curtail its "Made in China" commodity exports to the USA.

It would be absolutely devastating, disrupting the consumer economy, an economic and financial chaos.

"Made in China" is the backbone of retail trade in the USA which indelibly sustains household consumption in virtually all major commodity categories from clothing, footwear, hardware, electronics, toys, jewellery, household fixtures, food, TV sets, mobile phones, etc.

Importing from China is a lucrative multi-trillion dollar operation. It is the source of

tremendous profit and wealth in the US, because consumer commodities imported from China's low wage economy are often sold at the retail level more than ten times their factory price.

Production does not take place in the USA. The producers have given up production. The US trade deficit with China is instrumental in fuelling the profit driven consumer economy which relies on Made in China consumer goods.

A dozen designer shirts produced in China will sell at a factory price FOB at \$36 a dozen (\$3 dollars a shirt). Once they reach the shopping malls, each shirt will be sold at \$30 or more, approximately ten times its factory price. Vast revenues accrue to wholesale and retail distributors. The US based "non-producers" reap the benefits of China's low cost commodity production. (Michel Chossudovsky, *The Globalization of Poverty and the New World Order*, Global Research, 2003).

Trump's recent threats against China follow those formulated in 2017 in relation to China's trade with North Korea, which are analysed in the first part of this article.

Chinese policy makers are fully aware that the US economy is heavily dependent on "Made in China".

And with an internal market of more than 1.4 billion people, coupled with a global export market, these veiled threats by President Trump will not be taken seriously in Beijing.

China: Capitalist Restoration

In 1981-82, based at the University of Hong Kong, Centre for Asian Studies (CAS), I started my research on the process of capitalist restoration in China. I took a crash course in Mandarin at the HKU Language School as well as in Taiwan. This research -which extended over a period of 4 years- included fieldwork conducted in several regions of China (1981-83) focussing on economic and social reforms, analysis of the defunct people's commune and the development of privately owned capitalist industry including the cheap labor export economy.

I started reviewing Chinese economic history including structures of the factory system prior to 1949, the development of the treaty ports established in the wake of the Opium wars (1842) and came to the realization that what was being reinstated in terms of special economic zones was influenced by the history of the treaty ports, which granted extraterritorial rights to Britain, France, Germany, the US, Russia and Japan.

In the 1980s, the consensus among Leftists was that China was a socialist country. Debating the restoration of capitalism in China in Leftist circles was a taboo.

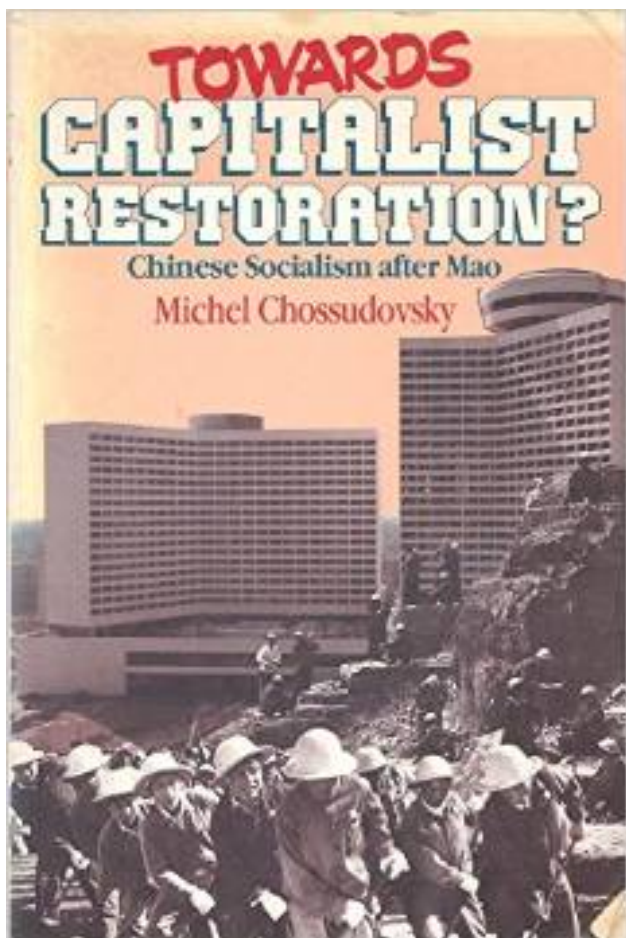
Most "Left wing" economists and social scientists dispelled my analysis: *"What you are saying Michel is an impossibility, it goes against the laws of history"* said Brazil's political economist Theotonio dos Santos (in response to my presentation, Second Congress of Third World Economists, Economistas del Tercer Mundo, Havana, 26-31 April 1981).

A dogmatic perspective prevailed: Chinese socialism could not be reversed. The Socialist Mainstream refused to even acknowledge the facts pertaining to land concentration, ownership, the collapse of social programs and the rise of social inequality.

I completed the manuscript of my book entitled *"Towards Capitalist Restoration? Chinese Socialism after Mao"* in 1984. It was casually turned down by Monthly Review Press: "We unfortunately have no market for a book on this subject".

While this was a slap in the face from what I considered to be an important and powerful socialist voice, I came to realize that MR (Harry Magdoff in particular) throughout the 1980s remained firmly supportive of the post-Mao regime under the helm of Deng Xiaoping. I had previously met and was in contact with both Paul Sweezy and Harry Magdoff for whom I had high regard.

The book was subsequently published by Macmillan in 1986. [Click to download in pdf](#) (very slow due to size of file)



Eighteen years later, *Monthly Review* came out with a book by Martin Hart-Landsberg and Paul Burkett entitled ["China and Socialism: Market Reforms and Class Struggle"](#) (Monthly Review, 2004) which concludes that

"market reforms" have fundamentally subverted Chinese socialism.... Although it is a disputed question whether the Chinese economy can be still described as socialist, there is no doubting the importance for the global project of socialism of accurately interpreting and soberly assessing its real prospects.

The editors' introduction by Harry Magdoff and John Bellamy Foster, while acknowledging "the reemergence of capitalist characteristics" associated with rapid economic growth **tends to skirt the broader issue of capitalist restoration, a historical process which has been ongoing since the late 1970s:**

To summarize our argument—once a post-revolutionary country starts down the path of capitalist development, especially when trying to attain very rapid growth—one step leads to another until all the harmful and destructive characteristics of the capitalist system finally reemerge. Rather than promising a new world of “market socialism,” what distinguishes China today is the speed with which it has erased past egalitarian achievements and created gross inequalities and human and ecological destruction. In our view, the present essay by Martin Hart-Landsberg and Paul Burkett deserves careful study as a work that **strips away the myth that Chinese socialism survives in the midst of some of the most unrestrained capitalist practices. There is no market road to socialism if that means setting aside the most pressing human needs and the promise of human equality.** (emphasis added)

Many Marxists believe that the reemergence of “capitalist characteristics” in the People’s Republic of China had its roots in post-1949 socialist construction rather than in the semi-colonial structures prevailing in China prior to 1949.

In 1978, an “Open Door Policy” was put forth by Deng Xiaoping alongside the launching of China’s Special Economic Zones (SEZ) in Shenzhen and Xiamen. These reforms constitute the backbone of China’s cheap labor export economy.

It is worth noting, however, that the “Open Door” concept was first coined by US Secretary of State John Hay in 1899, as part of a US colonial agenda which consisted in obliging China to open its door to trade “on an equal basis” with the colonial powers.

The issue of high growth of GDP of post Mao China is misleading. The rate of growth during the Maoist period was equally significant, its focus and “social composition”, however, were different.

The main thrust of GDP growth in the post Mao era has been (from the very outset) the cheap labor “Made in China” export economy which relies on abysmally low wages and high levels of unemployment, not to mention the dynamic development of luxury consumption in the internal market (what Marx calls Department IIb). Moreover, while contributing to impoverishing the Chinese people (particularly in rural areas), a large share of the profits of this capitalist growth process have largely been transferred via international trade to the Western countries.

Levels of income inequality are higher than in the U.S according to a 2014 [University of Michigan study](#). Social inequality in China is among the highest in the World.

Income inequality has been rising rapidly in China and now surpasses that of the U.S. by a large margin, say University of Michigan researchers.

That is the key finding of their study based on newly available survey data collected by several Chinese universities.

“Income inequality in today’s China is among the highest in the world, especially in comparison to countries with comparable or higher standards of living,” said University of Michigan sociologist Yu Xie. [University of Michigan study](#).

While China plays an important and positive balancing role on the geopolitical chessboard, it

does not constitute a viable “socialist” alternative to Western capitalism. In contrast to the US, however, China has no imperial ambitions.

Unlimited Reserves of Cheap Labor: 287 Million Internal Migrant Workers

China's has currently, according to official figures[[275 million \(2015\)](#)] [287 million in 2017](#) internal migrant workers employed in the cheap labor export economy, construction and infrastructure projects as well as in the urban service economy.

A formidable labor force almost the size of the population of the US (325 million in 2017).

China's 287 million migrant workers also constitute the driving force behind the development of infrastructure, roads and transport corridors not to mention the PRC's “Belt and Road” Eurasian trade and investment initiative.

These workers largely from rural areas and townships constitute more than a third of the labor force. They do not have the right of abode in urban areas.



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Migrant workers and their children

There were an [estimated 287 million rural migrant workers in China in 2017](#), making up more than one third of the entire working population. Migrant workers have been the engine of China's spectacular economic growth over the last three decades but they remain marginalized and subject to institutionalized discrimination. Their children have limited access to education and healthcare and can be separated from their parents for years on end.

Definition

Rural migrant workers (农民工) are workers with a rural household registration who are employed in an urban workplace and reside in an urban area. They are not necessarily from rural areas. Many grew up or were even born in the city. They consider the city to be home but, because of the inflexibility of the household registration system, they remain classified as rural migrants.

Moreover, since the abolition of the People's Commune (1983), agricultural land has in large part been privatized. In turn, many of the small scale rural industries of the Maoist period have been closed down. People in rural areas largely rely on remittances from migrant employment in the cities and “special economic zones” in manufacturing and construction.

My book on [Capitalist Restoration, Chinese Socialism after Mao](#) can now be downloaded in pdf format by clicking the cover page above. (Note: very slow download)

The Largest Cheap Labor Factory in the World

The following 2009 documentary video describes a tendency towards a highly regulated social fabric which serves the development of the low wage (profit driven) industrial economy.

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