

**The Rise of the Working Class and the Future of the Chinese Revolution**

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After years of rapid expansion, the Chinese capitalist economy has established itself as a major driving force of global capitalist accumulation. The Chinese export manufacturing sector, based on the ruthless exploitation of hundreds of millions of low-wage workers, has played a crucial role in the neoliberal global restructuring. China has become the world's largest consumer of energy and many raw material commodities. Under the existing trend, China could overtake the US to become the world's largest economy (measured in purchasing power parity) in a few years. China is now at the very center of the global social, economic, and ecological contradictions.

As Marx argued in *The Communist Manifesto* and the history of capitalism has demonstrated, capitalist industrialization not only leads to the formation of an increasingly larger proletarianized working class, but also prepares the necessary material and social conditions for the growth of working class organizations. The same law of motion is operating in China today.

In July 2009, workers at the state-owned Tonghua Steel Company in Jilin, China, organized a massive anti-privatization protest. Angry workers beat to death the general manager who represented a powerful capitalist company to implement the privatization. The protest was followed by several anti-privatization protests in other provinces, forcing the local governments to cancel their privatization plans.

In the summer of 2010, a wave of strikes swept through China's coastal provinces, hitting China's export manufacturing industries that now play a key part in the global capitalist commodity chains. After decades of defeat, retreat, and silence, the Chinese working class is now re-emerging as a social and political force. The events in 2009 and 2010 may prove to be a historical turning point. China is likely to be entering into a new era of growing working class militancy.

As the Chinese working class emerges as a new social and political force, how will this development shape the future of China and the world? Historically, the capitalist classes in the West and some semi-peripheral states have managed to accommodate the working class

challenges while maintaining the basic economic and social order of capitalism. Could the future Chinese working class challenge be accommodated by capitalism in a similar manner?

The current historical context is fundamentally different from any previous moment of capitalist history. Global capitalism has entered into a structural crisis facing insurmountable economic, social, ecological, and geopolitical contradictions. The Chinese capitalist accumulation has been based on the exploitation of a massive cheap labor force, the massive resources depletion and environmental degradation, and the exports to the core capitalist economies. As the global capitalist crisis deepens, none of these conditions can be maintained beyond the medium-term.

As China's capitalist accumulation machine fails, China's internal class contradictions will escalate to levels that can no longer be contained by the narrow historical framework of capitalism. The implosion of the Chinese capitalism will pave the way for a new round of socialist revolutions in China as well as in the world.

### **The Proletariat – The Grave-Diggers of Capitalism?**

In *The Communist Manifesto*, Marx argued that as capitalist industrialization proceeded, it would create a whole set of new social conditions and the proletarianized working class (those who do not own the means of production and have to sell their labor power to make a living) would grow in size and eventually include the great majority of the population in a capitalist society.

Marx further argued that capitalist development would prepare the necessary material and social conditions that would favor the growth of working class organizations. With industrialization and urbanization, workers became concentrated in both places of work and places of living. As both the size and the concentration of the working class grew, workers gradually understood their own strength and formed unions to fight against capitalists for their immediate interests.

Capitalist development also provided the working class with elements of political and general education. The improvement of technology in areas such as transportation and communication made possible workers' organizations at national and international levels. At a certain point, the proletarianized workers would organize into one class in the form of working class political party. Marx predicted that the increasing working class economic and political power would eventually turn the proletarianized working class into the grave-diggers of capitalism.<sup>1</sup>

By the early 20th century, the capitalist world system was seriously challenged by both the western working class movements and the non-western national liberation movements. From 1914 to 1945, the capitalist world system was devastated by two world wars and the Great Depression and had to face the new socialist Soviet Union born after the October Revolution. Capitalism barely survived the crisis.

In response to the great crisis, capitalism underwent some major institutional restructurings. Small government, free market capitalism was replaced by big government, Keynesian capitalism. Welfare state institutions were created and expanded. The former western colonies were recognized as independent states and admitted into the United Nations.

By making limited concessions to the western working classes and the non-western elites (the national bourgeoisies), the global capitalist ruling elites were able to accommodate their challenges without undermining the system's basic institutional framework. Favorable conditions for global capitalist accumulation were re-established and the global economy grew at an unprecedentedly rapid pace over the 1950s and 1960s that were remembered as the "golden age" of global capitalism.

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<sup>1</sup> Karl Marx and Friedrich Engels, "Manifesto of the Communist Party," in *The Marx-Engels Reader*, ed. Robert C. Tucker (New York: W. W. Norton & Company, 1978), 469-500.

Towards the end of the golden age, the capitalist world system was again threatened by rising working class militancy. Revolutionary and near revolutionary situations emerged in the East and the West, the North and the South. Profit rates declined rapidly in nearly every part of the capitalist world. The global capitalist economy remained highly unstable through the 1970s and the US dollar was on the verge of collapse by the late 1970s.

The global capitalist classes responded with the neoliberal counter-offensive. In ideological terms, neoliberalism appeared to be a return to the bankrupt free market economics. In essence, it represented the strategy of the global ruling elites to redefine the relations of forces between the capitalist classes and the working classes, to restore the profit rate, and re-establish favorable conditions for capitalist accumulation.

A key component of the neoliberal global restructuring was the massive expansion of the global reserve army of cheap labor force. By relocating much of the industrial production from the western core economies to the periphery and semi-periphery, the transnational corporations were able to enjoy high profit rates by directly exploiting the cheap labor force in the periphery and semi-periphery. Moreover, by threatening with capital relocation, the western corporations were able to force the western working classes to accept lower wages and higher work intensity. The corporations were also able to put pressure on the western governments to cut back social spending and lower taxes on capitalist profits.

The capitalist transition in China has played a key role in the neoliberal global restructuring. In a paper that was widely circulated in business circles, Richard Freeman (who holds the Herbert Ascherman Chair in economics at Harvard University) argued that China's movement towards market capitalism, India's liberalization "reform", and the disintegration of the Soviet and Eastern European socialism, led to a doubling of the global effective labor force

available for capitalist accumulation.<sup>2</sup> In 2007, 200 million Chinese workers were employed in the industrial sector. This almost doubled the total industrial employment in all high income OECD countries (about 120 million).<sup>3</sup> Without China's participation in the global capitalist market, the neoliberal global restructuring would have been much limited in scope and might not have succeeded in re-creating favorable conditions for global capitalist accumulation.

By the second half of the 1990s, the leading capitalist economies were again enjoying high profit rates and relatively rapid paces of accumulation. In the early 2000s, the rapid economic growth in China and India began to make a significant contribution to the global economic growth. The global economy enjoyed a mini-golden age from 2003 to 2007.

However, the very success of the neoliberal restructuring has laid the seeds for its self-destruction. In the short run, the relocation of capital to the semi-peripheral "emerging economies" (China, India, Eastern Europe, and Latin America) has created a massive industrial overproduction. The dramatic expansion of industrial production in the semi-peripheral economies far exceeds the very limited consumption capacity of the impoverished working classes in these economies. This in turn leads to the so-called "global imbalances," as the semi-peripheral overproduction has to be absorbed by the debt-financed consumption in the core capitalist economies, especially the United States. The dynamics was fundamentally unstable and its vulnerability was fully exposed by the Great Recession of 2009.

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<sup>2</sup> Richard Freeman, "The Great Doubling: The Challenge of the New Global Labor Market," August 2006, [http://emlab.berkeley.edu/users/webfac/eichengreen/e183\\_sp07/great\\_doub.pdf](http://emlab.berkeley.edu/users/webfac/eichengreen/e183_sp07/great_doub.pdf).

<sup>3</sup> The Chinese industrial employment statistic is from China's National Bureau of Statistics (<http://stats.gov.cn>). The OECD industrial employment is estimated by using the total labor force multiplied by the industrial employment share. Data are from the World Bank (<http://databank.worldbank.org>).

In the medium and long run, the neoliberal global restructuring creates a set of new world-historical conditions that will potentially undermine not only the neoliberal institutional structure but also the entire global capitalist system.

First, with the rapid capitalist industrialization in China, India, and other “emerging economies,” the global depletion of natural resources and environmental degradation have reached unprecedented levels and the global ecological system is rapidly approaching the point of total collapse. In the coming decades, either the humanity will have to overthrow capitalism and replace it with a new, socially and ecologically sustainable system, or the humanity will have to go down with capitalism together as global ecological catastrophes destroy civilization. This fundamentally new historical condition makes the new global socialist revolution a paramount historical imperative in the 21st century.<sup>4</sup>

Second, the most important social by-product of the neoliberal global restructuring has been the massive formation of new proletarianized working classes in the semi-peripheral economies, especially in China. As the Chinese working class grows and learns to get organized, it is a matter of time before the Chinese workers emerge as a powerful social and political force, demanding a growing range of economic, social, and political rights.<sup>5</sup>

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<sup>4</sup> On the necessity of the global ecological revolution, see John Bellamy Foster, *The Ecological Revolution: Making Peace with the Planet* (New York: Monthly Review Press, 2009); John Bellamy Foster, Brett Clark, and Richard York, *The Ecological Rift: Capitalism's War on the Earth* (New York: Monthly Review Press, 2010).

<sup>5</sup> When the neoliberal global restructuring was still in its early phase, Giovanni Arrighi wrote that: “The social power which the cost-cutting race [i.e., neoliberal restructuring] is putting in the hands of traditionally weak segments of the world proletariat is but a prelude to these struggles. To the extent that these struggles succeed, the stage will be set for the socialist transformation of the world.” See Giovanni Arrighi, “Marxist Century, American Century,” in *After the Fall: The Failure of Communism and the Future of Socialism*, ed. Robin Blackburn (London: Verso, 1991), 126-165.

As both the Chinese and the global capitalism are facing insurmountable ecological limits, it is impossible for the Chinese capitalism to accommodate the working class demands while maintaining favorable conditions for capitalist accumulation. In other words, social stability and ecological sustainability are no longer compatible with the requirements of capitalist profit making and accumulation. Thus, the objective historical conditions are pointing to the revolutionary overthrow of capitalism as the fundamental solution to the basic contradictions confronting China and the world.

A successful Chinese socialist revolution could fundamentally change the global balance of power between the capitalist classes and the working classes and pave the way for the eventual victory of the global socialist revolution.

Will the Chinese and the global working classes eventually prove themselves to be the grave-diggers of capitalism as Marx had famously predicted one and a half century ago? This depends not only on the objective historical conditions but also on whether the working class will be able to match the objective historical conditions with the equally essential subjective historical conditions.

### **The Defeat of the Working Class and the Triumph of the Chinese Capitalism**

The Chinese Revolution of 1949 was based on the broad mobilization of the overwhelming majority of the Chinese population, deeply exploited by the feudal landlords as well as foreign and domestic capitalists. The Communist Party of China came to power after twenty two years of revolutionary armed struggle. The majority of the Party members were sincerely committed to the working people's interests and welfare. These historical conditions to a large extent determined the basic characters of the political and economic system that prevailed in China from the 1950s to the 1970s.

With all of its historical limitations, China in the Maoist period deserved to be characterized as "socialist" in the sense the internal class relations within China were far more



favorable for the proletarianized and non-proletarianized working classes than what typically prevail in a capitalist state, especially in the context of the periphery and semi-periphery.

During the 1950s, the basic means of production in industry and agriculture were either nationalized or collectivized. By the early 1960s, Mao Zedong and his comrades already understood that a successful socialist transformation required not only the change of the formal ownership of the means of production, but more importantly, the change in the actual relations of production that would allow the working class to directly exercise economic and political power.

In the cities, the workers in the state and collective owned enterprises enjoyed a wide range of economic and social rights (job security, health care, children's education, housing, and pensions) that were summarized as the "iron rice bowl." The "iron rice bowl" in effect allowed the workers to have some control over the labor processes. It gave the workers the power to resist managerial abuses and limit the bureaucratic privileges.<sup>6</sup>

During the Great Proletarian Cultural Revolution (1966-1976), the industrial relations of production were further transformed. Many industrial enterprises practiced the "Anshan Constitution", or the principles that "the workers participate in management, the cadres participate in physical labor, and the workers, the cadres, and the technicians cooperate to promote technical innovation."<sup>7</sup>

In the rural areas, after serious initial setbacks, the people's commune system stabilized by the early 1960s. From the early 1960s to the late 1970s, both the agricultural output and the rural people's living standards steadily improved. During the Cultural Revolution, the public

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<sup>6</sup> On the class contradictions under socialism and the favorable impact of the iron rice bowl on working class power, see Minqi Li, *The Rise of China and the Demise of the Capitalist World Economy* (London: Pluto Press; New York: Monthly Review Press, 2008), 50-59.

<sup>7</sup> See Charles Bettelheim, *Cultural Revolution and Industrial Organization in China* (New York: Monthly Review Press, 1974).

education and health care systems were greatly expanded in the rural areas. By the end of the 1970s, up to 90 percent of the rural population enjoyed essentially free basic health care and education.<sup>8</sup>

From 1960 to 1980, China's life expectancy at birth increased from 47 years to 66 years (an increase of 19 years). By comparison, during the same period, the world average life expectancy at birth increased from 52 years to 63 years (an increase of 9 years), the low income countries' average increased from 42 years to 51 years (an increase of 9 years), and the middle income countries' average increased from 48 years to 61 years (an increase of 13 years).

China's life expectancy in 1980 was the same as South Korea (66 years), better than Brazil (62 years) and Turkey (60 years), and fully eleven years ahead of India (55 years).<sup>9</sup>

Despite these successes, China remained a part of the capitalist world system and was compelled to operate under the basic laws of motion of the system. The economic surplus was concentrated in the hands of the state to promote capital accumulation and industrialization. This in turn created the material conditions that favored the new bureaucratic-technocratic elites who demanded increasingly more material privileges and political power. The new elites found their political representatives within the Communist Party, who became the "capitalist roaders who are in authority in the Party."

Mao Zedong and his revolutionary comrades attempted to reverse the trend towards capitalist restoration by directly appealing and mobilizing the masses of workers, peasants, and students. Politically inexperienced and confused, the workers and peasants were not yet ready to directly exercise economic and political power. Given the latent nature of the capitalist danger at the time, it was by no means obvious who the "class enemies" were. After Mao's death in 1976,

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<sup>8</sup> On the favorable impact of the Cultural Revolution on China's rural living standards, see Maurice Meisner, *Mao's China and After: A History of the People's Republic* (New York: Free Press, 1999), 360-363.

<sup>9</sup> Data for life expectancies are from the World Bank, *World Development Indicators*, <http://databank.worldbank.org>.

the capitalist roaders led by Deng Xiaoping staged a counter-revolutionary coup and arrested the radical Maoist leaders. In a few years, Deng Xiaoping consolidated his political power and China was on the path of capitalist transition.

The so-called “economic reform” started in the countryside. The people’s communes were dismantled and agriculture was privatized. Over the following years, hundreds of millions of rural workers became “surplus” workers made available for exploitation by domestic and foreign capitalist enterprises. By the early 1990s, the private enterprises had surpassed the state owned enterprises as the largest contributor to the industrial sector output.

Massive privatization was undertaken in the 1990s. Virtually all of the small and medium-sized state owned enterprises and some big state owned enterprises were privatized. Almost all of them were sold at artificially cheap prices or simply given away. The beneficiaries included government officials, former state owned enterprise managers, private capitalists with connections in the government, and transnational corporations. In effect, a massive “primitive accumulation” was completed and a new capitalist class was formed based on the massive theft of state and collective assets. Meanwhile, tens of millions of state and collective sector workers were laid off and left in impoverishment.

The legitimacy of this new capitalist class was recognized by the Communist Party leadership. At the Sixteenth Party Congress (in 2002), the Party Charter was revised. Under the old Charter, the Communist Party considered itself to be the vanguard of the working class representing the fundamental interest of the proletariat. Under the new Charter, the Communist Party is said to represent the interest of the “broadest masses of people” as well as the “most advanced productive forces”. The so-called “most advanced productive forces” is widely understood to be the euphemism for the new capitalist class.

Despite three decades of socialist industrialization from the 1950s to the 1970s, the Chinese proletarianized working class remained relatively small. The Chinese working class was young and politically inexperienced. Without the leadership of a mature, revolutionary

Marxist party, it was not yet capable of organizing itself as a self-conscious class. Once it was deprived of effective political leadership, it lost the capacity to resist and fight back against capitalism.

China's capitalist transition fit perfectly into the scheme of neoliberal global restructuring. By making hundreds of millions of low wage workers (who were healthy and well educated by the "third world" standards, thanks to the socialist successes) available for global capitalist exploitation, China made itself an ideal site for global capital relocation. This objective historical environment created favorable conditions for rapid capitalist accumulation within China. Successes in capitalist accumulation in turn helped the new capitalist class to consolidate its power.

### **The Rise of the Chinese Working Class**

In 2002, the Chinese Academy of Social Sciences (an official academic institution) conducted "A Research Report on the Current Structure of Social Strata in China." The Report intended to provide justification for the new Party doctrine that the Party was supposed to be the representative of the "most advanced productive forces" and argued that the market-oriented "reform and openness" had led to the rapid growth of the "middle classes" in the Chinese society. But the data in the Report actually suggested that proletarianization had been the most important social transformation China had experienced in the transition to capitalism.

From 1978 to 1999, the share of the proletariat in the total labor force (including the industrial workers, the service workers, the clerical workers, and the unemployed) increased from 23 percent to 43 percent, or an increase by 20 percentage points. During the same period, the combined share of various layers of the petty bourgeoisie (the professionals, the technical workers, and the urban self-employed) increased from 4 percent to 9 percent, or an increase by 5 percentage points. In 1999, the capitalist class (including the private entrepreneurs, the managers,

and the state and social managers) accounted for 4 percent of the labor force and the rural semi-proletariat (the agricultural laborers) accounted for 44 percent.<sup>10</sup>

According to the *Statistical Yearbook of China*, the non-agricultural employment as a share of China's total employment increased from 31 percent in 1980 to 50 percent in 2000, and increased further to 60 percent in 2008.<sup>11</sup> This trend is consistent with the changes in class restructure reported in the 2002 Research Report. The 2002 Report suggests that about 80 percent of the non-agricultural labor force consisted of proletarianized wage workers. Since the overwhelming majority of the non-agricultural workers are wage workers who have to sell their labor power to make a living, the rapid growth of the non-agricultural employment suggests massive formations of the proletarianized working class in China.

China's rapid capitalist accumulation has been based upon an exploitation regime that ruthlessly exploits hundreds of millions of Chinese workers. According to the data from International Labor Organization, in 2005, the Chinese manufacturing workers' monthly average wage was about 140 dollars, compared to 310 dollars for the Brazilian workers, 340 dollars for the Mexican workers, 590 dollars for the Polish workers, 2,300 dollars for the South Korean workers, and 2,900 dollars for the American workers. The Chinese wage rate was 5 percent of the US level.<sup>12</sup>

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<sup>10</sup> See Research Group of the Chinese Academy of Social Sciences, "A Research Report on the Current Structure of Social Strata in China," in *Social Blue Book 2002: Analyses and Predictions of China's Social Conditions*, ed. Ru Xin, Lu Xueyi, and Li Peilin (Beijing: Social Sciences Literature Press, 2002), 115-132.

<sup>11</sup> National Bureau of Statistics, the People's Republic of China, *Statistical Year Book of China 2009*, <http://www.stats.gov.cn>.

<sup>12</sup> Cited from Li, *ibid.*, 108.

From 1990 to 2005, China's labor income as a share of GDP declined from 50 percent to 37 percent.<sup>13</sup> However, this measure of labor income includes all types of wage incomes, including the high salaries paid to wealthy capitalist managers. Thus, it is likely to have understated the true extent of the workers' impoverishment.

According to China's official statistics, the average consumer prices had increased by a factor of 5 from 1978 to 2005. But many people questioned the official inflation rates based on their daily observations. According to an independent study, which used publicly available price records in Beijing, Shanghai, and Guangzhou, from 1978 to 2005, the average food prices had increased by 10 times, the prices of clothes had increased by 10-50 times, the medical and educational costs had increased by at least 50-100 times, and the residential and utility costs had increased by at least 50 times. According to this study, the average cumulative inflation between 1978 and 2005 was likely to have been 15-50 times rather than 5 times.<sup>14</sup>

An average Chinese worker in 2005 earned about 1,000 Yuan a month. An average Chinese worker in 1978 earned about 50 Yuan a month. Thus, when the costs of housing, medical care, and education are taken into account (these were provided free to the workers in the Maoist era), the real living standards of an average Chinese workers in 2005 could be lower than that of an average worker in 1978. This stagnation or decline of the workers' real living standards happened despite that the Chinese economy had increased by 19 times during the period according to the official statistics.

About 70 percent of the manufacturing work and 80 percent of the construction work is done by the migrant workers. Since the early 1980s, about 150 million migrant workers have

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<sup>13</sup> Li, *ibid.*, 89.

<sup>14</sup> Wan Xiaoxi, "China's Urban Consumer Price Index Has Been Underestimated by About Ten Times over the Past 27 Years – A Rough Estimate of the True Inflation Rate in China over the Reform and Openness Period," July 6, 2006, <http://www.pinggu.org/bbs/a-233191.html>.

moved from the rural areas to the urban areas in search of employment. China's export manufacturing is largely based on the ruthless exploitation of the migrant workers.

A study in 2003 on the workers' conditions in Pearl River Delta (the area includes Guangzhou, Shenzhen, and Hong Kong), a center of China's export manufacturing, found that about two-third of the workers worked more than 8 hours a day, with an average daily working time of 10 hours. Some workers had to continuously work up to 16 hours. More than 70 percent of the workers never took the weekends off.

Another study found that the capitalist managers routinely used corporal punishment to discipline the workers. The managers also imposed artificial penalties that robbed the workers of at least 15 percent of their (already very low) "normal pay".

According to the official Chinese government sources, about 200 million Chinese workers work in hazardous conditions. There are about 700,000 serious work-related injuries in China every year, claiming more than 100,000 lives.<sup>15</sup>

In *The Communist Manifesto*, Marx argued that the working class struggle against the capitalists followed several stages of development. At first the struggle was carried on by individual workers against the capitalist who directly exploited them. The workers at this stage formed "an incoherent mass scattered over the whole country," "broken by their mutual competition."

But with the development of the capitalist industry, the proletariat increased in number and became concentrated in greater masses. The workers' strength grew and the workers began

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<sup>15</sup> On the Chinese workers' conditions, see Dale Wen, "China Copes with Globalization: A Mixed Review," A report by the International Forum on Globalization (2005), <http://www.ifg.org/pdf/FinalChinaReport.pdf>; Martin Hart-Landsberg, "The Chinese Reform Experience: A Critical Assessment," *Review of Radical Political Economics*, published online before print, September 28, 2010, <http://rrp.sagepub.com/content/early/2010/09/24/0486613410383954.abstract>.

to form unions to fight against the capitalists as a collective force. Numerous local struggles were centralized into one national struggle. The same law of motion is operating in China today.

As more and more migrant workers settle in the cities and increasingly regard themselves as wage workers rather than peasants, a new generation of proletarianized workers with growing class consciousness is emerging. Both the official government documents and the mainstream media now recognize the rise of the “second generation migrant workers.”

According to the Chinese mainstream media’s description, currently there are about 100 million second generation migrant workers. They were born after 1980. They moved to the cities soon after they completed high school or middle school education. Most of them had no experience in agricultural production. They identified more with the cities than the countryside. Compared to the “first generation”, the second generation migrant workers tend to have better education, have higher expectations in employment, demand better material and cultural living standards, and are less likely to tolerate harsh working conditions.<sup>16</sup>

Capitalist development itself is preparing the objective conditions that favor the growth of working class organizations and struggle. After many years of rapid accumulation, the massive reserve army of cheap labor force in China’s rural areas starts to be depleted. In 2007 and 2008, towards the end of the last global economic expansion, labor shortages were widely reported by China’s export manufactures. The global recession of 2009 led to a temporary alleviation of the labor shortage condition. In 2010, when the Chinese economy resumed rapid expansion, labor shortage re-emerged in the coastal provinces. The Guangdong province (where the Pearl River Delta is located) alone is reported to have a labor shortage of 2 million workers. In order to attract the workers, many cities have raised the official minimum wages.

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<sup>16</sup> For a summary of Chinese media’s descriptions of the “second generation migrant workers,” see the clause on *Xinshengdai Nongmingong* or “A New Generation of Migrant Workers” by the Baidu online encyclopedia, <http://baike.baidu.com/view/2967908.htm>.



In May 2010, a strike by near 2,000 workers paralyzed production at the Honda Motors transmission plant in Southern China. The strike was followed by several other strikes in Honda and Toyota factories. Over the summer of 2010, dozens of strikes hit China's auto, electronics, and textiles industries. The mainstream Chinese scholars are concerned with the possibility that China is entering into a new period of intense strikes that will bring China's cheap labor regime into an end and threaten China's "social stability".<sup>17</sup>

In the coming years, the Chinese workers' bargaining power is likely to be further strengthened by China's underlying demographic trend. After decades of steady increase, China's total working age population (those who are between 15 and 64 years old) is expected to peak in 2012 at about 970 million and gradually decline to about 940 million by 2020. The prime age labor force (those who are between 19 and 22 year old), from which the bulk of the cheap unskilled workers in the manufacturing is recruited, is expected to drastically decline from about 100 million in 2009 to about 50 million in 2020.

On the other hand, the population that is 65 years old or older is expected to grow rapidly from 110 million in 2010 to 230 million in 2030. The dependency ratio between the old population and the working age population is expected to increase from 1:9 to 1:3.<sup>18</sup>

The rapid decline of the prime age working population is likely to lead to widespread labor shortage and dramatically increase the young workers' bargaining power and encourage them to develop more permanent workers' organizations. On the other, the rapid increase in the old population will greatly increase the pressure for the Chinese government to increase pension and medical care spending. This may force the Chinese government to increase taxes on the

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<sup>17</sup> John Chan, "Honda rocked by further strikes in China," *The World Socialist Website*, June 10, 2010, <http://www.wsws.org/articles/2010/jun2010/hond-j10.shtml>.

<sup>18</sup> Yi Fuxian: "2012: The General Eruption of China's Demographic Crisis," September 24, 2010, <http://bbs1.people.com.cn/postDetail.do?boardId=2&treeView=1&view=2&id=103229953>

capitalists. Failing to do so may result in hundreds of millions of old people struggling with poverty, leading to a general legitimacy crisis and social rebellion.

Figure 1 compares the share of the non-agricultural employment in the total employment for China, South Korea, Brazil, and Egypt, several significant semi-peripheral countries, from 1980 to 2008. The non-agricultural employment share is used as a proxy for the degree of proletarianization in the selected countries.

From the second half of the 1980s to the 1990s, the South Korean workers organized militant struggles that led to substantial expansions of workers' rights and contributed to South Korea's democratic transition. The Brazilian Workers' Party was founded in 1980 after some major workers' strikes. By the 1990s, the Workers' Party had already become a leading political force in the Brazilian politics. In both South Korea and Brazil, working class organization and militancy seemed to have gained momentum when the non-agricultural employment share rose to 70-80 percent. The Egyptian working class has played a significant role in the recent revolutionary upsurge that led to the downfall of the Mubarak regime and Egypt's non-agricultural employment share has been about 70 percent in recent years.

China's non-agricultural employment share is now about 60 percent. If China follows its own trend from 1980 to 2008, with non-agricultural employment share rising by about 1 percentage point a year, then China's non-agricultural employment share would pass the critical threshold of 70 percent by around 2020.

Obviously one wants to avoid the mechanistic interpretation of the relationship between the degree of proletarianization and working class militancy. Moreover, the data between different countries are not completely comparable. For example, many non-agricultural workers in Brazil and Egypt work in the super-exploitative informal sectors and live in the urban slums, while in South Korea the informal workers may be less important. Nevertheless, the experiences of these countries are all consistent with Marx's theory that capitalist development inevitably leads to the proletarianization of the labor force and at a certain stage of capitalist development,

the proletarianized working class will organize increasingly more powerful economic and political struggles.

In South Korea and Brazil, working class struggles have made significant economic, social, and political gains. But in both countries, the capitalist classes have so far succeeded in co-opting the workers' movement. In both countries, the workers' movements and the working class political parties have given up the objective to overthrow capitalism and have been content with bargaining for more economic and political rights within the basic capitalist institutional framework.

If the Chinese working class is set to emerge as a powerful social and political force in one or two decades, the key question is what political direction the Chinese workers' movement will take. Will the Chinese workers' movement follow the footsteps of the Korean and Brazilian workers' movements and demand nothing more than recognition by the capitalist class of its "legitimate interests" within the capitalist system? In fact, the current official Chinese government policy is to build a so-called "harmonious society" with compromises between different social classes. Sections of the Chinese ruling elites are calling for "political reform" to dilute and divert the working class challenge by introducing western-style bourgeois democracy.<sup>19</sup>

Alternatively, will the Chinese workers' movement make a world-historical breakthrough, take the revolutionary socialist path, and make a fundamental break with the existing social system? The answers to these questions lie on the one hand with the objective historical conditions that will determine whether the accommodation of the Chinese working class can be made compatible with China's capitalist accumulation, and on the other hand with the subjective

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<sup>19</sup> In October 2010, the Chinese Prime Minister Wen Jiabao called for "political reform" as he was interviewed by the American Television network CNN. See Jonathan Fenby, "Political Reform Is China's Fatal Flaw," *Financial Times*, October 15, 2010, p.11.

historical conditions that will determine whether the Chinese working class can go beyond their immediate economic interests and realize their fundamental class interest in the future socialist revolution.

### **The Socialist Legacy: The State Sector Working Class**

In the Maoist socialist era, the Chinese workers enjoyed a wide range of economic, social, and political rights. The Chinese workers not only were (to a large degree) protected against bureaucratic and managerial abuses, but also participated in economic management and political movements that substantially undermined the powers of the bureaucratic and technocratic elites. The Chinese workers enjoyed a level of class power and dignity unimaginable by an average worker in a capitalist state (especially in the peripheral and semi-peripheral context).

Despite these great historical gains, the Chinese working class was young and politically inexperienced. After Mao's death, the working class was left without political leadership. By the 1990s, during the privatization, tens of millions of state sector workers were laid off and had to struggle with poverty. Many of the former state sector workers (the "old workers") have since undertaken collective struggles against privatization and to demand proper compensations for the laid-off workers. Their struggles have had an impact on not only the laid-off workers but also the currently employed state sector workers. This unique historical experience has contributed to the growth of not only class consciousness but also a substantial degree of socialist consciousness among one particular section of China's proletarianized working class – the state sector proletariat.

In the words of a leading Chinese workers' activist, compared to the working classes in other capitalist states, the Chinese (state sector) working class has developed a "relatively complete class consciousness". Through the experience of three decades under socialism (from the 1950s to the 1970s), the Chinese workers understood what it meant to be "the master of society" and appreciated their own great potential as a social transformative force. Through the

experience of three decades under capitalism (from the 1980s to the 2000s), the Chinese workers have developed the understanding of capitalist exploitation and oppression and how the workers lived like in a “hell” under capitalism.<sup>20</sup>

Because of this historical experience, the Chinese state sector workers’ struggles are often not limited to immediate economic demands. Many worker activists understand that their current conditions result from not only the exploitation by individual capitalists but also, at a more fundamental level, the historical defeat of the working class in a major class war that led to the (temporary) triumph of capitalism over socialism.

In 2004, a state owned auto engine manufacturer in the city of Chongqing was taken over by an American corporation. Soon after the factory was privatized, the foreign manager forced the local government to accept massive lay-offs. Since then the laid-off workers have been undertaking struggles (in the form of appeals and protests) to demand proper compensations.

A leader of the laid-off workers pointed out that under socialism, “the workers were masters of the factory, the workers were brothers and sisters within one class, and massive lay-off could not have happened; but after privatization, the workers have been reduced to ‘wage laborers’, they are no longer the masters, and this is the true reason behind the massive lay-off.” According to this workers’ leader, the workers’ struggle should not be limited to individual cases or satisfied with meeting particular demands. The “fundamental interest” of the workers lies with the restoration of the “public ownership of the means of production.”<sup>21</sup>

Many of the currently employed state sector workers are the children of the “old workers”, or they have had the experience to work with the old workers together, or they live in

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<sup>20</sup> Zhang Yaozu, “The Evolution and Development of the Working Class over the Six Decades of New China”, May 2010, <http://zggr.net/?action-viewnews-itemid-3>.

<sup>21</sup> Zhong Qinan, “The Class Experience of the Chongqing *Kangmingsi* Workers’ Struggle to Defend Their Proper Rights”, May 2010, <http://zggr.net/?action-viewnews-itemid-5>.

the same working class neighborhood. Thus, the currently employed state sector workers have been influenced by the old workers' struggles and their political experience. This was illustrated by the Tonghua Steel workers' anti-privatization struggle in 2009.

Tonghua Steel was a state-owned steel factory at Tonghua, Jilin Province. In 2004, Wang Min was appointed the governor of the Jilin Province. Wang was an enthusiastic promoter of privatization. When he was the Party Secretary of the City of Suzhou (in the Yangtze Delta), he made the record of privatizing 1,034 state owned enterprises within a year. Wang was determined to privatize 816 state owned enterprises in Jilin during the first year of his office.

Tonghua Steel was privatized in 2005. The state assets that were worth 10 billion Yuan were appraised to be only 2 billion Yuan. Jianlong, a powerful private company having connections with high-ranking officials in Beijing, actually paid only 800 million Yuan and took over the company. After Jianlong's takeover, 24,000 out of 36,000 workers were laid off. Workers working on "dangerous tasks" used to earn more than 3,000 Yuan a month. After privatization, their pay was reduced to about 1,000 Yuan a month. Jianlong followed the "Taiwanese-style" management, with highly authoritarian hierarchies. The managers were paid with high salaries. A middle-level manager was paid 300,000 Yuan a month. The managers could impose various arbitrary penalties and punishments on the workers.

The Tonghua Steel workers started to protest in 2007. In the protests, a Maoist-era worker in his seventies, "Master Wu", had emerged as the leader. In February 2009, the company cut off heating to the neighborhood of the laid-off workers. For several weeks, Master Wu gave many public speeches at the workers' gatherings and made many posters. Wu made it clear to the workers that the real issue was not about heating or any particular problem, but about privatization. "What the workers hated was the political line of privatization." Workers' representatives started to meet and discuss organization strategies on a regular basis.

In July 2009, the workers organized large-scale demonstrations and were on general strike. The Jianlong general manager threatened to fire all workers. The angry workers beat the

general manager to death. The provincial governor and thousands of armed police were on site but dared not to intervene. After the event, the Jilin Province was forced to cancel the privatization plan.

Tonghua Steel workers' victory was a huge inspiration for workers in many other parts of China. Workers in several other steel factories also undertook anti-privatization protests and forced the local governments to cancel privatization plans. Workers activists in other provinces saw the Tonghua victor as their own victory and regretted that "too few capitalists have been killed."

Unlike in the 1990s, in the current struggles, the state sector workers no longer have any illusion of the government. The workers clearly saw the government as the representative of the capitalist class. The workers have also gained independent political consciousness. They reject the bourgeois ideology that "private property is more efficient than public property". They have developed the clear understanding that the workers have lost their rights and they have been impoverished exactly because they have lost socialism. In many occasions, the workers have raised the political slogan "fight under the banner of Mao Zedong thought."<sup>22</sup>

After years of massive privatization, the state sector share in China's industrial output value has been reduced to less than 30 percent. Nevertheless, the state sector continues to dominate several key industrial sectors. In 2008, the state owned and state-holding enterprises accounted for 59 percent of the output value in coal mining and washing, 96 percent in extraction of petroleum and natural gas, 72 percent in processing of petroleum and coking, 42 percent in smelting and pressing of ferrous metals (iron and steel), 45 percent in manufacturing of transport equipment, and 92 percent in the production and supply of electric power and heat.<sup>23</sup>

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<sup>22</sup> Pei Haide, "A Study of Two Cases of Struggle by the Urban Traditional Workers," May 2010, <http://zggr.net/?action-viewnews-itemid-6>.

<sup>23</sup> National Bureau of Statistics, *ibid*.

Although the state sector workers now account for only about 20 percent of the industrial sector employment, they have a size of about 20 million and are concentrated in the energy and heavy industrial sectors that are of strategic importance to the Chinese capitalist economy. In the future upsurge of the Chinese working class struggle (this upsurge will inevitably arrive as a result of the objective tendency of proletarianization under capitalism), the state sector workers, through their control over the key industrial sectors, could exercise a disproportionately large economic and political power. A coal miners' general strike could conceivably shut down the entire Chinese economy and force the capitalist class to surrender.

Most importantly, the Chinese state sector workers can benefit from their unique historical and political experience. With the help of revolutionary socialist intellectuals, the Chinese state sector workers could emerge as the leadership of the entire Chinese working class and give the future Chinese workers' movement a clear revolutionary socialist direction.

### **The Illegitimacy of the Chinese Capitalist Wealth**

After three decades of capitalist transition, China has been transformed from what used to be one of the world's most equal countries into one of the world's most unequal countries. Measured by the "Gini" coefficient, a technical measure of inequality, China is now more unequal than the United States and India.

According to the World Bank data, in 2005, the wealthiest 10 percent of the households held 31 percent of the total Chinese income and the wealthiest 20 percent of the households held 48 percent of the total Chinese income. The poorest 10 percent of the households held only 2



percent of the total income and the poorest 60 percent of the households combined had an income share of only 30 percent.<sup>24</sup>

The inequality in wealth is even more outrageous. According to the 2006 “World Wealth Report”. 0.4 percent of the top families controlled 70 percent of the national wealth in China. In 2006, there were about 3,200 people with a personal property greater than 100 million Yuan (about 15 million US dollars). Out of the 3,200 people, about 2,900 or 90 percent were children of senior government or Party officials. They had a combined assets estimated to be 20 trillion Yuan, about the same size as China’s GDP in 2006.<sup>25</sup>

Because of the origin of the Chinese capitalist class, a large proportion of the Chinese capitalist wealth originated from the plunder or theft of the state and collective assets accumulated in the socialist era. It is widely considered to be illegitimate by the general population.

According to an earlier estimate, in the 1980s, the cumulative loss of state assets amounted to about 500 billion Yuan, an amount that equaled about 20 percent of China’s total state assets in 1992. According to Yang Fan’s estimate (Yang is a prominent nationalist economist in China), In the process of privatization and market liberalization, about 30 trillion

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<sup>24</sup> If Gini coefficient equals 100, it indicates complete inequality; if Gini coefficient equals 0, it indicates complete equality. According to the World Bank data, China’s Gini coefficient in 2005 was 41.5, compared to 40.8 for the United States (2000) and 36.8 for India (2005). See World Bank, *ibid*.

<sup>25</sup> Yuzhi Zhang, and Zhongfu Jiang, “The Domestic Governance Countermeasure in Order to Enhance Soft Power of China Communist Party,” *International Journal of Business and Management* 5, no.7 (July 2010): 170-174, <http://www.ccsenet.org/ijbm>.

Yuan of state and collective assets were transferred to capitalists with strong government connections.<sup>26</sup>

According to a recent research report conducted by the China Economic Reform Research Institute, in 2008, the so-called “grey income” amounted to 5.4 trillion Yuan or 18 percent of China’s GDP. The authors of the report believed that most of the “grey income” derived from corruption and theft of public assets.<sup>27</sup>

During the global economic crisis of 2008-2009, Wen Jiabao, China’s Prime Minister, pursued a policy of “saving America is like saving China” and used China’s huge foreign exchange reserves to buy American assets to prop up the US capitalism in crisis. Despite his so-called “pro-people” talks, Wen has actively promoted privatization of the remaining state enterprises and encouraged real estate speculation.

Wen’s son, Wen Yunsong, is reported to be the owner of China’s largest private equity. His wife is said to be in charge of China’s jewelry industry. Wen’s family is estimated to have accumulated a wealth of 30 billion Yuan (about 4.3 billion US dollars) and Wen is considered to be the richest prime minister in the world.

Zhu Rongji was the Prime Minister in the 1990s. He presided over the massive privatization of state enterprises and the lay-off of tens of millions of workers. He was also responsible for China’s negotiations with the United States that led to China’s entry into the World Trade Organization, under the condition that China was to be fully transformed into an export-oriented capitalist economy. Zhu’s family is considered to have significant influence in China’s financial sector and is estimated to have a wealth of 5 billion Yuan.

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<sup>26</sup> Qi Zhongfeng, “Economic Estimations of the Size of Rent-Seeking in the Period of Market Transition,” *Commercial Times*, 2006(21), [http://www.cnmaker.org/Paper/Economic/Other/11251R5T2009182584\\_2.html](http://www.cnmaker.org/Paper/Economic/Other/11251R5T2009182584_2.html).

<sup>27</sup> Wang Xiaolu, “Grey Income and National Income Distribution,” August 2010, <http://view.news.qq.com/a/20100901/000001.htm>.

Jiang Zemin was the former President and the Party General Secretary. Under his leadership, the Communist Party completed its transition from the “vanguard of the working class” to the “representative of the most advanced productive forces” (that is, the representative of the capitalist class). Jiang’s family is estimated to have accumulated 7 billion Yuan.

Jiang’s political ally, Zeng Qinghong, is said to be in charge of China’s petroleum and petro-chemical industries. Zeng’s son is reported to have made major fortunes in real estate speculation. Zeng’s family is said to have a wealth of 12 billion Yuan.<sup>28</sup>

The pervasive corruption has not only seriously undermined the legitimacy of the Chinese capitalism but also undermined the ability of the ruling class to act in its own class interest. Sun Liping, a prominent mainstream sociologist, recently commented that “the Chinese society is decaying at an accelerating rate.” According to Sun, the members of the Chinese ruling elites are completely driven by their personal, short-term interests so that no one cares about the long-term interest of the Chinese capitalism.

The central government can no longer effectively control the provincial and local governments and each level of government can no longer effectively control its own offices. Virtually every part of the different levels of government has developed its separate interest. According to Sun, corruption has “run out of control” and become “ungovernable.”<sup>29</sup>

### **The Proletarianization of the Petty Bourgeoisie**

In the 1980s and 1990s, the petty bourgeoisie (the professional and technical workers) served as a significant social base for the pro-capitalist “reform and openness” policy. Without

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<sup>28</sup> Anonymous, “China’s top ten families,” September 2010, <http://hua-yue.net/HuaShan/BBS/shishi/gbcurrent/172886.shtml>.

<sup>29</sup> Sun Liping, “The Chinese society is decaying at an accelerating rate,” February 2011, <http://hua-yue.net/HuaShan/BBS/shishi/gbcurrent/173528.shtml>.

the support of the petty bourgeoisie, it would have been much more difficult for the emerging capitalist class to prevail in their class war against the working class.

The so-called “democratic movement” in 1989, although had roots in real social contradictions and partly reflected the emerging resentments against the capitalist “reform” by the urban working class, was dominated by the petty bourgeoisie and led by counter-revolutionary neoliberal intellectuals, who favored massive privatization and rapid transition to capitalism. The only significant political difference between these neoliberal intellectuals and the Communist Party leadership had to do with how to split the spoils of capitalist transition.<sup>30</sup>

However, by now, the rapid increase in capitalist inequality has not only led to the impoverishment of hundreds of millions of workers, but also destroyed the “middle class dreams” of many individuals within the petty bourgeoisie.

Back to the 1980s, college education provided opportunities of upward social mobility for young people from lower social classes. By the end of the 1990s, China’s college education was in effect privatized. University enrollment surged by six times from 2000 to 2010, while government spending on college education has not increased. The additional expenses were largely paid out of the students’ pockets. The Chinese universities were essentially turned into profit-making institutions.

The dramatic increase in college graduates has led to a sharp devaluation of their labor power. According to the official statistics, in 2010, about a quarter of the college students who graduated in the year were unemployed. Of the students who graduated in the previous year, about 15 percent remained unemployed.

Those college graduates who were “employed” often have to accept a wage that is no higher than that of an unskilled migrant worker. About one million college graduates (compared

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<sup>30</sup> On the class conflicts behind the 1989 “democratic movement,” see Li, *ibid.*, 60-65.

to the current annual graduation of about six million) are said to belong to the so-called “ant tribes”. That is, they live in slum-like conditions on the outskirts of China’s major cities.<sup>31</sup>

The surge of housing, healthcare, and education costs have further undermined the economic and social status of China’s existing and potential petty bourgeoisie, forcing them to give up their aspiration of “middle class” living standards.

A college graduate talked about his “miserable life” with a monthly salary of 4,000 Yuan on the internet. He graduated from Fudan University in Shanghai (one of China’s top universities) and found a job as an office worker in a private company in the city of Suzhou (a prosperous industrial city near Shanghai). He claimed to have an annual salary of 50,000 Yuan after taxes and deductions. By comparison, in 2008, the average annual pre-tax wage for China’s formal sector employees was about 29,000 Yuan.<sup>32</sup> His salary suggests that he belong to the more fortunate among millions of college graduates.

The college graduate reported his regular annual expenses as the following. Food cost about 6,000 Yuan, apartment rent and utilities (for a 40-square meter unit) cost about 20,000 Yuan, bus tickets, a landline, and a cell phone cost about 4,000 Yuan, summer and winter dresses cost about 6,000 Yuan, other expenses (such as internet expenses, book purchases, transport expenses to see parents, and gifts to parents and relatives, et al.) cost about 9,000 Yuan.

His annual “saving” amounted to about 5,000 Yuan, which **would be** consumed in case he **made** two hospital visits a year. As he approached 30, he found that he could not afford to

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<sup>31</sup> Zac Hambides, “China’s growing army of unemployed graduates,” *The World Socialist Website*, October 4, 2010, <http://www.wsws.org/articles/2010/oct2010/chin-o04.shtml>.

<sup>32</sup> In the 2008, China’s total formal sector employees were 115 million, or about one-quarter of the 470 million non-agricultural workers. See National Bureau of Statistics, *ibid*. There are no official estimates of the informal sector workers’ wages. But the average wage for the informal sector workers is generally believed to be much lower than the average wage in the formal sector.

buy a flat and could not afford to marry and raise a child. After years of work, he had saved 30,000 Yuan, but the average price of a flat in Suzhou was about 6,000 Yuan *per square meter*. He decided not to **rent** an apartment in the city any more. Instead, he and seven other people together rented a room in the outskirts of the city.

Towards the end of his post, the college graduate asked himself: “Why do I need to have a girlfriend? Why do I need to have a child? Why do I need to care about my parents? Let us change our philosophy. If we do not care about our parents, do not marry, do not have children, do not need to buy flats, do not need to take buses or taxis, do not ever get sick, do not have any entertainment, do not ever buy lunch from regular cafeteria, we will have found the truth of happy life! The society is driving us crazy. We cannot meet some basic simple needs. Are we wrong? We just want to survive.”<sup>33</sup>

As more and more petty bourgeois individuals experience proletarianization in their economic and social conditions, a growing number of young people have become politically radicalized.

In the 1990s, political left virtually did not exist in China. Over the first decade of the century, the Chinese left has experienced a dramatic expansion. Three leftist websites, *Wu You Zhi Xiang* (the Utopia), *The Mao Zedong Flag*, and *The China Workers’ Network* have gained national influence. Some mainstream websites, such as the “Strengthening the Country Forum”, a current affairs forum affiliated with the official Party newspaper, *People’s Daily*, have been dominated by posts of leftist political tendencies.

There was an interesting survey conducted in 2005 by several college political educators on the influence of “New Left” ideas among the college students in the Jiangxi province (a

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<sup>33</sup> Anonymous, “A college graduate’s perspective: I can barely survive – the miserable life with a monthly salary of 4,000 Yuan,” March 2008,

<http://bbs1.people.com.cn/postDetail.do?boardId=2&treeView=1&view=2&id=85143082>.

province of medium-level economic development in China). The survey found that about half of the college students had had some exposure to leftist websites and between 30 and 70 percent of the students agreed with some leftist ideas (see Table 1). The survey authors were concerned with the growing influence of leftist ideas and argued that the leftist ideas could undermine the students' conviction in "reform and openness", market economy, and "socialism with Chinese characteristics." They suggested the government hire professional "web commentators" to counter the leftist influence.

A unique feature that distinguishes the Chinese left from the left in many other countries is that Maoism has gained an indisputable dominance among the Chinese left. In fact, now it is virtually impossible for someone to be recognized as a leftist in China unless he or she claims to be some sort of a Maoist. On September 9 and December 26 of 2010, workers in hundreds of cities and students in about 80 universities and colleges throughout China organized spontaneous mass meetings to commemorate Mao Zedong, often against the local government opposition and harassments. During the 2011 Chinese New Year (February 9), near 700,000 people visited and paid respect to Mao's hometown, Shaoshan, Hunan Province.<sup>34</sup>

In the current Chinese political context, a Maoist position broadly includes the following characterizations: considers the Maoist period as an era of great economic and social progress with major gains for the Chinese workers and peasants, accepts Mao Zedong's theory of "continuing revolution under the dictatorship of the proletariat", regards the "Great Proletarian Cultural Revolution" as a great historical experiment of mass liberation and socialist democracy,

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<sup>34</sup> Mao Zedong was born on December 26, 1883 and died on September 9, 1976. See Lao Shi, "People commemorate the 117th anniversary of Mao Zedong's birth throughout the country," February 2001, <http://www.wyxsx.com/Article/Class4/201102/216115.html>; Xu Rong and Zuo Yuanyuan, "Mao Zedong 's hometown becomes the tourists' favorite – 680,000 people visited Shaoshan during the New Year", February 2011, <http://redchinacn.com/a/hongselvyou/2011/0210/1287.html>.

understands that the nature of the so-called “reform and openness” is capitalist restoration, China has become capitalist or is in the process of capitalist transition, and the basic political task of the Chinese working class is to overthrow capitalism and restore socialism.

Under the apparent consensus on Maoist discourse, there are important political differences between various leftist factions. For example, *Wu You Zhi Xiang* tends to have the greatest influence among petty bourgeois young students. Some leading intellectual figures affiliated with *Wu You Zhi Xiang* are in fact bourgeois nationalists (in favor of state capitalism) disguised by Maoist discourse. *The Mao Zedong Flag* finds its base mainly among the Party veterans who used to support Deng Xiaoping but have since changed their political stands and reject the current “capitalist line” of the Party. *The China Workers’ Network* has attracted young students and some worker activists who regard themselves as Marxist-Leninist-Maoists.

These differences within the Chinese left are inevitable given that the Chinese left, just like the left in other countries, is constantly under the influence of bourgeois and petty bourgeois elements. A clear leadership of the proletariat and revolutionary Marxism will only emerge through the actual revolutionary struggle of the Chinese working class, and a socialist revolution will only prevail when the objective historical developments have ruled out other possible solutions to the basic contradictions of capitalism.

### **Reform or Revolution: the Limit to Capital is Capital Itself**

Can the Chinese capitalist class learn from the historical experience of the western capitalist classes to develop a social and political framework that would allow it to accommodate the coming challenge of the Chinese working class while maintaining the basic conditions of capitalist accumulation?

In fact, the current Communist Party leadership has promised for years that it would guide China towards a so-called “harmonious society” where class conflicts are moderated and well managed. The neoliberal intellectuals, who have controlled China’s mainstream media and



press, have argued that all of China's current problems can be attributed to the so-called "oligarchic capitalism" as supposed to the western-style "democratic capitalism." According to these neoliberal intellectuals, there is nothing wrong with the capitalist "reform". China's main problem is that the "political reform" has lagged behind "economic reform". If the Communist Party leadership could just follow their advices by introducing the so-called "political reform", the neoliberal intellectuals think, the stability of the Chinese capitalism can be secured.

The Chinese model of capitalist accumulation has relied upon a set of particular historical factors: the ruthless exploitation of a large cheap labor force; the massive exploitation of natural resources and degradation of environment; and a growth model that depends on growing exports to the markets of core capitalist countries. None of the factors are sustainable beyond the medium-term.

As the US and European capitalisms struggle with stagnation and face potentially greater economic crises in the future, China can no longer rely upon exports to lead its economic expansion. Moreover, it is widely recognized that China's excessively high investment has led to massive excess production capacity and contributed to unsustainable demands for energy and resources. Falling rates of return on capital may eventually lead to investment collapse and a major economic crisis. Thus, the Chinese capitalist economy needs to "rebalance" itself towards one that is led by domestic consumption.<sup>35</sup> But how can this be accomplished without undermining the basic interest of the Chinese capitalist class?

Currently household consumption accounts for about 40 percent of China's GDP, government consumption about 10 percent, trade surplus about 5 percent, and investment about 45 percent. The workers' wages and the rural peasants' incomes add up to about 40 percent of

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<sup>35</sup> See Martin Wolf, "How China Must Change If It Is to Sustain Its Ascent," *Financial Times*, September 22, 2010, p.11.

GDP. Thus, the working class income roughly matches the total household consumption.<sup>36</sup> If some of the government tax revenue is treated as a part of the gross capitalist profit, then gross capitalist profit is approximately 50 percent of GDP. After subtracting depreciation of fixed capital, net capitalist profit is approximately 35 percent of GDP. This very high capitalist profit (or very high rate of surplus value) is the political economy basis behind China's rapid capitalist accumulation.

Now suppose China needs to rebalance towards a consumption-led economy. If household consumption were to rise to 60 percent of GDP, then labor income needs to rise by about the same magnitude and it follows that the capitalist profit needs to fall by about 20 percent of GDP. How could such a large income redistribution be achieved with the consent of the capitalist class even under the most idealized political conditions? Which section of the capitalist class is going to sacrifice their own interests for the sake of the collective interest of the class? Given the very illegitimate and corrupt nature of the Chinese capitalist wealth, there is also the question how the collective interest of the capitalist class can be implemented even if the Communist Party leadership decides to promote the capitalist collective interest. By definition, income and wealth from corruption sources are not subject to taxation.

Table 2 presents alternative scenarios of possible "rebalancing" of the Chinese capitalism. Each scenario is consistent with one particular set of conditions required to stabilize the capitalist economy (with a stable rather than falling rate of profit).

In the future, if China's economic growth rate falls to 7 percent a year, then to stabilize the capital-output ratio, investment needs to fall to 36 percent of GDP (rounded to 35 percent in Table 2). Considering that China's main export markets (the US and Europe Union) are likely to stagnate in the future but China's imports of energy and raw materials will continue to grow,

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<sup>36</sup> Of course, the working class households save a portion of their income. On the other hand, the capitalists also consume. But at the macro-level, the working class savings are roughly offset by the capitalist consumption.

China's trade account is assumed to return to balance. Gross profit needs to fall to 35 percent of GDP and net profit needs to fall to 20 percent of GDP.<sup>37</sup>

In one respect, the current historical context is fundamentally different from any previous historical moment in the capitalist history. That is, after centuries of relentless capitalist accumulation, the global ecological system is literally on the verge of collapse and the developing global ecological crisis threatens to destroy the human civilization within the 21st century. China is now at the very center of the global ecological contradictions.

Oil accounts for about 20 percent of China's energy consumption. But almost all of the transportation fuels are provided by oil. China is already the world's second largest oil consumer with a daily consumption rate of 9 million barrels. Under the current trend, China's oil consumption will need to increase by about 5 million barrels to 14 million barrels a day by 2020. By comparison, during the deepest global economic crisis since the Second World War, the total oil demand in OECD countries fell by 4 million barrels a day from 2006 to 2009.<sup>38</sup>

The world oil production is expected to peak in the near future. If the world oil production does peak in the next few years, where would the extra 5 million barrels of oil needed by the Chinese capitalism come from? If China's increase in oil demand were to be matched by an oil demand reduction in the OECD countries. Then the magnitude of the reduction may be sufficient to cause an economic crisis as devastating as the 2007-2009 crisis. If the 5 million

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<sup>37</sup> To see why an investment-GDP ratio of 36 percent is needed to stabilize the capitalist economy, consider that if investment ratio is greater than 36 percent, then net investment as a ratio to GDP will be greater than 21 percent (after subtracting depreciation). Since the initial capital-output ratio is set at 3:1, if net investment is greater than 21 percent of GDP, the capital stock will grow at more than 7 percent ( $7 = 21/3$ ), that is, faster than GDP. This implies rising capital-output ratio and falling rate of return on capital.

<sup>38</sup> The energy statistics are from BP, *Statistical Review of World Energy 2010*, <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>.

barrels of oil were to be provided by liquid fuels made from coal, it would take about 1 billion metric tons of coal a year or one-third of China's current coal output.<sup>39</sup>

China relies upon coal for about 75 percent of its energy consumption. From 1979 to 2009, China's coal consumption grew at an average annual rate of 5.3 percent and the Chinese economy grew at an average annual rate of 10 percent (but for the last decade, 1999-2009, coal consumption growth accelerated to 8.9 percent a year). Use a very generous rule of thumb, China's future economic growth rate is assumed to be the future coal production growth rate plus five percentage points.<sup>40</sup>

According to the Chinese government sources, China has a coal reserve of about 190 billion metric tons and a coal "reserve base" (a broader measure that includes marginally economic resources) of about 330 billion metric tons. Figure 2 compares China's historical coal production with two possible future scenarios. The "early peak" scenario assumes China's remaining recoverable coal to be the same as the official reserve. The "late peak" scenario assumes China's remaining recoverable coal to be the same as the official reserve base.

Under the early peak scenario, China's coal production is expected to peak in 2026 with a peak production level of 4.7 billion metric tons. China's coal production growth rate is projected

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<sup>39</sup> On a summary of the recent peak oil arguments, see Robert L. Hirsch, Roger H. Bezdek, and Robert M. Wendling, *The Impending World Energy Mess* (Burlington, Ontario: Apogee Prime, 2010). Daily consumption of 5 million barrels of oil corresponds to an annual consumption of about 250 million metric tons of oil. One ton of coal contains the same amount of energy of half a ton of oil and coal liquefaction involves an energy loss of about 50 percent. Thus, it will take about four tons of coal to make one ton of oil.

<sup>40</sup> This rule of thumb implies very rapid energy efficiency improvement and substitutions of coal by other energies that may not materialize. In the future, energy efficiency growth and energy substitution may be somewhat accelerated. But their positive impact on economic growth may be offset by the negative impact imposed by peak oil.

to slow down to 3.9 percent for 2008-2020, 0.4 percent for 2020-2030, -2.5 percent for 2030-2040, and -4.8 percent for 2040-2050. The implied economic growth rate would be 9 percent for the 2010s, 5 percent for the 2020s, 3 percent for the 2030s, and 0 percent for the 2040s.

Under the late peak scenario, China's coal production is expected to peak in 2037 with a peak production level of 6.9 billion metric tons. China's coal production growth rate is projected to slow down to 4.8 percent for 2008-2020, 2.8 percent for 2020-2030, 0.5 percent for 2030-2040, and -2.0 percent for 2040-2050. The implied economic growth rate would be 10 percent for the 2010s, 8 percent for the 2020s, 6 percent for the 2030s, and 3 percent for the 2040s.

Thus, under the early peak coal scenario, by the 2020s, the Chinese capitalist economy needs to undertake an income redistribution of 20 percent of GDP from profit to wages to maintain a stable capitalist economy (see Table 2). By the 2030s, capitalist net-profit needs to fall below 10 percent of GDP and there is virtually no more space for income redistribution.

Even under the late peak coal scenario, an income redistribution on the order of 15-20 percent of GDP needs to be made by the 2030s. It should be noted that under the late peak scenario, China's carbon dioxide emissions from coal combustion alone would have reached almost 15 billion metric tons by the late 2030s, comparable to half of the current total world emissions. If this scenario does materialize, whatever chance the world might have had to achieve a reasonable climate stabilization would have been lost.

The impending energy crisis is just one among many aspects of China's ecological contradictions. According to *Charting Our Water Future*, a report prepared by International Finance Corporation, by 2030, China is expected to have a water deficit of 25 percent (relative to the projected water demand) as rising demands from agriculture, industry, and cities overwhelm China's limited water resources.<sup>41</sup>

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<sup>41</sup> International Finance Corporation, et al., *Charting Our Water Future*, Executive Summary, 2009, [http://www.mckinsey.com/App\\_Media/Reports/Water/Charting\\_Our\\_Water\\_Future\\_Exec%20Summary\\_001.pdf](http://www.mckinsey.com/App_Media/Reports/Water/Charting_Our_Water_Future_Exec%20Summary_001.pdf).

According to a research paper by Liming Ye et al., if China's current trend of soil erosion is not checked, China could suffer from a food deficit of 14-18 percent (relative to the expected food demand) by 2030-2050. A project conducted by the Chinese Academy of Agricultural Sciences finds that as a result of climate change and declining water availability, China's grain production could fall by 9-18 percent by the 2040s.<sup>42</sup>

Taking into account the combined pressures of peak oil, soil erosion, decline of water availability, and climate change, the possibility that a major agricultural and food crisis could hit China at some time in the coming decades cannot be ruled out.

### **The Victory of the Proletariat and the Fall of the Bourgeoisie Are Equally Inevitable**

The humanity is now at a critical crossroad. The continuing operation of the world capitalist system will not only guarantee the permanent impoverishment of billion of people, but also almost certainly lead to the destruction of the human civilization.

China has already overtaken the US to become the world's largest energy consumer and largest greenhouse emitter. China's emission growth threatens to offset any plausible emission reductions in the rest of the world. Unless the Chinese capitalist machine is stopped and torn into pieces, there is no hope for global ecological sustainability to be achieved.

This raises the urgent world-historical question. What historical force can the humanity count upon to achieve the 21st century global revolution to achieve both socialism and ecological sustainability?

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<sup>42</sup> Liming Ye, Jun Yang, Ann Verdoodt, Rachid Moussadek, and Eric Van Ranst, "China's Food Security Threatened by Soil Degradation and Biofuels Production," August 1-6, 2010, paper presented at the 19th World Congress of Soil Science, Brisbane, Australia; The Chinese Academy of Agricultural Sciences, "Impact of Climate Change on Chinese Agriculture," 2010, <http://www.china-climate-adapt.org/index.html>.

Marx had expected the proletariat to play the role of the grave-diggers of capitalism. In the actual course of the world history, the western capitalist classes had managed to accommodate (within certain historical periods and under certain historical conditions) the challenges of the proletarianized working classes, as well as the capitalist classes in some semi-peripheral states. The core capitalist classes had managed to achieve this temporary compromise as they benefited from both the super exploitation of the working classes in the periphery and the massive exploitation of the world's natural resources and environmental space.

Both conditions have by now been exhausted. In the next one or two decades, the proletarianized working classes may for the first become the majority in the capitalist world system. With the massive proletarianization in Asia, the world-historical conditions are finally approaching what, according to Marx, will lead to the victory of the proletariat and the downfall of the bourgeoisie.

Being the world's largest manufacturing producer and energy consumer, China is at the center of the global capitalist economic, social, and ecological contradictions. The above analysis suggests that beyond 2020, economic, social, political, and ecological crisis are likely to converge in China. The combination of these crises rules out a reformist solution to the Chinese capitalist contradictions.

Given the legacy of the Chinese revolution, the subjective historical conditions in China may favor a revolutionary socialist solution to China's contradictions. A state sector working class that is influenced by socialist consciousness can potentially **take over** China's key economic sectors and play a leading role in the coming revolutionary struggle. A broad revolutionary class alliance may be formed between the state sector workers, the migrant workers, and the proletarianized petty bourgeoisie. If such an alliance does take shape, it will be strong enough to defeat any capitalist resistance.

Given China's central position in the global capitalist system, the significance of a victorious socialist revolution in China cannot be overstated. It will break the entire system of

global capitalist commodity chains. It will turn the global balance of power decisively to the favor of the world proletariat. It will pave the way for the 21st century global socialist revolution and dramatically increase the chance that the coming global crisis will be resolved in a way that is consistent with the preservation and further development of the human civilization.

History will tell whether the Chinese proletariat and the world proletariat can fulfill their world-historical missions.



Table 1. Survey of College Students in Jiangxi Province on the Influence of “New Left” Ideas, September 2005 (Sample: 5 Colleges in Jiangxi Province, 1,271 respondents)

Respondents Who Agreed with the Statement (%)	
Have surfed at least one leftist website	52%
Have surfed at least ten leftist websites	10%
The 20th Century Chinese Revolution was historically justified	65%
The disintegration of the Soviet Union did not mean the failure of socialism	49%
China should not copy the western capitalist model	70%
The capitalist globalization leads to inequality and needs to be challenged	56%
<i>Laissez faire</i> capitalism is not a desirable social objective	72%
The western “modernity” needs to be reevaluated and criticized	66%
Democracy is more important than “liberty”	42%
The Chinese society has been divided into antagonistic classes	39%
The Chinese workers are super exploited and can barely survive	39%
China’s income and wealth distribution has become extremely unequal and needs to be corrected by strong state intervention	43%
Privatization has made health care unaffordable to the average people	52%
Privatization has contributed to rising college graduate unemployment	26%
Bureaucratic capitalists have enriched themselves through privatization and collaboration with foreign capital	41%
Economic reform has led to massive unemployment and unaffordable health care and education	45%

Source: Sun Yixian, Chen Aisheng, Li Yunli, and Fan Hongyan, “A Survey on the Influence of New Left Intellectual Currents among College Students,” September 2005, [http://blog.sina.com.cn/s/blog\\_3fc83b370100n3eg.html](http://blog.sina.com.cn/s/blog_3fc83b370100n3eg.html).

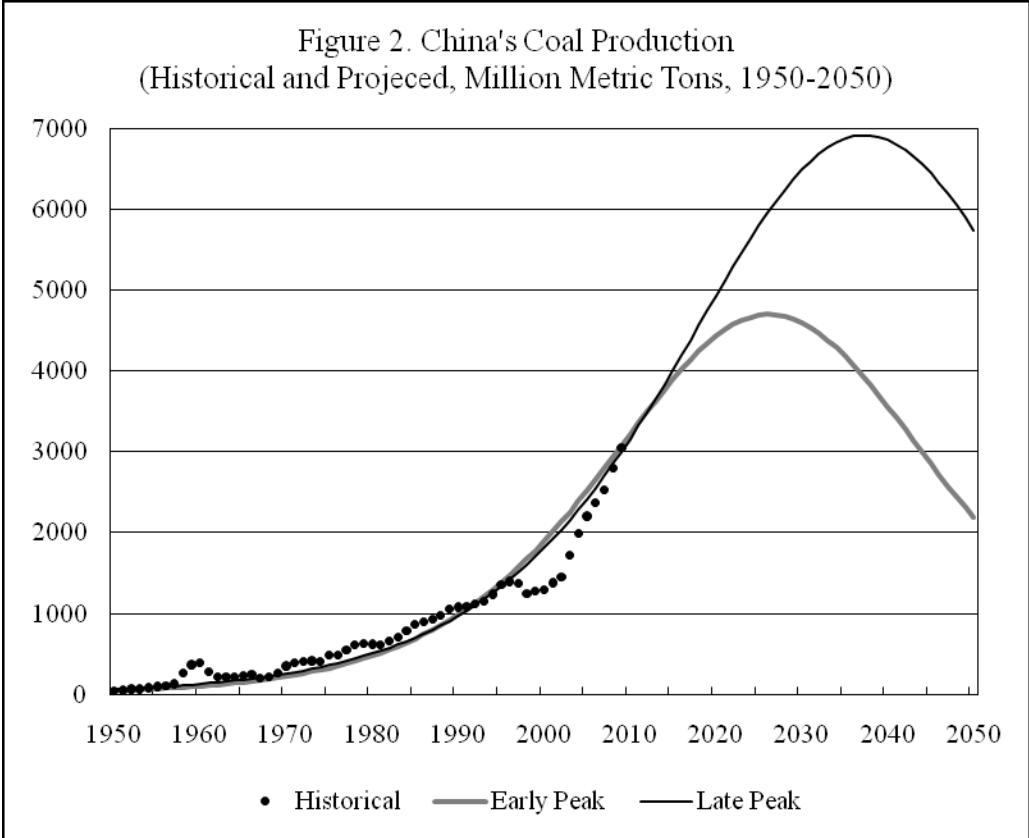
Table 2. Alternative Scenarios of Chinese Economic Rebalancing

Economic growth rate:	10%	7%	5%	3%	0%
Capital-Output Ratio	3	3	3	3	3
Investment-GDP Ratio	45%	35%	30%	25%	15%
Trade Balance as % of GDP	5%	0%	0%	0%	0%
Depreciation as % of GDP*	15%	15%	15%	15%	15%
Gross Profit as % of GDP	50%	35%	30%	25%	15%
Net Profit as % of GDP	35%	20%	15%	10%	0%

\* Depreciation rate is assumed to be 5%. Thus, if the capital-output ratio is 3:1, then depreciation is 15% of GDP.



Sources: World Bank, *World Development Indicators*, <http://databank.worldbank.org>; China's National Bureau of Statistics, <http://www.stats.gov.cn>.



Sources: China's historical coal production data are from Dave Rutledge, "Hubbert's Peak, the Coal Question, and Climate Change," *The Excel Workbook* (2007), <http://rutledge.caltech.edu>; the data are updated using data from BP, *Statistical Review of World Energy*, <http://www.bp.com>; the future projections are based on the author's calculations using assumptions stated in the text.