

China: Financing the Celestial Empire

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China is in fashion. Enthusiasm for China can be found amongst liberals, technocrats and members of the World Bank. In the popular view “the people are brave and the culture squeaky clean.”

Maoists and proto-Maoists proclaim China as a genuine Socialist country, valiantly struggling through the unity of its three “classes”—the peasants, workers and the glorious Peoples’ Liberation Army—to industrialize without the bureaucratic distortions of the revisionist USSR.

They claim that China is industrializing through “self-reliance” without making the concessions to the West which were the ruination of the Soviet Union. They extol the Chinese methods of increasing agricultural production, the revolutionary zeal of the Cultural Revolution, the improvements in nutrition and in medical care as the outcome of “correct revolutionary practice.”

The reported data from which such enthusiasms are distilled cannot be lightly dismissed: 15% growth in grain production in the last two years, 8 to 10% overall growth per year in the last 15 years and the recent emergence of China as an oil exporting country—already 13th on the list of oil producers.

But the dominant fact of political economy in China is the market relation between capital and labor. The working class must sell its labor power to the one and only capitalist—the state. China is therefore a state capitalist power, which as an openly admiring *New York Times* editorial puts it has been able to keep its working class:

“...on incomes so low they would be intolerable anywhere in the developed world from London and Washington to Prague and Moscow.”

Although the *Times* pictures the Chinese working class as being content about low incomes, the same editorial mentions the unrest among industrial workers that necessitated the stationing of soldiers in the affected factories, which as the *New York Times* mentions, might slow the production growth in months ahead. It is therefore necessary to understand each event in China in terms of the role that it plays in serving capital.

In this year of the Dragon, an auspicious sign, and with the recent advances in agriculture and in oil production, the Chinese are more aggressively entering the world arena. To accomplish this, China has had to recover from the adverse affects of centuries of colonialism by Western Europe and the U.S. In 1949 China faced:

- (a) a population suffering from a low level of health and literacy,
- (b) a low level of capital equipment, and
- (c) more than 90% of its population living in rural areas.

Everyone is familiar with the horror stories told of wartime China; of the widespread starvation in the cities and the countryside, of peasants selling their daughters into prostitution to avert economic disaster and so on. In fact, the present government and its supporters are fond of overemphasizing this aspect as a contrast to today’s prosperity. China did however have in its favor:

- (a) considerable installed plant capacity in its industrial centers
- (b) an already existing working class, however small
- (c) a huge land area and abundant natural resources, both human and mineral
- (d) cultural uniformity despite the existence of some minority groups as in Sinkiang province, and
- (e) a historical tradition of former greatness.

These last two points cannot be underestimated since nationalism is and has always been a key to capitalist development, the lack of which has plagued India and many African countries.

China's Agricultural "Miracle"

One of the preconditions for industrialization is the development of a literate, disciplined working class, which is properly docile. Historically, the development of capitalism followed the transformation of agriculture. This process threw thousands of people off the land and into the cities where the burgeoning factories provided employment.

Modern highly capitalized industries require fewer workers but much higher skill levels than in the previous century therefore exacerbating the problem of absorbing the newly displaced peasantry. In the underdeveloped countries, urbanization is causing major cities to double every eight to ten years, and coupled with the fact that these cities are mainly administrative centers, results in a situation where:

"Somewhere between a quarter and a half of the population is being bypassed by the forward march of development."

—Thomas T. Poleman, "World Food"

A very genteel way of describing the barbaric conditions forced on people by a system increasingly unable to provide any hope to large segments of the population.

There is no way that capitalism can avoid the problem of having more people anxious to sell their labor power than it has the ability or the need to exploit. This process is the inevitable result of the increase in productivity per worker. What varies depending on the local situation is the ability to disguise the growing dichotomy between the needs of people and the needs of capital.

In the wealthier countries, the poor or the unemployed are given a meager subsistence income; in the poor countries, the inability of national capital to provide any opportunities is a grim and ever present fact.

In the U.S., a substantial "cushion" is provided for the working class by unemployment benefits, welfare payments, social security (pensions), etc. But these benefits are being systematically eroded by inflation, cutbacks in services provided by the state and cutbacks in fringe benefits offered by employers. All these cutbacks are caused by the current economic crisis, which affects all countries through the mechanism of the world market.

Many so-called jobs are actually a disguised form of unemployment. In some countries the state bureaucracy swells with unnecessary employees; in others work projects such as the WPA (Work Projects Administration) of the New Deal days are employed.

The benefits of works projects to the capitalists are three-fold: (1) necessary work is accomplished, such as the development of the infrastructure, (2) pressure is exerted on the working class to lower wages and (3) the propaganda potential is enormous.

The Chinese approach to agriculture, which optimizes output per acre instead of output per man, is a nation-wide WPA. While this is productive for Chinese capital, it is waste production when seen from the point of global capital, since it uses more than the socially necessary labor.

A resort to labor intensive means is a technology for recycling "waste" workers, who would otherwise be underexploited. In this regard China has proved to be in the vanguard of the "class conscious" capitalists, such as the

World Bank and the U.S. Agency for International Development who have been proposing the same “Medicine” of labor intensive agriculture to third world countries. The “prestige” of China lends respectability to the high flown balderdash about the “eight acre” man and the joys of limited growth.

As the agricultural industry grows and becomes more sophisticated the peasantry is transformed slowly into an agricultural proletariat. The lingering peasant consciousness which the newly created proletariat carries with him is used by the state to thwart the development of proletarian class consciousness, hence the drivel about the coalition of the three classes—the proletariat, the peasantry and the army—and the romantization of peasant virtues. The Chinese bourgeoisie, lacking the most up-to-date physical equipment, is employing the most up-to-date techniques in obfuscation and mystification.

Rustication

In addition to the problem of keeping the peasants “down on the farm,” there is the problem of utilizing “surplus” high school and college graduates for whom there is no place in the industrial machine. Under the rhetoric of learning from the peasants and joining the people, these segments of the population, who would otherwise be consuming surplus value, are put to capitalistically productive use. Even a small rate of surplus value (due to the low level of capitalization) multiplied by many workers can add up—if the labor is cheap.

This contrasts with the situation in the Sahelian states of Africa where the policy of assuring civil service jobs to all secondary school graduates has swelled the unproductive ranks of the civil service. There, the government’s attempt to hold down wages by fixing the price of food at a low level causes peasants in the south to produce only for their own consumption. The contradiction is that this is occurring in the midst of a tremendous drought and massive food shortages in the north.

The Chinese “solution” to the problem of surplus workforce also attempts to avoid the problem faced in many third world countries where “educated” sections of the population, finding their ambitions thwarted and their expectations squashed, have become the backbone of serious threats to national stability, of national liberation movements and of the Communist Parties. In Russia and the eastern bloc countries they have played an analogous role by putting tremendous pressure on the state for greater privileges.

All the rhetoric of class struggle, of unity, of the nobility of peasant living propagated by the Cultural Revolution have one aim—to maintain the austerity conditions for the Chinese working class. Indeed, the ability to maintain this is crucial for the further development of the Chinese industry.

The Chinese Agricultural Factory

Those western agricultural experts, who are not camp followers of the latest Malthusian revival, have collected massive evidence to prove that in many countries, chronically known for mass famine, the culprit is not lack of food—but lack of money with which to pay for it. In fact, “those with money eat well wherever they may be, while the poor be they in Bangladesh or Boston, suffer.” The situation is further exacerbated by blockages caused by any combination of ill-conceived price fixing, land tenure systems and by lack of access to technological advances and poor market structures.

Since the ability to adequately feed the population is a prerequisite to further industrial growth, the Chinese have approached agriculture in a systematic way to increase its production (per acre) and to control the movement of its population. The ability to develop capitalist agriculture in the days of the so-called Green Revolution is predicated on access to high yield varieties of grain, to the use of fertilizers and water control which these high yield grains require, and on the methodology of managing these varieties.

In addition to these factors of production, it is necessary to remove unnecessary blockages, to build the necessary infra-structure and to establish a competent bureaucracy to oversee irrigation, access to materials and to markets.

As is explored in an article entitled “Institutional Obstacles to Expansion of World Food Production,” three conditions are necessary if farmers are to increase agricultural output: (1) appropriate technology must be developed, (2) the farmers must be taught to use it and (3) “they must have incentives to use it efficiently.”

In these three regards the Chinese government has been extremely innovative. The Chinese system combines the most advanced management techniques with horizontal and vertical combinations, to provide credit, access to high yield variety grains, foreign credit to buy necessary technology and fertilizers, a guaranteed market and transportation.

The individual farming methods of the peasantry have been expanded into a county level commune system divided into production brigades. Each production brigade is supervised by a “revolutionary” committee including members of the households composing the brigade, party cadres and others, in many cases including agricultural experts from the local institutes.

“Collectively” the committee determines how assigned quotas shall be met, what crops will be planted, what management system to use, etc. “Income is dependent upon productivity achieved above the assigned quota; all produce other than market barter is sold to a State Cooperative Agency.”

Since the level of mechanization is low, the development of agriculture has rested on an intensification of traditional practices. Water control—including irrigation, drainage and land leveling (for eventual mechanization) includes 40% of the cultivated area. Water control plus intense use of “night soil,” animal wastes and crop residues has allowed increased productivity through multiple cropping, closer spacing and increased use of fertilizer.

Within the communes there is a diversification of tasks for the production brigades so that a production brigade may be assigned responsibility for experimental studies regarding production practices or other technical problems or to the maintenance of equipment, etc.

As mentioned by all observers, either technical or pro-Maoist, the stress is on learning from the peasants. However, where the Maoists see tremendous interchanges of ideas, other observers have been less impressed by the contribution of the peasants to varietal improvement or to planting practices.

Co-management: Or How to Provide the “Incentives”

Where there has been success, however, is in selling as revolutionary (at least to the outside world) the latest capitalist tricks of co-management. These techniques employed by Volvo, pushed by management consultants and reinforced by the famous Hawthorne experiment are touted as victories of the working class when they are used in China. The agricultural workers have their choice of how to fulfill and over-fulfill quotas set from above and to replace the old, now-laughable goal of Stakanovism, a new collective image of the Tachei brigade is pushed.

If the Chinese have been as successful as they say in developing labor-intensive agriculture and in converting the peasantry slowly into an agricultural proletariat, they will have accomplished something which the Russians have been noticeably inept in doing.

Russian agriculture suffers no lack of mechanization: yet a senior agricultural official charged that 50,000 farm machines had been left exposed to the weather to rust, that 15,000 tractors, combines, etc. have been prematurely junked. In addition portions of the harvested crops have been lost, especially in good years, due to lack of storage facilities, neglect and sometimes due to theft.

Farm salaries are fixed and are significantly lower than industrial salaries; the farm managers are given direct orders from above with little possibilities for personal initiative. In addition, there has been an exodus of young skilled males to the cities, “leaving the brunt of farm labor to be performed by the elderly and female.” In other words, the Russians have failed to provide the “incentives.”

Another significant outcome of the organization of the Chinese communes is the ability to make use of the agricultural worker during the off season. Since the responsibility for the achievement of the status of Tachei is placed on each commune, through the doctrine of self-reliance “the communes themselves are responsible for accumulating enough capital to finance their own mechanization and to build many of their own factories for tractors or fertilizer. (our emphasis) To accumulate capital many of the communes run small labor intensive factories during

the off season to manufacture pesticides for their own use and to produce craft items and specialty food products for sale abroad.

All this serves to illustrate how China has tackled the problem of introducing new technology and of providing 'initiative'.

The Role of the Army

In a novel written in the late 19th century called *Looking Backward, 2000-1887* Edward Bellamy, envisaged a "socialist" utopia where the bulk of the population lived a happy and self-fulfilled existence after contributing a few years of work in the industrial army. It is interesting how yesterday's utopian images become today's anti-utopian reality.

In China the army (which is the world's largest) not only serves the usual functions but also develops the infrastructure (building roads, dams, reclaiming land and developing forests). In addition to its work in developing the means of increased agricultural productivity; the army has been used to break strikes both in factories and in mines.

Not only in Hang-chow but in Hsuechow in Kiangsu Province soldiers have intervened to settle bourgeois factionalism (a code term that "encompasses both factional strife and other material incentives.") In the case of the coal mines of Tahanagshan Chinese radio broadcast that a "new production record was set" after the troops were sent in.

Anywhere else this would be seen as a "neo-fascist" attempt to break the power of the working class, but under the leadership of the "great, glorious and correct Communist Party of China" this can only be seen as a "victory" for the people.

Problems of Future Development

Despite all the adverse conditions facing it and the tremendous past failures of the Great Leap Forward, China has managed to become largely self-sufficient in food production and to enter the oil export business. As China continues to develop she becomes increasingly dependent on foreign technology and foreign credit and thus becomes increasingly dependent on foreign markets.

The question facing China is how to direct re-investment, how to use credits and the degree of involvement in the world market. At the National People's Congress held in January of 1975, ambitious plans were announced by Chou En-Lai for China to achieve an "independent and comprehensive industrial and economic system" by 1980 as part of the effort toward becoming a "powerful, modern socialist country by the end of the century."

To achieve these ambitious plans heavy development of oil and agricultural production is stressed. Part of this goal is the attempt to mechanize 70% of China's agriculture and to achieve an at least threefold increase in exportable oil. These goals are interdependent in two ways: oil is the key to industrialization within China and is also the key to foreign credits.

China possesses oil reserves which are estimated as anywhere from "7.6 billion tons—equal to the North Sea and to Alaska's North Slope combined—up to 50 billion tons—greater than the entire Middle East," according to the New York Times, Jan. 25, 1976.

Already China, despite its small industrial base, is the fourth largest consumer of energy—behind only the U.S., the USSR and Japan. Last year, China's exports reached 84 million barrels and earned \$900 million, the importance of which can be seen when contrasted with China's estimated trade deficit of \$600 million. But it must be noted that accompanying China's 8 to 10% growth is 11.6% increase per year in energy consumption and that the 15% increase in agricultural production has been accompanied by a 26% increase in energy use (mostly oil) to power tractors, water pumps and to provide the raw materials for the production of chemical fertilizers. This by itself could only be a boon.

China needs oil to grow and by good fortune has it. The story does not end here, however. To develop both agriculture and oil China needs to import technology from the West. This requires that China export a large amount of this oil to pay for the technology.

The experts project large amounts of exportable oil in China's near future—perhaps 210 million barrels in 1980—or 15% growth per year. But they also say that to reach in 12 years the present output of Saudi Arabia (3 billion barrels) she would have “to combine money, techniques and manpower in excess of anything the U.S. has been able to amass in developing the Alaskan oil fields and pipelines,” according to the *New York Times* of Sept. 5, 1975.

China faces two problems with her oil supply: Chinese oil has high paraffin content and is therefore expensive to refine and a significant amount of China's oil reserves estimated at 30 billion barrels, are off shore. The first problem means that not all countries can process Chinese crude.

The second is that the off-shore oil is in waters far exceeding the old three mile limit. China claims all resources up to the end of her continental shelf, or more than 200 miles and this puts her claims up against those of Taiwan, South Korea, North Korea, North Vietnam and Japan.

The Cost of Protection

This introduces at least one important obstacle to the rational development of the forces of production imposed by the exigencies of existence in this epoch of capitalism: the cost of “protection.” This is a world in which the U.S. spends 5 to 6% of her large GNP on armaments, in which the USSR may have to spend 15% of her smaller GNP on being competitive and one can only guess what the Chinese will need to spend.

This is the same world in which the Shah of Iran has ordered 80 F-16 jets from the U.S., at \$30 million a piece or \$2.4 billion for all (almost three times China's income for oil).

What we are saying is that China will have to protect her “rights” to off-shore oil and to establish herself as an important imperialist power in order to guard her markets. The high cost of the required military equipment will place heavy demand on foreign exchange. It is obvious that this use of foreign exchange is parasitic on the productive segment of China's economy.

In order to convert oil, a high quality export item, into foreign exchange credits requires markets. Although oil is the most important ingredient for industrialization, many oil producers have found that their receipts for sales did not match their expectations. One of the reasons for the recent fight within OPEC (the Organization of Petroleum Exporting Countries) over prices was this very issue. Venezuela, for example, has not found that the possession of oil is any automatic guarantee of financial solidity.

China has a nearby customer, Japan, which has both enormous demands for oil and an advanced technological society. This offers the possibility, subject to American approval, of the Chinese trading oil for technology. But increased rapprochement between the Chinese and the Japanese is heatedly opposed by the Russians, who have been unsuccessfully courting the Japanese for a long time.

At stake in this confrontation are not only the Japanese, but the Chinese ability to economically and politically dominate other countries in Asia. This illustrates the material basis for the inflammatory language thrown between the two countries: inter-capitalist rivalry.

The Chinese are at the present moment unable to militarily back up their economic thrust in Asia. Since the wheels of fortune have severed the original Russian-Chinese alliance, China has had to come to terms with the U.S.

As was very indelicately stated by the *New York Times* in an article assessing China versus the USSR, China “could tear an arm or a leg off” but lacks the technology to wage a successful conventional war. China is way behind the Soviet Union in tank development and fighter-bombers, and although it has the third largest navy (including the third largest submarine fleet) it is 20 years out of date.

China's inability so far to develop an extensive modern metal technology has led to the purchase of jet engine technology from Rolls-Royce of Britain. In addition, China has expressed interest in military equipment from France (the Frelon helicopter) and from Britain (the Harrier jet fighter). It should be emphasized that helicopters and hover jets are weapons uniquely suited for warfare against “weaker” opponents: the weapons of imperialism.

Radicals vs. Capitalist Roaders

China has thus ended the days when autarky or retreat within her national borders was a possible alternative. To protect her current advances and to protect the possibility for continued development China cannot drop her drive for good arrangements with the U.S. It is this necessity which lies behind Chinese opposition to any detente between the U.S. and the USSR: her fear of being “sold down the river.”

Thus Mao, China’s leading “radical,” was forced into American domestic politics. His meeting with Nixon can only be seen as an admission that autarkical development is no longer a viable alternative since China needs the western bloc as a source of foreign credit and as a source of technology, both industrial and military.

All the talk of “capitalist roaders,” which is accompanying the recent bypassing of Teng by Hua as the replacement for Chou En-lai, is an ideological smokescreen to cover confrontation within the CCP between the “radicals” and the “moderates” over the pace of modernizing the industrial plant.

The “radicals” favor intensified exploitation of the peasantry and the working class at the present level of industrialization to finance future expansion. The so-called “capitalist roaders” want to bring in advanced technology now, to use this technology to improve productivity and to enable, they hope, faster accumulation of capital—even if they are forced to borrow money now.

In other words, they are arguing over whether to “save their pennies and buy for cash” or to “fly now, pay later.”

The real argument is, therefore, over how the “tab” for development will be assumed by the working class and the peasantry. Neither group offers anything to the working class and both will attempt to forestall the growing demands by the working class to a “share of the wealth.” The reality of any national growth is that the working class will be pressured into increased productivity or into living under austerity conditions without any possibility of deriving real gains from this development.

Running counter to the demands of national capital, the Chinese working class, which the *New York Times* sees as so “content” to work under austerity conditions, has exhibited increasing combativity. Indeed, the further development of the Chinese working class—as a disciplined class—bears with it the ultimate peril to the capitalists.

The rulers in China may indeed awake to find in the words of their own national anthem that “The East is Red” and that this time, this is a true description of events.

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