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The Rise of China and its Implications

By Fred Engst

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I would like to take this opportunity to address four related questions: First, can China rise to become a so-called “developed” country in the era of imperialism? Second, if it can, why can’t other Third World countries? Third, what does the rise of China mean for the people of China? And finally, what does the rise of China mean for the people of the world?

Can China rise to become a so-called ‘developed’ country in the era of imperialism?

The answer is: it might. My reasons are the following:

Although Chinese development has been heavily dependent so far on low-tech sweatshop type of export-oriented industries that mostly serve the needs of multinational corporations (MNCs), this is a pattern from its past 30-plus years of capitalist reform. Its future most likely will be different.

On the one hand, in terms of the aggregates, China has become the second largest economy in the world, and the largest producer of many industrial goods, such as steel and cars. Some Chinese economists are predicting that China will catch up with the United States (U.S.) in ten years, while a study by the International Monetary Fund (IMF) claims that it will take China only five years, based on purchasing price parity. On the other hand, on a per capita basis, China still has a long way to go to catch up with the developed countries. Its Gross Domestic Product (GDP) growth is driven largely by a nationwide construction boom, which is made up mostly of cement and steel. Once the housing bubble bursts, there might not be a new growth engine to replace it.

The question is, will China avoid the so-called “Middle Income Trap”? This is a phrase coined by some simple-minded economists from the Asian Development Bank (ADB) with a linear view of the world who avoid the concept of imperialism like the plague. If there is a “trap”, it is a trap that was set up by imperialists. This is because the multinationals are not interested in true development in Third World countries. They will try everything they can to prevent a Third World country from acquiring advanced technologies so that it can move up the industrial food chain, into high-value added production, and thereby compete with the multinationals.

Unlike most of the Third World countries, however, China has a well-entrenched party-state bureaucratic capitalist establishment. This party-state apparatus is determined to drive up China’s position in the world. It has been pushing an industrial policy that favors the capital-intensive, high value-added and high-tech Chinese enterprises. It is pushing Chinese industry steadily up the manufacturing food chain, weaning it away from low value-added and labor-intensive industries.

Although close to 80 percent of the industrial labor force works for the private sector, some key industries in China, such as petrochemicals, coal and electrical energy, rail and air transportation, communication networks, banking and finance services, and other monopolistic industries, as well as military-related machine-building industries, are all controlled by the state, enabling it to focus less on quarterly profits, and more on longer-term projects, such as investment in infrastructural and strategic endeavors, with super computers and the countrywide bullet train network as outstanding examples.

I just rode on a bullet train the other day from Beijing to Tianjin, a city about 100 km away. It took only 30 minutes and traveled at a top speed of 350 km per hour. It was out of this world! Not even the U.S. can do what China does on this front, making Obama a bit nervous.

The existence of this party-state bureaucratic capitalist establishment in China is one of the key reasons that I think China has a chance to rise to become a so-called “developed” country in the era of imperialism. But this “rise” will not be peaceful, as we will see in the last section of this paper.

What makes China different from the rest of the Third World?

The question is, why might China achieve what other Third World countries have tried and failed to accomplish—get closer to becoming a so-called “developed” country?

The answer is not what the proponents of neo-liberal ideology would like you to believe.

Chinese development shows that, contrary to the neoclassical theory, in the stage of imperialism, if a country wants indigenous economic development under capitalism, it needs to break from imperialist domination first, so it can have a period of independent development before it enters the worldwide capitalist system. Otherwise, its own economy will be suffocated by the multinationals under the aggression of imperial powers.

After the Chinese revolution of 1949, China was cut off from the worldwide capitalist system by the blockade imposed by U.S. imperialism. This actually did China a favor. It had to develop its own industry without any investment from the imperialist countries. It learned to build tools and machinery on its own. The significant infusion of technology in the 1950's from the Soviet Union without strings attached accelerated this process. The abrupt cutoff of Soviet aid in 1959 that triggered three years of severe economic difficulties in China forced it to become even more independent.

In almost three decades of independent socialist economic development, from the early 1950's until the late 1970's, China had achieved a fundamental transformation of its economy, from a country with scarcely any manufacturing industry, to a country that had a set of indigenous industries in practically all sectors of the economy.

All of this was made possible also by the collectivization of agricultural production in the countryside. Since 80 percent of the Chinese population lived on the land at that time, agricultural surplus had to be the main source for capital accumulation in order for industrialization to prosper. Collectivized agriculture not only led to an increase in production through better utilization of the land, labor, and other resources, it

also provided a ready market for agricultural machinery. This mutual reinforcement accelerated the Chinese industrialization process.

When China's new elite decided to enter the worldwide capitalist economy in the late 1970's, it was in a position to bargain with the multinationals to form joint ventures in many industries, rather than finding itself under the total domination of the multinationals. Substantial prior economic independence made this possible.

This is the irony of history! It took a period of independent socialist development first, a break from worldwide capitalist system, to make the indigenous capitalist development in a Third World country possible. Before this, it was true that only socialism could have saved China. But after it had an all-around industrial foundation, there were two roads to take. Both the socialist road (as in the case of the former Soviet Union which was able to develop in 30 years from a backward industrial power to a superpower after World War II) and the capitalist road could develop China, albeit in different ways, benefitting different classes. The elite in China chose the latter road for their own benefit.

The second ingredient that makes China different from other Third World countries lies in the fact that the Chinese revolution of 1949 was able to completely overthrow the feudal economic system in China. This was possible because it was a revolution led by the working class, i.e. by the Communist Party of China. Among Third World countries, no revolutions under the leadership of their national capitalists were able to completely overthrow feudalism.

One of the main goals of the Chinese revolution was the land-to-the-tiller program. It made the entire peasantry of China members of the petit bourgeoisie, without all the feudal baggage and hindrance (such as the distorted incentive system under landlord rule where they had a greater interest in collecting rents than improving the fertility and productivity of their land). The socialist collectivization movement that came after the land reform made the peasantry as a whole the true masters of their destiny, both politically and economically. For the first time, the peasantry enjoyed democratic rights like electing their own leaders and making decisions about their own land. Further, as collectives instead of as individual families, they had greater political power. Therefore, when the reform began in 1979, the new elite of China had to break the collectives, remake the peasantry as disorganized individuals who no longer had political or economical power before the country was able to march on the capitalist road. Given the small-producer mentality of the peasantry, which is individualist in nature, a large sector was ready for the capitalist road. Since each peasant family had a piece of land to farm and were able to trade their surplus produce, the indigenous capitalist market economy grew up rapidly in the countryside.

The land owning peasantry also provided an almost unlimited and docile labor force to the urban capitalist economy in China during this period, for the workers who came from the countryside had land to fall back on when their labor was no longer needed in the city. This is because most peasants in China, unlike the landless peasantry in most other Third World countries, weren't pushed away from the countryside due to poverty, but rather they were pulled out of the countryside due to the extra cash they could earn. This required a minimum wage just enough to lure them away from home.

This vast reservoir of cheap labor makes up one of the key ingredients for China's rapid export-oriented capitalist development in the last 30 years.

The third ingredient that makes China's extraordinary development possible is the above mentioned party-state bureaucratic capitalist system. This is because investment for the long term is what is needed for rapid development in Third World countries, most importantly infrastructural development. That is where the party-state bureaucratic capitalist system comes in. As I mentioned earlier, state bureaucratic capital is not under the pressure of quarterly profits, so that it is able to plan for the longer-term projects that it sees fit.

This is precisely why the imperialist powers are pushing for neo-liberal policies of privatization around the world: Private capital in the Third World is no match for the imperialist multinationals. A strong state sector in the Third World makes the domination of the multinationals in a Third World country a lot harder.

Take the difference in development between the Philippines and China as an example. Although I know little about the Philippine economy, what I can do at this point is contrast what I have seen in the Philippines with what I know from China. Since there is not a strong state sector in the Philippines from what I can see, there are no resources existing independently of multinationals to invest in the infrastructure of the Philippine economy, as compared to China. The difference is truly striking!

When big comprador capitalists and big landlords are in power, as in the case of the Philippines, the ruling class is only willing to give resources to the state if by doing so they can benefit from it directly, for example, by funding for the military or the police, or infrastructure projects that retain the semi-feudal and semi-colonial character of the economy (such as export processing zones, ports, etc). They are less interested in paying for industrial infrastructures, educational institutions, or long-term projects when they can't benefit from them immediately and directly.

Among the less developed countries, such as the BRIC countries (Brazil, Russia, India and China), Russia is more like China. Both India and Brazil lack a state bureaucratic capitalist class that is able to invest for the long run, and both still have a strong feudal heritage that hinders their development.

In summary, having an independent development as its foundation, having an economy that is freed of feudal fetters, and having the ability to invest for the long-term are the three reasons that I think why China might be able to achieve what other Third World countries have tried but failed to achieve.

What does capitalist development mean for the people of China?

a) Let's start with the struggles of the Chinese working class.

The rise of China in the last three decades is the rise of the Chinese capitalists at the expense of the Chinese workers.

The new capitalist ruling class that took over state power in the late 1970's did two things immediately. First it tried to privatize most of the former state-owned enterprises in the early 1980's—those that were not natural monopoly enterprises—and make the former managers the new owners. Second, it opened up the coastal areas for foreign direct investment and other capitalist enterprises.

In a short time, the Chinese working class began to notice that it was no longer the ruling class. Although living standards improved for a large section of the urban working class as the state reduced spending for longer-term investment projects for a while and spent more on the production of consumer goods to win over public sentiments to their new regime, the position of the working class in society nose-dived. Workers no longer have the right to criticize their factory managers, and any disobedient action might be grounds for employment termination.

The strong resistance of the working class in the state sector against capitalist development and privatization forced the new ruling class to take the transition to capitalism to the countryside where the socialist system was the weakest, and where there was a strong petty capitalist ideology among the peasantry.

After it succeeded in dismantling the collectives in the countryside, the new ruling class moved its target back to the cities in the early 1990's. It used the private sector economy to undercut most of the state sector enterprises. After milking most of the state sector dry, managers of these enterprises also set up private enterprises of their own to compete with the very state-owned enterprises that they were managing. The new elite was able to bankrupt the state-owned enterprises and break the backs of the urban working class. They replaced workers in the state sector with new workers from the countryside without any benefits or rights to their jobs in the private sector.

In the process, there has been an incredible growth of the Chinese working class. This has been one of the greatest achievements of the 30 years of capitalist development in China. Some 60 to 80 percent of the labor force in China that was formerly part of the peasantry is now part of the working class.

This rapid expansion of the Chinese working class has its downside as well. Although the Chinese working class has become the largest in the world, it is fractured, super-exploited, and unorganized. On the one hand, despite working class efforts to organize, the paranoid state, even more than owners of private enterprises, sees any workers' grassroots organization as a direct threat to its power, and is willing to do whatever it takes to crush organizing efforts. On the other hand, many of the workers that have recently left their farming villages to join the working class are only the first generation of workers in their family. These new workers often do not see themselves as members of the working class. The petty bourgeois ideology of self rather than class emancipation has hindered the growth of working class consciousness and struggle.

The rise of working class consciousness, however, is what the ruling class of China fears the most. The first wave of working class struggle was mostly over the privatization of the former state-owned enterprises in the late 1980's and 1990's.

From then on, there have been waves of working class struggles, mostly led by the new generation of workers employed in the private sector in the south and the coastal areas. They are fighting for back wages, and against sweatshop and inhumane working conditions. After being members of this new working-class generation for an extended period, they no longer consider going back to the countryside as a viable option for them. Their wages have become their livelihood, and are no longer seen as supplementary to their incomes from farming. This has led to ever more militant struggles, such as strikes, walkouts, etc. among private sector factories in the last few years.

Perhaps not just paranoid, the party-state apparatus, more than the private capitalists, is keenly aware of the power of working class organization, especially a working class that was once in power. All other classes are allowed to have their own civil organizations in China, except for the working class.

Repeated shutting down of websites that support working class struggles is just one of the many signs of the state's paranoia, fear, and insecurity.

Due to the media blockade, you hear perhaps more cases of Chinese working class struggles outside of China than we know living inside.

b) Next we review the struggles of the Chinese peasantry.

Traditional self-sufficient peasants are rapidly disappearing in China. They are either becoming workers in the cities, causing a depopulation of the countryside, or becoming agricultural workers employed in agribusiness enterprises in other parts of the country.

The earlier struggles between the peasantry and state capital were focused mainly on agricultural taxes. After years of increasingly intense struggle between the two, the state finally gave up on tax collection a few years back, due to the high social and economic cost of the tax collection, and even started to provide a small token agricultural subsidy to the farmers.

The current struggles are mostly focused on forced relocation programs around the perimeter of cities. As urban areas expand, local governments try to grab the peasants' land at dirt-cheap prices. Disregarding repeated "stern" warnings and "prohibitions" from the central government, they force the peasants to relocate, or "upgrade" to apartments, and then auction off the land to real estate developers, so that the latter don't have to face the peasantry directly. The land sales have also been a bloodline for many local governments, contributing more than 50 percent of their revenue. This robbery has become one of the most contentious struggles between the state and the peasantry for the last few years, leading to widespread violent clashes around the country.

c) Finally, we consider the internal contradictions among the Chinese capitalists.

The dominant section of the Chinese capitalist class is the party-state bureaucratic capitalist class, for it controls all state-owned enterprises, and it is the holder of

state power. Unlike in most of the capitalist countries where the state bureaucracy is accountable to private capitalists, such as in the United States, the party-state bureaucracy in China is accountable to no one but itself.

This bureaucratic party-state structure lacks internal cohesion, however. The regime is a very fragile one. Officials within the regime do not have security within the system. Their right to devour from the same trough as other officials in the club and to live off the surplus value of the Chinese working class depends on their membership within the party-state bureaucracy. The rules of the game there are vastly different from the market place; everything depends on the personality of the officials above, and with each having a different set of unwritten rules to follow. Fierce competition between officials for higher positions within the bureaucracy and for a bigger share of the pie often leads to charges of corruption. With a high risk of getting kicked out of the club at any time, no one is secure. Only by transferring the wealth of the state into these officials' hands will they feel secure; thus the drive for ever more privatization in China.

Meanwhile, the other section of the Chinese capitalist class, the private capitalists, has witnessed an incredible growth in the last 30 years, making up an increasing share within the Fortune's list of the world's billionaires. The link between the bureaucratic and private capitalists is a murky one. On the one hand, the party-state bureaucratic capitalists and the private capitalists need each other to prosper, as in the case of real estate development. Furthermore, they are often from the same families. On the other hand, the growing strength of the private capitalists will tip the balance between the two. The private capitalists have been demanding to have their political power to match their economic power, and thus are seeking to have an increasing voice within the Chinese political system.

And yet, there is no platform for this struggle to take place in China, as in the case of functioning capitalist democracies. The real threat to the party-state bureaucratic regime at this time is not from any outside forces, but the threat of implosion, as in the case of the former Soviet Union.

The clashes between the party-state bureaucratic capitalists and private capitalists that typified the so-called "Color revolution" in the Eastern European countries might come to China someday.

What does the rise of China means for the people of the world?

China is the largest economy not under the control of the U.S. Other economic powers, such as Germany or Japan, which all have U.S. military bases, cannot be considered truly independent of the U.S. How much economic development the U.S. will allow China, and for how long, will be an issue confronting the two countries.

China has an incredible appetite for worldwide resources, due to the rapid development of its industries. Though dominated by multinationals in many industrial sectors, China's drive for more resources, such as oil and iron ore, will inevitably bring it into conflict with U.S. domination.

The second area of contention is over the rules of the game for the worldwide capitalist economy that were set up by the U.S. to benefit itself. China has two choices; either it follows in the footsteps of Japan or Germany and becomes a submissive lackey of U.S. imperialism, or it challenges this domination whenever it can. Whereas the ruling classes of Japan and Germany accepted the domination of the U.S. after their defeat in World War II, the new ruling class of China is more likely to challenge U.S. domination. China wants to change the rules in its favor, and thus will come into conflict with the U.S. sooner or later.

The stated approach by the Chinese regime to its development strategy is *Tao Guang Yang Hui*, literally meaning to “hide one’s swords, and build one’s strength.” It is obvious that China is biding its time, rather than following Japan’s model of being an obedient player in the game set up by the U.S.

Like in the case of the Jewish people who were being exterminated during World War II, yet later the Zionists become the oppressors of the Palestinian people under the state of Israel, China is entering a transitional period in which it is no longer an oppressed nation, and is potentially becoming an oppressor nation. Confronted with the choices between fighting against hegemony and competing for hegemony, it often chooses the latter. A strong sense of nationalism in China combined with growing industrial might under capitalism is pushing it in the direction of imperialism.

China has made the first move towards imperialism. It has sent warships to the Middle East on the pretext of protecting its shipping vessels from Somali pirates. It is building the first of many aircraft carriers. Its aggregate investments outside of China will soon surpass the investments it receives from the rest of the world. Instead of uniting the Third World against U.S. imperialism, it is acting like a bully to its neighboring countries, and is trying to become a junior partner of the U.S. in world domination.

The U.S. is very conflicted about the rising economic power of China. On the one hand, it needs the cheap labor for its multinationals in China. On the other hand, it sees China as a potential threat to its top dog position in the world.

Imperialism is not merely a bad choice that some people make. A large “developed” capitalist country is an imperialist country based on the logic of capitalist development. A “developed” capitalist China is no exception. To be “developed”, sooner or later it will have to come into conflict with the current status quo. Eventually this will lead to inter-imperialist war, although not necessarily between China and the U.S. It will be a war about who is the top dog among all developed imperialist countries: the U.S., European countries, Japan, Russia, or China. It is too early to tell how the powers will line up, but the domination of the world by the U.S. lasting for another 50 years is highly unlikely. The fall of the U.S. will not be peaceful, and the rise of China or the reemergence of Russia will not be peaceful either.

As long as there is imperialism, there will be war. It’s only a matter of time. The only reason that there hasn’t been an inter-imperialist war for almost 70 years is that so far there hasn’t been an imperialist power strong enough to challenge U.S. domination since World War II. This will not last forever.

The United States is so far the greatest imperialist power the world has ever seen. It will also be the last superpower in the world. Unlike the replacement of British imperialism by the U.S. as the dominant imperialist power after World War II, in the nuclear age, with the power to destroy the world many times over, U.S. imperialism is determined not to let any power challenge its hegemony. It will not go down without a nasty fight.

But go down it will. It is inevitable. The decline of U.S. imperialism is unstoppable. Its industrial infrastructure is falling apart due to the parasitic nature of imperialism. The U.S. cannot help but rely more and more on its military rather than its economic might to maintain its superpower status. Exporting inflation by flooding the world with U.S. dollars to keep the U.S. economy stay afloat, while the rest of the world pays the price, and then renegeing on its debt through the falling value of the dollar, is just the latest example.

While the U.S. is going down, the rise of China will upset even more the balance of power in the world, provided the fragile party-state bureaucratic capitalist regime does not implode beforehand. Upholding nationalism is one means for the regime to keep itself alive. Currently, this nationalism is on the rise.

Sooner or later, the shifting balance of power will lead to a war. Like Mao said, either a worldwide revolution will stop the inter-imperialist war, or the war will lead to a worldwide revolution. The First World War led to the first working-class state, while the Second World War gave birth to a socialist camp. If there is another inter-imperialist war, it will have educated the peoples of the world, including the people of the U.S., of the true evils of capitalism. They will have realized that to free humanity from the destruction of inter-imperialist wars, they will have to overthrow imperialism. To overthrow imperialism, they will have to overthrow capitalism. They don't have much choice. The next inter-imperialist war will bring down the capitalist system worldwide—once and for all! All the nuclear weapons the U.S. possesses will be useless when facing a revolt of its own people!

Prof. Fred Engst teaches economics at the University of International Business and Economics in Beijing. Also known as Yang Heping, Fred was born in Beijing in the years after the founding of the People's Republic. He is the first child of Americans Erwin Engst and Joan Hinton who arrived in the country in the 1940s to participate in China's new democratic revolution and socialist construction. He spent the first 22 years of his life in China before moving to the US in the mid-1970s. In 2007 he returned to China to pursue his research interests which include the socialist economy and the 'cultural revolution', among others.

China: Continuing Class Struggle Sixty-two Years after the Revolution

By Pao-yu Ching

Editor's note: This article also serves as the concluding chapter of a forthcoming book by Pao-yu Ching that helps define in sharp detail the main threads and controversies of China's socialist revolution and subsequent capitalist reforms, and which offers ground-level glimpses and longer-term perspectives of the continuing class struggles in that vast country in the past sixty-two years.

China celebrated the sixtieth anniversary of the founding of the People's Republic on October 1, 2009. For this occasion, the Chinese government spent lavishly on many festivities including a long procession of parades in front of the Tiananmen to show off its military might and economic prosperity. There were parades of military hardware; military men and women marching in Army, Navy, and Air Force uniforms; civilians marching with displays that show China's prosperous economy and its people's good lives. Then the Shanghai Expo opened in May 2010. Like the 2008 Beijing Olympics, these events tried to convey the message that the world should take notice; China has arrived and it was the Reform that has made all of this possible. However, if we look a little deeper, it is not difficult to see just beneath the surface the numerous serious contradictions afflicting a divided nation. As a matter of fact, the Chinese Communist Party is going through a crisis on a scale it has never experienced since the founding of the People's Republic.

When Mao declared on October 1, 1949 the birth of a new China, revolutionaries around the world celebrated with the Chinese people the possibility of building a new society where people would be free of domination and oppression from both within and without. The socialist construction that followed liberation inspired many revolutionaries, especially those in the poor and oppressed nations. In 1956 the CCP shook the revolutionaries in many parts of the world when it dared to challenge the revisionists of the Communist Party of the Soviet Union. Then in 1966 China took a further step in leading the anti-revisionist struggle by launching the Great Proletarian Cultural Revolution to combat the revisionists within the CCP. The intense anti-revisionist struggle during the Cultural Revolution over the next ten years exposed the revisionists (capital roaders) within the CCP and the capitalist projects they had tried to implement. Although the struggle between the revolutionary line and the revisionist line was at times confusing, chaotic, and even violent, it demonstrated clearly that

if socialist revolution were to proceed, the struggle against revisionism would be unavoidable and continuing revolution necessary. The Cultural Revolution also showed the content, form, and strategy of such an anti-revisionist struggle in a country going through socialist transition.

The revolutionary line was defeated, after Mao's death in 1976, when the capitalist roaders in the CCP seized political power and began their capitalist Reform. It is now over thirty years after the capitalist Reform began. What does the reality of China today tell us about its future? China is the only country that went through a protracted struggle against modern revisionism after liberating itself from imperialism and feudalism and turning socialist. After the capitalist roaders took power and pushed through with capitalist Reform in the last three decades, how do China's proletarian class and its close ally, the peasantry, see the contrast between socialist development and capitalist development? Workers who experienced socialism are now old and most of them have retired (many of them were forced into retirement); would they be able to share the experiences of their struggle with the younger generation of workers, of whom 150 million are migrants working in construction and exporting industries? After some thirty years of capitalist development, has China turned into another imperialist power? And, most important, what is China's role in future struggles against imperialism and for national liberation and socialism?

An accurate assessment of China's past and current development can shed some light on its course of future development. In writing the articles in this collection, I tried my best to provide analyses of China's past and present. I intend to spend most of this concluding chapter to bring developments in China up to date. An understanding of the country's current development will help us foresee its future role in the struggles against imperialism and for national liberation and socialism. As far as I can see, China's future role in advancing socialism will depend on the extent to which its people, especially the workers and peasants, grasp the fundamental differences between capitalism and socialism and are willing and able to struggle against capitalism and for socialism. China has undergone nearly thirty years of socialism, including ten years (1966-1976) of the fiercest struggle against revisionism. Have these experiences of the Chinese people made their revolutionary struggles different from struggles in other countries that have not had these experiences? From what the Chinese people have learned from their concrete experiences and from Mao's revolutionary theory and practice, will they continue the revolution toward socialism? The answer to these questions rely on studies and debates by revolutionaries both inside and outside the country who assess and analyze China's development of the past six decades in its entirety. My hope is that I have done my small part in this collection of articles, including this concluding chapter.

A. Updating China's latest post-Reform development

In the economic sphere

Has China reached the limit of export-led economic growth?

As I wrote in Chapter 8, the Reform that began in 1979 in China consists of two major interconnected components: one is capitalist reform of its domestic economy, and the other is opening it up and connecting it to the rest of the capitalist world.¹ The reformers have pursued export-led growth as the strategy for capitalist development. After thirty years of Reform, the Chinese government indeed accomplished its goals. Most observers would say that capitalism has turned China into an economic powerhouse. Statistics seem to support their claim. In the past decade, both China's exports and GDP grew at double-digit rates and have continued to grow since 2008, at rates much higher than those of most other countries despite the Great Recession. China now has the second largest GDP only after the United States, and is the major trading partner of the United States, European Union, Japan and many other countries. China also has the second largest foreign direct investment, after the United States. More than 450 of Fortune 500 largest multinational corporations have investments in the country.

However, if we look a little deeper beneath the surface, we will see that China has reached the limit of using exports to spur economic growth. The reformers themselves have admitted belatedly that this is indeed the case. Relentlessly exporting larger and larger volumes of goods just to keep GDP growing has depleted China's natural resources and devastated its environment. The unsustainable conditions of its natural resources and environment are not some scenario in the distant future but are occurring right now. The "opening-up" component of the Reform, first implemented in the early 1980s and then speeded up after China joined the World Trade Organization at the end of 2001, has led to the country's current predicament.

The current crisis of resource depletion and environmental devastation has forced many intellectuals in China, including some government officials, to re-examine the Reform policies of the past three decades. The export-led growth strategy for development resulted in China concentrating on types of export production that require low-skilled intensive labor, consume much energy, and are highly polluting. Exporting large volumes of textiles, clothing, footwear, toys, electronic products, and more lately information technology (IT) products and machinery, has meant using up precious scarce resources such as land and water. While from half to three quarters of these China-produced goods are being exported, the pollutants left behind have caused lasting damage to its ground, water, and air. It is true that all industrial production cause pollution. However, China is bearing 100% of the resulting pollutants while its people consume only a fraction of the goods it manufactures. The large volume of high energy consuming exports has turned China from an oil-exporting to an oil-importing country as recently as 1995. Now it is the second largest oil-importing country in the world, behind only the United States. Also, China must use coal as a major energy source, thus aggravating environmental pollution.

As I neared completing this chapter, I came across a report by a task force sponsored by the US-based Council on Foreign Relations (*U.S.-China Relations: An Affirmative Agenda, A Responsible Course Report of an Independent Task Force.*) Although the interest of the Task Force is on how China's development would affect its relationship with the United States, I found the Task Force Report surprisingly accurate and realistic in its assessment of the Chinese economy. The Report used information from sources sometimes different from mine but we reached the same conclusions on the current state of China's economy, the damage to its environment, and the resource shortages it now faces. I will quote some of its data below.

As I noted in previous chapters, China has only 9% of the world's arable land while it has more than 22% of the world population. Using limited land to feed a huge population has always been one of the biggest challenges of Chinese agriculture. The export-led growth strategy of development has meant taking away more and more land from agriculture for industrial use. Land has also been converted into tourist attractions, highways, urban commercial and residential buildings, and industrial parks for export industries. As I stated in Chapter 9, a conservative estimate of land loss during the first 25 years of Reform up to mid-2000 was around 7% of the total area of arable land.² Since then, the rate of land loss has accelerated, possibly reaching an annual rate of 2%. Accurate figures on land loss are hard to find, but the current trend of expanded urbanization can only mean that the loss of arable land has continued, if not accelerated. Moreover, agricultural land has been lost not only to non-agricultural development but also to pollution. One example is the experience of Suzhou and Wuxi (an area south of Shanghai) that began developing its IT export industries in the late 1990s. This area, which had been known for having the most fertile agricultural land and the most suitable weather for agriculture, is now severely polluted.

In terms of water resources, China has only 9% of the world's total fresh water supply. On a per capita basis, China's access to fresh water amounts to merely 25% of the world's average; it is one of the 13 countries that have the lowest per capita water supply. As of now, agriculture still uses over 60% of the country's water but there is increasing pressure to squeeze more and more water away from agriculture into industrial and residential uses. When Beijing needed more water, it cut off the irrigation to the surrounding areas that grew vegetables and other crops. Currently, 400 out of China's 600 major cities do not have adequate water for their residents. Of these 400 cities, 100 are experiencing severe water shortages. Cities have also dug deeper to tap underground water. For example, Beijing's groundwater table, according to the Ministry of Water Resources, has been dropping between 1.5 to 2 meters a year. The Ministry says that the lower water table would not only further aggravate the water shortage, but will also lower water quality and increase the risk of earthquakes and landslides.³ Heavy loss of groundwater has also accelerated desertification in the northwest. A Bloomberg.com article posted on February 22, 2006 cited Ji Yongfu, the director of Gansu's Desert Control Research Institute, as saying that overuse of groundwater and overgrazing have caused the desert to advance at a rate of about 2,000 square kilometers a year. Desertification has been the main cause of sand storms in China's northern cities, which spread all the way to Korea, Taiwan and

Japan. Serious water shortage, climate change, and lack of maintenance of irrigation systems built during the socialist era have been the main reasons for the severe droughts in different parts of China during the past few years.⁴

The China Task Force Report gave a candid and accurate assessment of China's capitalist development in the past thirty years. It said:

China has chosen short-term economic development over environmental preservation, and as a result, air and water quality have been compromised. Cheap cashmere on the shelves of American department stores means hillsides denuded of grass in Inner Mongolia. China is losing roughly 1,700 square miles of formerly productive agricultural land annually to desertification. The Chinese State Environmental Protection Administration (CSEPA) acknowledges that environmental degradation costs China 8 percent to 13 percent of its annual GDP—the push for growth is not succeeding as well as it might were China's policies more balanced. Water shortages alone cost \$42 billion per year in lost industrial and agricultural output, according to Chinese government estimates.

As in the problem of land loss, much of the water shortage has also been caused by pollution. One report says that accompanying industrialization, pollution has spread from branches of rivers to their major channels, from cities to the countryside, from the ground surface to the underground, and from land to the seashores. It is commonly known that three-quarters of China's major rivers are polluted, with more than one-quarter of all major rivers so severely polluted their waters can no longer be used for any purpose. Air is also polluted in China. The majority of the world's most polluted cities are in China. The World Health Organization (WHO) estimates that air pollution is responsible for premature deaths of some 400,000 Chinese people every year.⁵

The seriousness of problems involving depleted natural resources and increasing environmental pollution has already been discussed in Chapter 8, which was written in 2006. In a short period of five years, however, these problems not only were not corrected but also have continued to grow far worse. On February 9, 2009, *Chinadaily.com* reported, "With combined pressures from rising water demand and limited supplies, combined with serious water pollution, China is faced with mounting challenges for supplying safe, clean water for the 1.3 billion residents, as well as maintaining sustainable development." In the countryside, one out of three people do not have clean water to drink. This is indeed an indictment of China's development strategy of the past three decades and an admission that this strategy has indeed reached and gone beyond its limits.

As more and more people experience the terrible consequences of environmental pollution, they have tried to identify the source of their suffering. The "2010 Report on the Investigation of Heavy Metal Pollution in the Production Chain of the IT Industry," jointly published by 34 environmental organizations, has caught media attention. The Report described severe cases in the Zhu River delta area in Guangdong Province, where the production of IT goods has been concentrated. There, large quantities of

heavy metals were found in the untreated factory wastewater, which was polluting the ground, the rice fields, the river, and the seashores. In their selected samplings, the environmental groups found copper, zinc, iron and nickel in the wastewater, in levels that were several times, hundreds of times and even 5,000 times over allowable limits. Noting that China is the processing center for IT products, producing around half of the world's computers, cell phones, and digital cameras, the report said the country has borne heavy pollution as a consequence, especially heavy metal pollution.

Zhu River is the source of water supply for 47 million people in more than ten large and medium-sized cities in this region. It is not hard to imagine that the drinking water and vegetables that rely on this water are also contaminated. A scientific investigation team organized by students of the Life Science School of Zhong-shan University took samples of five kinds of leafy vegetables from a local market. They found out that one of the five was slightly contaminated and the other four were heavily contaminated. There have been reports of severe pollution in certain villages, where the incidence of cancer among residents has reached hundreds of times the national average. In overwhelming numbers, people all over China have become very concerned about the safety of food they eat, the water they drink, and the medicine they take, focusing mostly on the food and water contamination from pollution.⁶ Their voices of concern and protest have reached a point where they can no longer be ignored by the authorities.

In terms of the effects on resource depletion and environmental devastation, the export-led economic growth has reached its limits long ago. If this approach to economic growth were to continue for a few more years, we can only expect Chinese people to become more dependent on food imports, to experience more widespread food and water contamination, and to suffer more cases of ill health and premature death from toxins in the water they drink, the food they eat, and the air they breathe. As far as food imports are concerned, I said in Chapter 9 that it would be unlikely for China to maintain 95% self-sufficiency in food. The concession on food imports that China made for its accession to the WTO began to take effect in 2004. China's corn and soybean imports rose rapidly since then. Corn imports increased to 1.3 million tons in 2010—a 30-fold increase from 2008; the latest projection is that it will further increase to 9 million tons in 2011-2012.⁷ Until 1995 China was a net soybean exporter; then soybean imports increased 10-fold from 1996 to 2006, and the growth has continued. Now over 60% of China's soybean consumption comes from imports. China has also increased its imports of wheat, cotton, and rice. In 2010 it surpassed Mexico as the second largest market for US agricultural exports.

Polarization and inadequate domestic market

The Reform of the past three decades has resulted in a very polarized Chinese society. China's Gini index increased from 0.24 in 1985, before the Reform had any real impact on income distribution, to 0.47 in 2004. By that year, China's Gini Index was higher than that of India, Indonesia, Iran, Egypt and many other countries. In 2005 Chinese

premier Wen Jiabao spoke on the problem of polarization, saying that the unequal distribution of income and wealth was endangering Chinese society and could no longer be tolerated. However, in the past five years since then, little has changed in government policy that would either reduce the inequality or would effectively alleviate serious problems caused by the polarization. Additionally, in the past few years, the price of housing has continued to increase rapidly to a level that is unreachable by the majority of Chinese people. In the past two years and especially from the second half of 2010 to the first several months in 2011, other basic necessities, food, medicine and utilities have gone up at faster rates, thus putting more pressure on low and middle-income households. Yet, at the same time, car sales in China jumped from 5.7 million in 2005 to approximately 17 million for the year 2010. All these indicate that Chinese society has become even more polarized in the past five years.

The glaring inequality is everywhere in today's China. In the cities, it is common to see construction workers who migrated from the countryside sleeping along the streets, in tents temporarily set up on the construction site. Just a few yards from these tents are newly finished high-rises where well-dressed urbanites go in and out of expensive restaurants and stores. A meal in one such restaurant could be more than a whole month's pay for these construction workers. A wine importer in Beijing told me that his business was booming and that China was the biggest customer for the world's most expensive wine costing several thousand dollars a bottle. At the same time, one out of three rural residents in China now cannot afford clean drinking water. The China Task Force Report says, "In a nation that once prided itself on egalitarianism, more than three hundred thousand millionaires now control some \$530 billion in assets. Coastal provinces have income levels ten times that of China's poorest province, and the urban-rural income ratio is more than three to one." In March 2011 when both the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) were in session, a Hurun Report (Webpage for China's Business Leaders) noted that the richest 70 delegates from both bodies had a combined wealth of about \$75 billion, compared with \$4.8 billion for the wealthiest 70 members of the U.S. Congress.⁸

In addition to the lack of affordable housing, the problem of inequality has been exacerbated by the lack of basic medical care, low-cost public education, old age pensions, and other basic services for the majority of China's population. The Reform not only put tens of million of workers literally out on the street; it also turned housing, medical services and education into commodities that can only be bought by a segment of the population whose incomes are high enough. People now use Mao's expression of the "three big mountains oppressing Chinese people" but instead of feudalism, imperialism, and bureaucratic capitalism, the three new big mountains oppressing Chinese people are housing reform, health care reform, and education reform. A writer named Wen-yan has added three more big mountains, namely: lack of employment, lack of old age pensions, and the pressure of inflation. It is not hard to see that all these new mountains have originated from the capitalist Reform that was put in place by a bureaucratic government to accommodate imperialism.

The government has not been able to expand the domestic market, because the low level of domestic demand is the direct result of Reform policies implemented in the 1980s and 1990s. The push for bigger exports at increasingly faster rates has meant the government must keep workers' wages and benefits low, squeeze farm household income to the minimum, and ignore worsening environmental pollution and depletion of land and water resources. The total consumption of the Chinese people has continued to decline in the past twenty years from merely 40% to about 35% of the total GDP China produces.⁹ The gross inequality within the population has meant that less than 5% of them live a lavish lifestyle, another 15-20% composed of middle-income families live comfortably, with the mass of the population, the bottom nearly 80% who actually produce the GDP, trying hard to make ends meet. In terms of total GDP, China has already reached the second highest after the United States, but the International Monetary Fund ranked China's per capita income in 2010 to be 95th in the world. A society with such skewed income distribution can only mean low levels of consumer demand.

The inequity and lack of fairness of the capitalist Reform have caused great concern among the Chinese people. Moreover, export-led economic growth has resulted not only in gross inequalities within the Chinese people, including the increasing inequality between urban and rural dwellers and inequality among different regions of China. The inequity also involves China as a country that is poor in land and water resources but is producing large quantities of goods—most of them not for its own people but for much wealthier people in resource-rich countries. Thus, exporting ever-larger quantities of goods have contributed to resource depletion and environmental devastation to the point of being non-sustainable. From its ever-larger exports, meanwhile, China has accumulated more foreign exchange surpluses, most of which are foreign debt (US government bonds) sitting in China's central bank. This large surplus, accumulated from sacrificing the welfare of Chinese people and at the expense of resources depletion and environmental devastation, could not be used in any way to compensate the losses China has endured as a country.

An unknown author wrote a short paper—which was posted online on December 29, 2010—explaining the unfair situation faced by China within the global economic system. He posted “ten ridiculous questions” and asked mainstream economists to explain. His first question: “Why China as the world's largest creditor does not have money for our own construction but has to use favorable treatments to attract foreign investment?” The figures he quoted are very revealing. He said that foreign countries owed China a combined total of \$1.2 trillion (of which more than \$800 billion is US government debt). At the same time, the main task of provincial and city governments is to attract more foreign investment. Accumulated foreign investments in China totaled more than \$880 billion at the end of 2008, while the total foreign-owned assets reached \$2.1 trillion by the end of 2007. The unfairness of the situation is that over a trillion dollars owed to China by foreign countries is earning low interest on US government bonds (some of which had been lost to sub-prime mortgages), yet at the same time foreign investments have taken over many of China's domestic businesses and are

earning high rates of profits. The article continues by saying that in recent years the Chinese government has granted foreign exporters tax rebates amounting to 500 billion RMB (\$83 billion) each year. The rebates are in fact subsidies to foreign consumers for the lower prices they pay for Chinese products. Meanwhile, the workers and peasants who produce these export goods struggle to make ends meet without any help from the government. The inequality among different classes of people in China and the related injustice suffered by China at the hands of imperialist countries (now recognized by many) have directly resulted from the “Reform” and “Open-up” policies, fuel anger and frustration in Chinese society.

Is China trapped at the low end of the international division of labor?

China’s exports have moved from traditional products—such as clothing, footwear, toys and household items that require lower skills and technology—to products that involve higher levels of technology. The changes in China’s exports have thus created the image that the country has moved up the ladder in the international division of labor. However, as my co-author and I explain in Chapter 10, most of China’s electronic and machinery exports have been due to its processing trade, i.e., assembling intermediate parts and components imported from abroad into products which are then exported.¹⁰ In the last few years, the percentage of processing trade has increased from less than half of total trade to over half of the total trade. Moreover, since multinational corporations controlled 60% of China’s exports and over 80% of exports of electronic products and machinery, they have substantial control over both the prices of imported parts and components and prices of the final export products, as well as commercial channels both inside China and after the products leave China’s shores. In “Where are the Profits?”,¹¹ a reporter from Hong Kong who was analyzing the reason for the low prices of Chinese companies’ stocks said that business in China was always about three things: “volume, volume, and more volume.” However, increases in sheer volume in 2010 did not bring more profits. In the first half of 2010, sales of Chinese companies increased 42% as compared to the same period in 2009 and sales increased a predicted 23% in the second half of 2010 as compared to the last half of 2009. Yet profits have been on a “protracted slide that shows no sign of stabilizing.” One major reason for these companies’ low profits has been their role in the processing trade. In other words, they have no control over the prices of imported components they use or the prices of final products sold in the international market.

The fact that more than half of China’s trade continues to be processing trade—and this share seems to be on the rise—is an indication that it is having difficulty getting out of the lower end of the international division of labor. In processing trade, it is the multinational corporations and not the subcontracting Chinese firms that decide which parts of the final goods are to be processed in China; this determines China’s de facto share in the final selling price. The final export products bear the multinationals’ brand names, not the Chinese subcontractors’. It is worth noting that among China’s imports in 2009, the highest value for one single category was for computer chips, at \$120

billion. Imported oil took second place at \$90 billion, while third-placer iron ore totaled \$50 billion. Liquid crystal displays (LCD) for large-screen televisions took fourth place at \$40 billion. Both the oil and iron ore imports were used to produce large quantities of exports, while imported computer chips and LCD screens are clearly part of the processing trade. On the Opinion page of the *Wall Street Journal*, some figures on the Apple's iPhone are quite revealing. The wholesale price of each iPhone is \$178.96 in the US; China's share, earned for assembling each phone from imported components and parts, is \$6.50.¹²

To get out of the current trap of exporting large volumes of low value-added products and bearing the heavy cost of resource depletion and severe pollution, the Chinese government must either develop more advanced technologies to reduce the control of foreign corporations and move up the ladder in the international division of labor, or else develop a bigger domestic market to reduce its export dependence. A larger domestic market would absorb China's large capacity to produce goods without seriously bringing down the economy. However, as we have seen above, the Reform policies of the past thirty years have restricted China's domestic demand, making it much more difficult to reduce its export dependence. The National People's Congress held in 2011 announced several measures to boost domestic consumption including more healthcare spending, building affordable housing and expanding the pension system. If all measures could be accomplished, it would be possible to increase the consumption level from the current 35% to 40% of GDP by 2015. Even 40% of GDP will still be very low level of consumption.¹³

As regards advancing China's technology, Chapter 10 shows that China's government admitted its failure to acquire better technology from foreign corporations by offering them a Chinese market in exchange. More recently, the Chinese government has repeatedly emphasized the importance of domestic innovation as the only way to advance technology. According to a report on the 12th Five Year Plan (FYP, 2011–2015) approved by the National People's Congress (NPC) convened in March 2011, the plan includes an initiative to boost nine Strategic Emerging Industries including development of alternative energy, biotechnology, information technology, high-end equipment manufacturing and advanced industrial equipment, cars using alternative fuels, advanced materials and energy-efficient and environmentally friendly technologies. The development of these industries is expected to help transform China's economy from manufacture to innovation and design.¹⁴ The government will use a mixture of preferential tax, fiscal and procurement policies to help this initiative and it expects that the central and local governments and private corporations will spend a total of 14 trillion RMB during the FYP with the aim to increase these Strategic Emerging Industries from the current 5% of GDP to 8% by 2015 and 15% by 2020.¹⁵

In making the announcement in the new Five-Year-Plan, China's State Council has readily admitted that Chinese corporations are weak in these strategic industries. It is true that if such a level of investment were to be realized, it would have significant impact on raising technology in these designated industries to a higher level. However, it will not be easy for China to realize the goal set in this plan. The source of funding

is expected to come from the central and local governments and also from private corporations. However, the ability of the central government to influence these other different entities has visibly weakened in recent years. Therefore, it is far from certain that such a high level of investment on technology innovation could actually be generated, especially taking into account the declining profits of China's domestic businesses. It is unrealistic to think the Chinese subcontracting firms could re-invent themselves in assuming the role of technological innovation. The other problem is that, currently, global monopoly capital has effective control over these cutting-edge technologies. China has achieved some technological breakthroughs here and there, and will make more technological improvements in the decades to come. However, China still has a long way to go in actually wielding effective control over these strategic industries. The announced investment plan does not spell out how the technological innovation is going to take place. It is interesting to note, as the China Task Force Report concluded, that China is unlikely to rival the United States or other modern industrialized countries in overall technological innovation in the foreseeable future.

Foreign capital first entered into China in the early 1980s, and many Chinese-foreign joint ventures were formed. Until the 1990s, the reformers thought that if they could limit the foreign shares in these joint ventures, they could prevent foreign capital from taking control. However, even during this phase of joint ventures, these enterprises were often under foreign managers who, in the interest of their own corporations, deliberately neglected the development of Chinese brand-name products and spent large sums of money to develop and promote their own brand names. China joined the WTO at the end of 2001; the rules of WTO became effective by 2004. Since then, foreign capital has received "national treatment," meaning that foreign investors have to be accorded the same treatment as domestic investors. In a short period of less than a decade, large numbers of former joint ventures in China became 100% foreign-owned. In fact, currently 70% of total foreign direct investment in the country is 100% foreign owned. Foreign corporations now have control over many of China's industries.

According to one report, of the 28 Chinese industries that are open to foreign investment, 21 have fallen under foreign control. This means that foreign capital controls the five largest firms in these industries.¹⁶ Among the foreign-controlled industries are pharmaceuticals, soft drinks, beer, bicycles, elevators, cement, glass, rubber and tires, agricultural machinery, agricultural product processing, retail, and delivery of goods. In the process, many of formerly well-known Chinese brands have totally disappeared from the market. In the soft drink industry, for example, there had been nine famous Chinese brands, but Coca-cola and Pepsi-cola took over seven of the nine. Four foreign firms, DHL, UPS, FEDEX and INT together took over 90% of the delivery service market. Foreign firms have already started investing in urban water and sewage projects. It has just been announced that China has opened up its medical care market and will welcome foreign investment in both for-profit and non-profit hospitals. Since the WTO guarantees the free entry of foreign investment in the service industry—including management and legal consulting businesses, real estate, insurance, and investment—foreign corporations have lost no time in occupying these fields. Then there are also the entertainment, sports (sporting goods, exercise gyms),

education (campuses of well-known foreign universities), and other culturally oriented enterprises as well.

After more than thirty years of capitalist Reform and “opening up,” China is trapped at the low end of the international division of labor. On the one hand, the likelihood of China escaping this trap and moving up the ladder is not all that promising. On the other hand, the small and stagnated domestic market has made it necessary to seek continued export expansion in order to avoid a severe economic contraction and increasing unemployment. In the meantime, workers and peasants are deprived the very basic needs of clean water, adequate diets, health care, housing, and education. Moreover, the depletion of natural resources and environmental disasters are intensifying.

In the social, political and ideological spheres

Rising contradictions between those who have power and those with none

Jiang Yong, author of newly published book *Zhongguo kun Jing (China's Predicament)*, explains in detail the many difficulties China currently faces. The website *Utopia* publicized the book with this short introduction: “When we carefully examine today’s China, we see large and small economic crises, social crises, and environment crises hiding behind what seems to be endless prosperity. Sharp contradictions exist among people, between people and society, and between people and nature as they had never existed before.”¹⁷ I agree that there are many sharp contradictions among people in Chinese society. The contradictions, however, are mostly between those who possess power, a combination of economic power and political power, and those who do not.

The economic power of the capitalist class—the business owners and managers—is tremendous. They can close down factories and lay off workers with no proper compensation; they seize land for development or for whatever purpose they see fit; they make decisions about workers’ wages and benefits; they withhold wages due; they enforce work speed-up and demand overtime without overtime pay; and they determine the price, safety, and quality of consumer products. These business owners and managers not only wield immense power, they abuse it. However, as much economic power as these business owners and managers have, economic power alone is not enough to push people around without political power. Actually, without political support, these capitalists would not be able to abuse their power to the extent that they have. Therefore, many capitalists buy influence from those who hold political power. In many cases the two are the same: Party and government bureaucrats own and operate businesses. The concentration of power in the hands of the capitalists and government bureaucrats is the source of major contradictions in Chinese society today.

Almost anyone in China would agree that corruption is running rampant at all levels of government, from the central to the local, and from city and provincial governments to different administrative units in the rural areas. These different levels of government have proven to be totally useless and impotent when enforcing rules and regulations regarding business operations, such as environmental laws limiting the pollutants

in waste water disposal or restricting toxic materials dumped in the ground; or laws regulating labor contracts to protect the rights of the workers including agreed-upon wages, medical expenses due to work injuries, and compensation for overtime pay. On the other hand, these regional and local governments are extremely efficient when it comes to collecting taxes, fees, and penalties of various kinds. Government officials have demonstrated extreme brutality when acting illegally on behalf of the factory employers, land developers, and mine operators.

The victims in Chinese society today are the broad masses of people, especially workers and peasants. Most workers in the export-oriented industries are migrant workers from all over China, who often do not have legal status in the cities where they work. Many export production factories first opened during the 1990s in the coastal cities in Guangdong and Fujian provinces and in the city of Shenzhen. These factories are mostly subcontracting firms owned by overseas Chinese investors from Taiwan, Hong Kong, Singapore, and other Southeast Asian countries. These subcontracting firms produce clothing, footwear, toys and other household items under the brand names of multinationals for export. Workers in these factories have been given little training and suffer many workplace injuries on a daily basis. Doctors in hospitals in cities where these factories are located report that so many fingers are being severed in workplace accidents that they “collect fingers by the bushel.” A team of college students from Hong Kong and China recently went to investigate conditions in Dongya, a paper factory in Shenzhen that makes products for Disney, and filed a report in October 2010 on their findings. Workers there were forced to work overtime as long as 3-5 hours a day and as much as 230 hours a month, greatly exceeding the 36 hours overtime per month stipulated in their contracts. Dongya arbitrarily deducted all kinds of fees from workers’ wages. The firm hired many extra workers during the busy season, and then fired them a month later when the busy season was over without paying wages.¹⁸

In addition to these small subcontracting firms, there are larger factories employing tens of thousands or even hundreds of thousands of workers. For example, Foxconn, a subcontracting firm owned by Honghai based in Taiwan—which produces computers and other IT products for Apple, Intel, Dell, and other IT multinationals—employs 800,000 workers in its various factories in China and has just expanded to Henan province and Chengdu and Chongqing in Sichuan province. On the surface, these mega-factories look like better places to work than small workshops. However, managements in these factories enforce strict work rules to maximize worker productivity. Foxconn’s Shenzhen factory has 420,000 workers, who work long hours without breaks and with forced overtime if they cannot fulfill their daily quota. The pace of work is horrendous and has resulted in now well-publicized tragedies. Thirteen young workers, who no longer could endure the oppressive work regimen, committed suicide by jumping from high-rise dormitory buildings. Honghai in Taiwan is a large and powerful company, but it nevertheless serves the same function as the small subcontracting clothing businesses. According to an online report, Apple’s profit rate is 200%, but the subcontracting firm receives 2% for the processing work.

Many migrants who work in the service and construction industries are also very badly treated. These young workers are the sons and daughters of peasants who can no longer survive on the meager earnings from their land and must now depend on money their children send home. Workers in factories located in the interior provinces, including the Northwest provinces where China's heavy industries were first built, have suffered from a different kind of mistreatment. In the 1990s, these factories went through rounds of restructuring that laid off tens of millions of workers. The restructuring included shutting down the factories or selling them off to private investors. Workers who built these factories and worked there for many decades were kicked out without benefits or pension to survive on. As I wrote in Chapter 11, when I toured the area workers lived in, it looked like a ghost town with the stores, barber shops, bathhouses, and the kindergarten all closed down.¹⁹

Chinese workers and peasants live harsh lives nowadays, not only because they are deprived of many basic necessities but also because of the abuses and brutalities they suffer from their bosses, the police, and other government authorities. One case in Chengdu in the fall of 2010 shows how construction workers suffered terribly from the extreme abuse of power by a construction contractor and the police.²⁰ A private construction firm was contracted to rebuild houses damaged by the 2008 Sichuan earthquake. In the construction business, as a rule, workers receive their full pay only after the project is completed. During the months while construction is in progress, workers usually receive some subsistence money on a weekly or monthly basis. Workers on this Chengdu construction project had also been promised weekly living allowances while the work was going on. When they did not receive the money as promised, several of them went to the courtyard of the construction office to demand payment. The company was prepared to deal with the workers, however. It had hired thugs who ended up stabbing one worker to death and wounding another. Other workers followed the injured workers to the hospital. After one of the victims died, they took the body to the courtyard. Later they held a memorial service with the worker's family. Early the next morning, when only a few people were present at the funeral wake, a police car came, quickly snatched the body, and drove away. The motive was obviously to conceal the crime that implicated the contractor. This kind of extreme abuse and violence by private employers with the cooperation of the police and local government officials—sometimes including violence committed by the police and government officials themselves—is commonplace.

Peasants suffer similar abuses in the countryside. As I stated in Chapter 9, journalists Chen Gui-di and Chun Tao investigated and reported on many shocking cases in Anhui Province in their *Chinese Peasant Investigation Report*. Chen and Chun documented how village officials used brutal force and beat peasants to death. Their book was published in 2003, and then quickly disappeared from circulation. In more recent years, there have been many large-scale enclosure movements through the so-called urbanization of the countryside; land grabbing and evictions have increased at unprecedented speed. Any resistance on the part of peasants and urban dwellers

has been brutally suppressed. Since “regulations” prohibited confiscation of farmland, developers with the aid of local authorities deliberately destroyed almost harvestable wheat by pouring cement over the fields. Peasants were thus deprived of the last bit of income they would otherwise have obtained. The enclosure movements are widespread. Many urban dwellers have been evicted even though their houses that were only built a few years back in designated residential areas according to the city’s plan. City authorities simply draw up various plans for developers and bulldoze people’s houses without adequate compensation.

The mistreatment of ordinary people, like the cases of cementing wheat fields and demolishing urban houses, is often vicious, leaving victims very bitter and angry. These incidents are arbitrary yet predictable. Taxi drivers complain that policemen pick holidays to impose fines on them, knowing that on such days taxis will have more passengers and thus drivers can earn a few extra RMB. A 50 RMB fine takes all the extra money a taxi driver earns daily, and then some. I was once riding a taxi when the police stopped the driver, even though I knew he did not violate any traffic regulation. The police confiscated his license to ensure that he would have to pay the fine. Another time I saw an elderly couple in Beijing with a truckload of watermelons; the police stopped them on a trumped up “violation” and slapped them with a large fine. When they did not have enough cash to pay the fine, the police took out the truck’s battery and confiscated it. Peddlers like this elderly couple and taxi drivers are always subject to arbitrary police fines. Policemen even boast that the streets are their “factories” where they collect their bonuses. Since millions were laid off from former state-owned enterprises when these underwent restructuring and privatization, many former workers had to eke out a living in the informal sector, where they routinely suffer abuses in their daily lives from the police and local officials.

Most of these abuses have never been reported; there are few places people can go to seek justice, because the court system is just as corrupt. Many if not most officials of town and city governments and of different administrative units in the countryside have close connections to the criminal underground, including mafia-type organizations. Criminal activities, such as kidnapping, operation of prostitution rings and gambling houses, trafficking in illegal drugs, and other illegal activities need the cooperation and protection of the police. Ordinary people know all too well that the police can no longer be trusted to uphold and enforce the law against these criminals. The connection between criminal elements in society and legal authorities go both ways, because the police (and private employers like the contractor cited above) often hire gangsters to do their dirty work. As far as the masses are concerned, they are all on one side, and it is not the people’s side. When people try to report these abuses to higher-level authorities like the central government, local officials often catch them on the trains to Beijing and put them in confinement or even lock them up in mental hospitals.²¹

We will see in the next section how the abuse of power has angered large numbers of people and how they are fighting back. There are also many courageous individuals, such as lawyers and activists, who have stood up to defend these victims. A labor lawyer named Zhao Dong-min who helped workers fight for their rights was arrested last year for “disturbing the public order.” Zhao has received wide support from workers

around the country and large numbers of intellectuals on the Left. His case only shows that the contradictions in Chinese society have reached a heightened level.

The Chinese Communist Party has split into different factions

These heightened contradictions are being reflected in the political sphere. During the last decade or so, more people have realized that the government no longer protects them but actually works against them. Thus, there is a political crisis for those in power. In the last few years, the Chinese Communist Party's legitimacy has been challenged from both the Right and the Left; the challenges have become more open and vocal. The Right has been pushing for political reform that would fundamentally change China's Constitution to bring about a Western-style democracy with multiple political parties. That is the movement behind the 08 Charter. One of its leaders is Liu Xiaobo, who was recently awarded the Nobel Peace Prize. People who belong to the Left, on the other hand, have rallied to support Mao Zedong Thought. They challenge the authenticity of the CCP and question whether those in power are real or fake communists. In the last few years, there has been evidence that the CCP has split into two or more factions, and the struggles between or among these factions have become more and more intense.

One obvious faction is the extreme Right. From the very beginning of the Reform, members of this faction have advocated the neo-liberal model of capitalism for China. After the majority of state-owned enterprises were privatized, they continue to push for privatization of the remaining state-owned enterprises, including those that others regard as essential for national security such as the oil industry. The extreme Rightists also advocate the privatization of all land, so it can be bought and sold on the land market. This extreme Rightist faction consists of owners of private corporations. As a matter of fact, according to the survey conducted by the National Federation of Industry and Commerce in 2004, one third of private capitalists are Communist Party members.²² This Rightist faction also includes many US- and European-educated academics, controls a number of media outlets, and has its own spokespersons. Even though the government has put Liu Xiaobo in jail, it has tolerated spokespersons of this faction, such as Yuan Tengfei, Xing Ziliang, Mao Yushi and Yu Jie among others, who have openly attacked the Communist Party and its late leader Mao Zedong and have denied all accomplishments of the socialist period. They advocate Western democracy and a neo-liberal model of capitalism, including opening up more of China's economy to foreign capital. (As I was editing this chapter, the Utopia website has collected more than 50,000 signatures of a letter sent to the National People's Congress charging Mao Yushi and Xing Ziling for their attacks against Chairman Mao and the Chinese Communist Party.)

Members of this faction within the Party are the beneficiaries of the capitalist Reform. They made their fortunes not only from taking over former state-owned enterprises but also from economic deals made with foreign multinationals. They have accumulated tremendous wealth with help from those with political power, but now resent having to continue playing the Party charade in exchange for political privileges. They demand political reform to match economic reform. Their political ambition was first exposed in 2006, when the secret Xi-shan conference was made public. Only a small close-knit

group attended the conference and spoke openly about their political reform agenda, which included a multi-party system, Western style democracy, and a military free from the CCP's control. They did not realize that their conversations were recorded until these were later made public online. Since the government continues to tolerate open attacks from these Rightists, it means that they have considerable power and influence within the Party despite their small number.

The major faction in the CCP consists of those who possess political and military power. Members of this faction hold important positions in the vast network of the Party and government bureaucracies, as well as command positions in the military. This is the most powerful faction, yet currently it has encountered big problems in defending its power. Party members in this faction are close followers of the capitalist Reform and many of them have been in key positions in carrying it out. Until recently, the majority of this faction was a close ally of the extreme Right. Had it not been for the support of this major Party faction, the extreme Right could not have achieved the status it has today. As a matter of fact, it was the Reform of Deng Xiaoping that broke up the socialist economic base and changed the dominant ideology from socialist to capitalist.

The CCP faction in power has a dilemma: on the one hand, it must hold on to the "Communist Party" label in order to be "legitimate"; on the other hand, it must continue the capitalist Reform that has already caused polarization and deep division in society. The opposition from below has put this faction in power in a difficult position when it tries to justify Reform policies that have brought hardship, harm and despair to the majority of workers and peasants that the Party is supposed to represent. In denying that they are revisionists or capitalist roaders, they have to continue to proclaim that they are upholding the fundamentals of Marxism, Leninism and Mao Zedong Thought. Moreover, the CCP Party Charter and the constitution of the People's Republic clearly state that in socialist China, public ownership of means of production must be dominant and that distribution should be made according to contributed labor. But the reality is that only 30% of the enterprises are still state-owned (which is different from public-owned).²³ People are keenly aware that the polarization of income and wealth has resulted from a distribution system based on the amount of capital and/or political power one has and not according to the labor one contributes. People also realize that the principles that the CCP claims to uphold have become empty rhetoric, which has nothing to do with the reality.

Then there is also a faction on the Left within the CCP. Among those who belong to this Leftist faction are veteran Party members, including old pre-Liberation revolutionaries and younger Party members who joined the Party after 1949. Most of the older members of this group came from poor peasants families, but some belonged to the educated youth when they joined the armed revolution. They fought the Kuomintang and the Japanese, and some fought the US-led interventionist forces during the Korean War. The younger ones in this faction are mostly workers and peasants who joined the Party from the 1950s to the late 1970s, especially during the Cultural Revolution. In addition to those who had once held high positions but are now retired, there are also large numbers of low-ranking members in Party branches all over the country.

During the early stage of the Reform, Mao's supporters who had been active during the Cultural Revolution were either jailed or stripped of their power. Most Party members in this Left faction today went along with the Reform because they were not clear about its nature, and did not know what capitalism would really be like. Since some in this faction were criticized (sometimes wrongly) during the Cultural Revolution, Deng's call to end class struggle and build a strong China appealed to them. However, after three decades of Reform, large and increasing numbers now see clearly that China has indeed gone on the capitalist path as Mao had predicted. Many of those who were criticized during the Cultural Revolution now firmly believe that Mao was right to launch it and that continuing revolution is necessary to achieve first socialism and then communism. However, the majority of veteran Party members, old and young (whether in the Central organs or Party branches) with similar backgrounds as those in the Left faction were among Deng's true believers and followers. They have either truly believed in the Reform policies or have been attracted to its benefits when assigned to important positions to carry out the Reform. Most of them have become very rich and no longer hold onto the ideal of socialism.

The Left faction of the CCP has challenged the Party's power holders on the grounds of going against the fundamentals of Marxism, Leninism, and Mao Zedong Thought. They challenge the Party leadership on policies that are not based on the CCP Charter or China's Constitution. In the early 1980s and 1990s, a small group of Leftists expressed their opposition in magazines in a rather mild manner, but their opinions were censored and their magazines were shut down. For a long time, those in control of the Party tried to marginalize and ignore what the Leftist faction had to say. Members of this group sent several letters to the Central Committee of the Party raising their concerns but were ignored. (These letters were often only circulated underground.) One of the latest letters, sent to Party Secretary General Hu Jintao, members of the Politburo, and delegates to the 17th Party Congress just before the Congress convened in 2007, was most significant. It was signed by 170 prominent people including some former security chiefs, former and current professors and principals in Party schools, former Party secretaries in different branches, journalists and editors of newspapers, a former head of the People's Supreme Court, a former provincial Party secretary and governor, and many others. The coordinator of this letter was Li Chengrui, former vice-head of the State Statistical Bureau and currently visiting professor at many universities. It is well known that the biggest crime a Party member can commit is making anti-Party statements and/or engaging in anti-Party activities. But, significantly, the signatories of the letter in no uncertain terms charged that the Party issued statements and carried out policies that were against its own principles as stated in the Party Charter.²⁴ (The signatories of this letter later increased to 1,700 people.)

In the last few years, it has become more difficult for the CCP to ignore voices from the Left. As Reform projects failed one after another, more and more people have recognized that the CCP has carried out capitalist Reform while continuing to wear the "Communist Party" label. As contradictions in the society intensify, the CCP is having tremendous difficulties in fending the attacks from both the Right and the Left. The Party

faces the real possibility of the extreme Right overthrowing its rule by orchestrating a regime change in an Eastern European-style peaceful “color revolution.” At the same time the Party faces revolts from below. Therefore, the government now spends large sum of money to suppress any kind of disturbance and unrest. According to a report by *Nanfeng Chuang* (*South Wind Window*), one of the most influential biweekly newsmagazine, in 2009 the government expenditures on “maintaining order” totaled 514 billion RMB, which was close to the total military spending for the year.²⁵

The CCP’s dominant faction has realized that it is not a good strategy to attack both the Right and the Left at the same time. When it is dealing with the Rightist threat, it gives a little more room for the Left to maneuver. The contradictions of Chinese society have reached such a point that the Left has found its voice in labor strikes, peasant resistance to land confiscation, environmental movements, and movements against importing genetically modified seeds. The Left has the support of the masses when it criticizes the state-instituted health reform, education reform, and housing reform. The Left speaks against corruption, theft of public property, and police brutality. It opposes policies that sell off China’s interests to foreign imperialists, and policies that favor the rich at the expense of the poor. The Left has focused its attacks both on the extreme Right and on those holding political power. Many people on the Left have been able to refute the distorted version of socialist China propagated by the Right and to set many historical records straight. They also articulate why China has been on the wrong path since the Reform began. They warn that unless China reverses its course, it is on its way to disaster and that Chinese people will suffer as they have never before.

On many issues, the Left has stood firmly with the masses against those in authority. (The discussion in the next section will expand further on this.) In the last two to three years, the Left has held bigger and bigger celebrations and memorials on Mao’s birthday as well as on his death anniversary. During these celebrations and memorials, the masses sing revolutionary songs and make speeches. These celebrations and memorials have spread to many cities and towns in many provinces, including remote Inner Mongolia and Tibet. The masses have become more enthusiastic and their speeches have become bolder.

In Section B, the situation of the Left faction in the Chinese Communist Party will be discussed further, together with the development of the forces on the Left in society at large.

B. Legacy of Mao and socialism, Chinese people’s political consciousness and struggle

Sharp contradictions in society, the development of Left forces

As we have seen in the last section, contradictions in Chinese society have deepened as it has become more polarized while corruption and abuses of power in government continue unabated. On the one hand, the authorities have resorted to more repressive measures to keep society from erupting into chaos. On the other hand, they have not pressed too hard on the pro-Mao celebrations and gatherings in order for the masses

to have an outlet for their frustration and anger. They have also somewhat loosened their grip on Leftist criticisms of the Party, because the Left has also launched severe attacks on the extreme Right. As a result, the Left-initiated ideological struggle has flourished on many Leftist websites and published materials. Based on the theory of Marxism, Leninism, and Mao Zedong Thought, the Left has written brilliant and merciless analyses of China's current situation and the history of its recent past.

Only a few years ago when I wrote Chapter 11, I said that the rise of the New Left forces in China was very promising, but they had yet to make the connection between what was happening in the country and the overall critique of capitalism as an economic system. Now they have certainly done so. In a recent article, Wang Hui, a well-known New Left scholar, gave an excellent analysis of economic equality and the democratic political system. In the article, he shows how the Reform transformed Chinese society from one of equality to one of extreme inequality. Since the Right is making the "demand for democracy" as its first priority, Wang questions how democracy can be achieved in a society so polarized by simply instituting "one person, one vote" as proposed by the Right. The Left praised how Wang approached the question of democracy. When the Right falsely accused Wang of plagiarism last year, the Left wrote articles to defend him, while Qinghua University where Wang has been teaching has totally ignored the plagiarism charge against him. It is accurate to say that although the Left forces have differences in what strategy to employ in the current struggle, they are united in dealing with the Right. As one author clearly points out, unlike the Left in the West, there is little confusion within the Left in China. If you are on the Left, you are Maoist. It does not mean that those on the Left have no differences. Their differences are rooted in the different depths of their understanding of Mao's revolutionary theory and practice.

The most recent workers' struggles

During the last two years, there have been more labor strikes than at any time since the Reform began; they are also more widely reported in the media. There were, of course, the strikes at Honda auto-parts plants in the summer of 2010. When the strike first began at the Honda plant in Zhuhai, the local union (a branch of All China Federation of Trade Unions, ACFTU) hired goons to beat up the strike leaders. The Workers Research Website reported the strike and posted a letter signed by 200 scholars and others to support the strikers and condemn the local union. The authorities subsequently shut down the Workers Research Website.²⁶ When the Zhuhai strike spread to the company's other plants, Honda finally agreed to settle with the strikers at various locations and raised workers' wages. Some of the workers' demands, such as electing their own representatives, were also met. Later, strikes also spread to other sectors of the economy. Commentaries on these strikes posted on various websites agree that this new generation of migrant workers is different from their parents' generation, which endured much worse hardship. When workers of the old generation could no longer stand the pressure and conditions of their jobs, they simply quit and tried to find new ones. However, these young workers today don't see

that they could be better off elsewhere, and when there is leadership they choose to stay and fight. Or, some young migrant workers may choose to end their own lives when they feel so desperate and hopeless, like the Foxconn workers who decided to commit suicide.

The Foxconn suicides triggered the sympathy of progressive students from China, Hong Kong, and Taiwan. (Foxconn is a subsidiary of Hon Hai in Taiwan,) They formed an investigation team named Students & Scholars Against Corporate Misbehavior (SACOM). In the SACOM website (www.sacom.hk), it was reported that in order to investigate the working conditions at Foxconn, some students pretended to be job seekers and went into its factories. They continued to monitor workers' conditions after Foxconn moved from Shenzhen to Zhengzhou in Henan province and Chengdu and Chongqing in Sichuan province. They reported that workers' conditions were not improved, and Foxconn and Apple failed to fulfill their promises. Since Hon Hai Precision Industries Ltd. in Taiwan is the parent company that owns Hon Hai, a team of students worked together with a group of volunteer lawyers to expose Hon Hai. These activists also linked the current struggles of Chinese workers with a decade-old case of women workers in RCA. The women workers then were exposed to a poisonous chemical named trichloroethylene (TCE) as the Foxconn workers are exposed to the same harmful chemical now.

As I wrote in earlier chapters, the privatization of state-owned enterprises has been a major component of China's capitalist Reform. In the 1990s hundreds of thousands of factories in older industrial cities all over China started going through rounds of restructuring. During the restructuring of these factories, shares of their assets were sold to private individuals or corporations, and workers were laid off on a large scale, altogether in the tens of millions. These laid-off workers fought to save the factories they worked in for decades (even their whole lives) from being closed down or sold, but they could not fight back against the powerful political forces of privatization. Currently the big wave of privatization is over; however, those on the Right continue to advocate privatizing whatever state enterprises are still left.

Therefore, the labor struggles at several steel plants in older industrial cities that undergo the current restructuring are significant. These plants built in the 1950s had all been publicly owned before they underwent restructuring in the 1990s. For example, Lingyuan Iron & Steel Group in Liaoning province started laying off workers with its initial restructuring in 1998 and continued the layoffs in the next three years. Some of the laid-off workers were being transferred to a "re-employment service center" (which later changed its name to Gangda Labor Services Company) controlled by Lingyuan. These workers signed contracts with Gangda but have continued to work at different plants of Lingyuan Iron & Steel. The arrangement is very much like the outsourcing tactic used by big corporations in the United States. When workers' contracts with Lingyuan were terminated, they were given a small compensation, but former managers of the state-owned enterprise all got rich by running the newly privatized company. As more workers were laid off and being shifted to Gangda, 1,000 workers

staged a mass protest in 2002 and sent petitions to the Ministry of Labor and Social Security and the ACFTU. This case has not yet been resolved.²⁷

Then, in July 2009, workers at Tonghua Steel Plant in Changchun, Jilin province staged a large demonstration against Jianlong, the country's biggest private iron and steel investment group, when Jianlong took over Tonghua Steel for the second time. The first time was in 2005 when 40% of shares of the state-owned Tonghua Steel were sold to Jianlong by the Jilin provincial government. After the sale of stocks, Tonghua became a joint-stock corporation. Soon after, the management of Jianlong took over key management positions in Tonghua. Then in 2008 the financial crisis hit the steel industry hard. Tonghua lost money that year, and workers' wages were cut to an average of 300 RMB per month, much below the 600–800 subsistence wage level. In March 2009, Jianlong decided to separate its share holdings, and when this news was announced Tonghua's workers celebrated with firecrackers. After the losses in the early part of 2009, Tonghua showed a profit in May and workers were determined to work hard to turn the company around. Then in July, Jianlong reacquired a controlling stake in Tonghua when it saw Tonghua was showing a profit. Contrary to the normal procedure, which was to announce the acquisition in a meeting of the staff and workers' representative congress ahead of the deal, the news was announced by the Jilin Provincial State Asset Supervision and Administration Commission after the deal had been made.

Upon the announcement, a number of Tonghua's general managers resigned on the spot. How the deal was made and announced also infuriated the workers. In the early morning after the news was announced, 3,000 workers and their families staged a demonstration in front of the main office carrying signs reading, "Jianlong, get out of Tonghua" and calling for a mass demonstration. The demonstrators proceeded to the metallurgy section of the factory compound and succeeded in blocking the railway lines leading to the blast furnaces. By the early afternoon, they had blocked all railways and shut down all seven blast furnaces. The whole production of Tonghua came to a halt. When Chen, the newly appointed General Manager of Tonghua Steel from Jianlong Group, arrived with a team to talk to middle management and staff representatives about ways to resume operations, a group of demonstrators rushed in and dragged Chen out of the room into a building and later beat him to death. By early evening, there were almost ten thousand workers gathered; they did not allow government officials to enter the building. At around 9:00 in the evening, Tonghua Steel announced on television that the Jilin provincial government asked Jianlong to withdraw and never to participate in restructuring Tonghua Steel again. This is a rare case in which workers successfully blocked the privatization of their factory. Then, only one month later in August 2009, workers in Linzhou Steel in Henan province were also able to block Fengbao Iron and Steel Company from acquiring their steel enterprise.

Commentators on labor struggles in China recognize the difference between migrant workers' struggles in the newer export manufacturing industries on the East Coast and the struggles of older workers in factories built during the socialist period. Labor

struggles in the export industries focus more on economic issues, such as wages, benefits, and working conditions. Workers' struggles in factories built during the socialist period likewise address economic issues, but they also have more to do with political ideology. Since such workers built these factories themselves, they believe the factories belong to them. The anti-privatization workers' struggles in formerly state-owned factories, though rarely successful, are of political significance. These struggles show the political consciousness of workers and the legacy of socialism. Together with struggles in the export manufacturing industry, they show a turning point in workers' struggles against capital in the post-Reform era.

The political consciousness of the Left

The arrest and trial of labor activist Zhao Dong-min and the subsequent support he received also clearly show the long-lasting legacy of Mao and socialism and the rising political consciousness of the Left. Zhao, a Communist Party member, received his law degree from a correspondence school of the Communist Party School in Shaanxi. Before his arrest in August 2009, he had already worked many years providing legal services to workers to resolve issues such as unpaid pensions and loss of other benefits when their workplaces were privatized. Zhao also served as the interim coordinator of Mao Zedong Thought Study Group in Xian, Shaanxi until his arrest.

Zhao's work was to protect workers' fundamental rights according to China's Constitution, the Party Charter, and union laws and regulations. He investigated cases of enterprises that were sold illegally and of their workers being deprived of benefits that were due them. Zhao believed that unions in factories should play a more active role in protecting workers' rights and should make sure that the management does not take advantage of the workers illegally. On two occasions, on June 15 and 25, 2009, Zhao took some workers to visit the Shaanxi Federation of Trade Unions (a branch of ACFTU) and submitted an open letter he drafted on behalf of more than 160 workers, mostly retired and laid-off Shaanxi workers from more than ten enterprises. The open letter, addressed to the Shaanxi Federation of Trade Unions, reported on the sale of three state-owned restaurants. The price of several restaurants sold by Shaanxi Tourist Group Corporation totaled 680 million RMB which, according to Zhao, was too cheap a price, thus violating the interest of the State as well as the restaurant workers.

Then, on August 19, 2009, Zhao was illegally and secretly arrested and detained by the local authority in Shaanxi. More than a year later on September 25, 2010, the Shaanxi Federation of Trade Unions sued Zhao for "disturbing public order." On the opening day of the trial, several people (from Henan and other provinces) who were holding a demonstration outside the courthouse were quickly taken away. More than 120 police cars and 1,000 policemen were stationed outside the courthouse. Zhao's father and older brother, among a few others, were the only ones allowed into the courthouse. Zhao's 76-year-old father, who has been a Communist Party member for nearly 60 years, afterwards wrote a long letter in which he said that the Federation grossly distorted the facts during the trial. In his letter, Zhao's father also told the sad

story of his son's family since the arrest. Zhao's wife fell ill from worrying about him and later died. The Shaanxi authority refused repeated requests from the family for Zhao's temporary release to see his dying wife. Zhao's two sons, the older son suffering from chronic headaches and the younger son only three years old, are now without parents.

While waiting for the outcome of the trial to be announced on October 25, many online articles expressed support for Zhao and raised many legitimate questions. They said that Zhao was doing the work that should have been performed by the unions. Instead of thanking Zhao, the union took him to court. Such injustice has angered many people, especially workers. Some people in the legal profession have also spoken openly against the Shaanxi Federation of Trade Unions and the local authorities, including the police and the court system in Xian, Shaanxi. Next, a support group was formed in Beijing including several elder Party members and the heads of two well-known Leftist websites (the Utopia Website and the Worker's Research Website²⁸). Then a group named Yu-Tai initiated mass support for Zhao. Within a short time, support groups from different parts of the country, Beijing, Shanghai, Guangdong, Shandong, Hunan, Hubei, Guangxi, Ningxia, Hebei, Shanxi, Jilin, cities of Chongqing, Wuhan, Nanchang, Shenzhen, Harbin, Luoyang, Chengzhou, and others were formed and sent in their support letters for Zhao against the authority in Shaanxi. Seeing that Zhao was unjustly treated, workers and the unemployed poured in their support for him.

While all letters of support listed their demands, the letter from the Hunan support group enumerated demands that are quite representative. They are as follows:

1. We ask that comrade Zhao Dong-min be released immediately and the financial loss he suffered be compensated.
2. We ask the local authority in Shaanxi to apologize to Zhao Dong-min and to the people of our nation as a whole. The local authority needs to admit the mistakes it made and guarantee that no such unreasonable incident will ever occur again.
3. We ask the central government to launch an investigation into the departments and those in charge in the Shaanxi provincial government and to identify and discharge those officials who were responsible.
4. We ask that the Shaanxi Federation of Trade Unions use this opportunity to start its reform. It could serve as an experiment for the national "political reform." The reform could help unions reach a breakthrough ending their financial dependence on government. When unions receive their financial support from the workers' dues, then they would be clear about whom they should be serving.
5. In the spirit of "free association" guaranteed by the Constitution, workers have the right to organize their own unions and elect their own union representatives.

None of these demands were met; Zhao was sentenced to three years imprisonment. A famous lawyer took over his case and filed an appeal. In addition to the letters of support, Zhao's case inspired analysts who pointed out that it is no longer just an ordinary judicial case. The Shaanxi provincial government acted against the Constitution, and the Party branch there acted against the Party Charter. What the Central government and the Party are going to do with this case will test whether they are real or fake communists. The arrest and recent trial of Zhao Dong-min generated support from the Left and has further intensified the crisis faced by the Chinese Communist Party. On January 28, 2011, Zhao was suddenly released from prison. While he was still found guilty, the rest of his three-year prison term is being deferred, probably indefinitely. It is not a total victory for the Left, but it has shown that the Shaanxi authority has backed down under pressure and is willing to compromise.

The work of Zhao Dong-min and his arrest followed by the protests leading to his release all demonstrate the high political consciousness of the Left in China today. Zhao was not just helping workers with issues of unfair treatment; he was defending the properties owned by the State. As mentioned earlier, Zhao was the interim coordinator of Mao Zedong Thought Study Group in Xian. Letters of support sent to Zhao to protest his arrest also showed a high level of political consciousness. The general demands contained in these letters have been sampled above, but a letter from 108 veterans of the 23rd unit of the People's Liberation Army is worth quoting at length:

Any Chinese person who has a conscience and who stands for justice knows that what has happened to Zhao Dong-min has gone beyond a single incident and it has become something of political significance in today's China. It has become a test case for us to tell whether the Chinese Communist Party is a real Marxist-Leninist Party or a fake one, whether the government is a real people's government or a fake one, whether the Communists are real ones or fake ones and whether or not those in the government are actually serving the people. How this case will be handled will be the turning point to determine whether the Chinese Communist Party understands that it has been on the wrong path and returns itself to the people or continues to cheat, manipulate, oppress people, and to continuously add more suffering to people, and following the road to be the enemy of the people, and to collaborate with the imperialist powers in their evil deeds. This is a life and death struggle between the two classes, the proletarian class and the bureaucratic class; the two different positions; and the two different futures.

The letter explains that they are old soldiers who joined the army in the 1970s who were educated and deeply influenced by the teaching of Mao Zedong Thought. They say, "Our love for our country and for our people has deeply settled in our bones." They explain how they have suffered since the Reform began just like the vast majority of Chinese workers including those that Comrade Zhao tried to help.

The Left has confronted the Chinese Communist Party on many other hotly debated issues. During memorials for Mao, the masses and their leaders demanded that Yuan Tengfei be stripped of his Party membership. Yuan has been openly denouncing the CCP and socialism, and viciously attacking Chairman Mao. The Left has also confronted the Central government about importing genetically modified seeds for China's agriculture. In late 2010, a television series was made on the life of Mao Anying, the son of Mao Zedong, who sacrificed his life fighting in the Korean War. This and other pro-Mao films shown on national television are victories for the Left and demonstrate its strength in the arts and cultural field. In early 2011, the government installed a huge statute of Confucius in Tienanmen Square among the museums and the memorial for martyrs of the Chinese revolution. The Left responded with an outpouring of criticism, charging those in authority of intentionally using Confucius—the symbol of feudalism and slave society—to confuse the masses by negating the ideal of communism. The Left correctly pointed out that the statue of Confucius is not a symbol of Chinese culture as the Right claims, but rather it is a political symbol. Then, in later April, the statue of Confucius was quietly removed from the Square to a nearby museum, as quietly as it was installed in the Square three months earlier.

The current strategy of the Left seems to be one of concentrating its attacks both on the ideology of the extreme Right and on the rightist policies of the power holders. The Left has been working very hard to record and interpret China's modern history, the history of the Communist Party and of Chairman Mao, and the history of revolution led by the Chinese Communist Party under Mao. In doing so, the Left forces hope they will be able to organize large segments of the masses and unite as many as possible in reconstructing a revolutionary force. The Left praised the new mayor of Chongqing, Bo Xilai (son of Party veteran Bo Yibo) when Bo carried out policies intended to lessen the gap between the rich and the poor and instituted social welfare programs such as low-cost housing. They showed their approval of the selection of Xi Jinping as a possible successor to Hu Jintao and stated that they understand that Bo and Xi would not be able to do anything against the current, because it is not yet possible for anyone in power to be against the current.

The Left in China was defeated more than 30 years ago when the Right seized political power and then began its capitalist Reform. However, from what we can observe, the Left has not faded away. To the contrary, forces on the Left have revived and have been fighting furiously and relentlessly against the Right, who now hold the political and economic power. As the contradictions in Chinese society intensify, forces on the Left will further be strengthened. They have fought those in power in every way possible—by engaging in ideological, economic, and political struggles. They have published articles and books in print and online; they have held public forums discussing pressing issues; they have formed study groups to discuss Marx, Lenin and Mao; they have organized students to learn from workers and to investigate working conditions in factories; they have conducted mass rallies where they delivered speeches and sung

revolutionary songs; they have exerted all possible ways to organize workers in the course of their struggles.

These current experiences are a testimony to the enduring legacy of Mao, the past teachings of the Chinese Communist Party, the long decades of anti-revisionist and anti-imperialist struggles, and the concrete experiences during socialist transition. Through their struggles, people on the Left continue to learn and grow. An old revolutionary recently wrote a paper on the future of the Left. He said: "We, the old revolutionaries, have the responsibility to tell young people today our history, to do everything possible to assist the young revolutionaries including bending down and providing our backs for the young revolutionaries to step on and charge forward."

C. China and the World

In the last section of this concluding chapter, I will address a question that has been hotly discussed and debated among revolutionaries around the world today: is China an imperialist country? An analysis of this question becomes important, if we do not allow ourselves to mimic the debates in the Western mainstream media by merely focusing our attention on the competition between China and the established imperialist powers. We need to broaden the scope of our discussion to see China's development in our overall struggle in this phase of imperialism.

To put the question of China turning imperialist in its proper theoretical framework, we need to follow Lenin's analysis and theory of imperialism as the highest stage of capitalism, or the stage of monopoly capitalism. We also need to briefly review the current state of modern imperialism after more than a century of development, and place China in that context.

In his book *Imperialism, the Highest Stage of Capitalism*, Lenin enumerated the characteristics of the stage of monopoly capitalism. One of these characteristics was that the advanced capitalist-turned-imperialist countries, instead of just exporting goods, began to export capital. Lenin's contribution to our understanding of imperialism is that this export of capital is intrinsic to the development of capitalism itself, when it reaches a specific stage, namely the monopoly stage. Lenin noted that the development of monopoly capitalism itself also went through stages from the embryonic stage, during which the free competitive stage of capitalism came to an end in 1860-1870, to the transitory stage after the 1873 crisis, and finally the complete transformation of capitalism into imperialism at the turn of the new century after the boom at the end of the 19th century and the crisis of 1900-03 that followed.

Imperialism in its late and last phase

In our analysis of imperialism of the past hundred and some years, we can make an attempt to examine monopoly capitalism according to its characteristics manifested in the different phases of its development during the entire period. While the

fundamentals of imperialism have remained the same during these different phases, the strategies of monopoly capital with the help of imperialist states were modified as capitalism went through reoccurring and deepening crises. As monopoly capitalism struggled through these crises it, at the same time, encountered the rising anti-imperialist forces from people of different countries around the world. Therefore, the strategies of monopoly capital and its representative states have continued evolving to meet these challenges.

For our current discussion I suggest that we take a closer look at the current (and late) phase of imperialism, which began in 1980. To begin with, we can briefly summarize the earlier phases before this late phase. In the first half of the 20th century, monopoly capitalism went through the most devastating and prolonged crisis of the Great Depression and two World Wars. Within the same fifty-year period, the Russian revolution in 1917 and the Chinese revolution in 1949 successfully demonstrated that socialism could succeed in the weakest link of imperialism. Socialism has offered a new road for the exploited peoples in oppressed nations to develop and flourish. At the conclusion of the Second World War, imperialist countries readjusted and modified their strategies based on important lessons learned during the first five decades of the century. These new strategies brought monopoly capitalism more than two decades of unprecedented prosperity, while the United States replaced the British as the leading imperialist power. However, all the factors and measures that helped bring post-war monopoly capitalism to its all-time high in the 1950s and 1960s were not enough to sustain it. When European countries and Japan completed their post-war reconstruction, and when the rebuilding of the United States (including infrastructure building, such as the construction of a cross-country interstate highway) came to an end, these advanced capitalist countries again ran into the problem of over-capacity and serious crisis.

The adoption of neo-liberal strategies to resolve this serious crisis signified the beginning of the late phase of imperialism. It began with the close cooperation of two heads of imperialist states. Margaret Thatcher, then British prime minister, and Ronald Reagan, then US president, stood out as leading representatives for implementing neo-liberal policies at the start of this phase of imperialism. Both responded to the crisis by embarking on government policies and programs to dismantle social welfare programs, take strong measures against labor, deregulate industries and financial institutions, and push forward privatization in their respective countries. These two leaders not only took initiatives to implement their domestic neo-liberal policies to facilitate capital expansion and profit making; they also instituted concrete programs internationally for the same goal. These programs, later labeled as the Washington Consensus, reflected the imperialist consensus to take down all the barriers for monopoly capital to expand into countries of the less developed world.

The rapid expansion of monopoly capital into the less developed world helped the imperialist countries shift the burden of the economic crisis from their countries to countries in Latin America, Asia and Africa. This shift to the less developed world helped lessen the impact of these crises on the imperialist countries, but intensified the sufferings of the disadvantaged people in the less developed countries to the degree that

no human being should be subjected to. In some countries, such as Mexico, repeated crises wiped out all the gains it made in the previous decades after World War II. The shifting of crisis to less developed countries continued for nearly thirty years until the most recent economic crisis. Now, the imperialist countries no longer have the ability to shift all the burden of this severe crisis to countries they dominate. The United States, the European Union and Japan have all suffered from the so-called Great Recession that started in 2008. (As a matter of fact, the Japanese economy has been stagnant since the early 1990s.) This change signals the beginning of a prolonged economic crisis that could bring monopoly capitalism to the point of no return, meaning, to a path of continuous decline from which there is no recovery. Of course, we all know that capitalism will not simply disappear no matter how severe the crisis may be. It has to be defeated.

It is helpful for our discussion to point out some of the distinct features of late-phase imperialism in the economic sphere. In summary, they are:

One: The imbalances in the global capitalist system during this phase of imperialism have become not only more severe but also a permanent feature. Earlier in this phase, the United States ran trade deficits with Japan. Then, not only did US trade deficits increase many fold, but also extended to other Asian countries. Those deficits reached an unimaginable magnitude with China, and most recently large US deficits have shown up in its trade with Latin American countries, such as Brazil. There is no mechanism within the capitalist system to correct these imbalances, and there is always the potential for these imbalances to explode and bring down the US dollar from its pedestal as the international currency. The consequences of such an explosion would be a disaster unprecedented in the one hundred-some years of imperialism. In this late phase of imperialism, tremendous amounts of credit have been extended to the United States. The liquidity that comes with this credit extension has fueled economic bubbles one after another and has become a necessary means to keep world production running far beyond its sustainable level before it finally collapses. The current level of production is unsustainable, especially when we witness that workers in imperialist countries have to endure high levels and longer duration of unemployment, stagnated wages and reduced benefits, and that many of them have lost their homes to bank foreclosures during the current crisis. For people in the less developed countries, only a segment of the population can afford to expand their spending while most people are struggling hard just to survive from one day to the next.

Two: The overcapacity of productive facilities has become even more severe during this late-phase imperialism. In the past decade, Internet-based services and digital media have been overhyped as a vast uncharted territory ripe for capital expansion. But the dot com bubble came and went and it has proven that with no real industrial expansion to stand on, these new playgrounds for venture capitalism will easily collapse after a period of seeming rapid growth. The overcapacity has spread from imperialist countries to the rest of the world, and to China in particular. In the imperialist countries, especially in the United States, the problem of overcapacity has also spread from manufacturing to other areas of the economy, such as commerce (the overbuilding of stores and shopping malls), entertainment (the overbuilding of casinos,

resorts and exercise gyms), and to areas that were previously operated under the domain of the state, such as the military (the expansion of private security forces and mercenary army), education (the opening of more for-profit schools), and even the legal system (the overbuilding of privately-operated prisons under state contract). In this late phase of imperialism, monopoly capital has practically exhausted all of its options for further expansion.

Three: Even though financial speculation has always been present in all phases of imperialism, the lack of investment opportunities in manufacturing has made financial speculation more dominant than ever in this late phase. There is a constant need for financial capital to inflate bubbles and then pop them for short-term profits. The advances made in computer technology further facilitate the operation of financial speculation.

The late Peter Gowan, Professor at London Metropolitan University and a former member of the New Left Review editorial board, believed that during the past two decades, Wall Street had been deliberately inflating bubbles and then popping them for the purpose of making large profits. He also believed that players in these same financial institutions practiced market manipulation in much smaller-sized “emerging markets.” Looking at the period between the 1980s and the first decade of the 21st century, Gowan’s charges seem valid. The most recent financial tsunami caused by Wall Street market manipulation was carried out under the silent approval of the Federal Reserve Bank and other regulatory agencies, as were many previous ones. These financial market manipulations in the much smaller stock and housing markets have brought repeated economic turmoil in countless less developed countries. It is worth noticing that major players in the financial speculations have become the key “captains” who direct the global economy. Even mainstream documentary films, such as *Enron: The Smartest Guys in the Room* (2005) and *The Inside Job* (2010), tell us that these key “captains” got extremely rich and powerful mainly by cheating and committing fraud. Don’t we need to ask, “How can we trust them with the task of running the economy?” The degeneration of the bourgeoisie as a class in this late phase of imperialism has also become a permanent feature in this late phase of imperialism.

Four: Keynesian expansionary fiscal policy was already proven ineffective in Japan during its two decades of economic stagnation, when its government repeatedly applied fiscal stimulants to pump up aggregate demand. However, governments in other imperialist countries have no other choice but to continue to rely on fiscal stimulants to rescue their economies. The result of large government deficit spending is the acceleration of debt accumulation. Government debt as percent of GDP in Japan, the United States and European Union countries has continued to climb, thus further contributing to the instability of the global system in the late phase of imperialism. Japan has nearly exhausted its domestic pool of savings and will soon have to borrow from international sources. EU countries, such as Greece, Ireland, Portugal, and possibly Spain are so deep in debt that repeated debt restructurings are needed to keep them temporarily afloat. There is no long-term solution. Above all, the United States is fighting two wars with borrowed money in addition to its over \$1 trillion rescue package, and is under pressure to have its government debt downgraded, thus raising

the cost of borrowing. The problem of mounting government debt has no solution, like many other problems in this late phase of imperialism, and the unfolding of its full impact can only drag the world economy down into deeper crisis.

It has become increasingly clear during the late phase of imperialism that capitalism can no longer function to resolve the many economic, social, political and ecological problems, which plague nations around the world. The unsustainable ecosystem leading to environmental disasters, the irrational allocation of resources, the unequal distribution of income, and the problems of unemployment, poverty, and human misery have been with us with or without an economic crisis. Development in the late phase of imperialism has demonstrated that capitalism is a failed economic system despite its triumphalist declaration of final victory twenty years earlier. The irreparable cracks of monopoly capitalism have widened, and the system is now closer than ever to the brink of collapse.

Has China become an imperialist country or could it become one?

China started its capitalist Reform just as late-phase imperialism was strategizing its new neo-liberal offense. In 1978 the capitalist roaders within the Chinese Communist Party led by Deng Xiaoping took control of the Party and the political power of the State. Then Deng and his supporters proceeded to launch their capitalist Reform. It only took a few years for Maoists outside China to recognize that Deng's Reform was capitalist and it intended to completely reverse China's socialist relations of production despite the fact that Deng continued to claim that his Reform was "socialism with Chinese characteristics." There really is no longer any question that today's China is a capitalist country.

However, 32 years after China embarked on its capitalist Reform, a disagreement has emerged among the Left outside China (and between the Right and the Left inside China as well) on whether the country has already become an imperialist country. Or, if it has not yet become an imperialist country, there is debate on whether it has the potential to become one. Moreover, in recent years, the mainstream media in the United States and elsewhere has portrayed China as a new rising power and, therefore, a major potential competitor of other imperialist powers. Some even have suggested that China has the potential of replacing the United States as the next superpower. The Left outside China need to have a clarification on the question of whether China has become or has the potential to become an imperialist country, in order to avoid falling into the trap of busying ourselves comparing China with other imperialist powers while losing sight of the bigger picture of our struggles against imperialism in today's world.

There are good reasons for many on the Left in other countries to believe that China has indeed become an imperialist country. One of them is that we witness what China has actually done in many less developed countries. It has not only exported capital to these countries, but has also taken resources from them and has exploited their people in the same way as other imperialist countries have done. In other words, China has certainly behaved like any other imperialist countries and, therefore, it is seen as one of them. It's important to recognize and seriously weigh the fact that Chinese investors in many parts of the world behave in the same way as investors from imperialist powers,

exploiting the people and robbing their resources. In many cases Chinese investors have also committed other crimes against people in less developed countries where it carries out business operations. In October 2010, for example, two Chinese supervisors of a Chinese-owned mining company in Zambia shot 13 coal miners during a wage protest. Local prosecutors decided not to pursue a case against the two, indicating the tremendous power of Chinese businesses over Zambia's government, which angered many people there.²⁹ There are many other cases where Chinese businesses have abused their power as investors to exert their influence. Therefore, in our struggle against imperialism, we must oppose China as we oppose all imperialist countries.

We also need to recognize China's successes in building political and economic relationships with the governments of countries where it acquires energy and natural resources. The Chinese government has formed alliances with and promised support for the reactionary governments of these countries in oppressing their own people and suppressing any revolutionary or popular uprisings. We must thus oppose the Chinese government's negative role in these countries, including the support it has given to the ruling class of these countries. In doing so, revolutionaries stand in solidarity with all (including the Chinese) workers and peasants in opposing the reactionary Chinese ruling class.

The second reason for the Left outside of China to conclude that China has already become or has the potential to become an imperialist country is that they believe that the capitalist Reform has been able to transform China into a strong independent capitalist country. They believe that China being such a country, its State exercises monopoly control over its industries and economy and thus it is able to defend itself against foreign capital; it can avoid being dominated by international monopoly capital, unlike many other less developed countries. As they see it, China has been able to develop its productive forces to become another major economic power that has almost or already caught up with other imperialist powers. Since there are obvious signs that the United States and other imperialist powers are in decline, some on the Left see China's potential in the near future to become another imperialist power that equals or even surpasses the others.

However, despite Chinese investors behaving just like investors from imperialist countries, I have to conclude that China has not itself become an imperialist country or has the potential to become one. To understand the reasons for this conclusion, one has to follow the analyses made in earlier chapters of this book (especially in Chapter 8, "An Analysis of China's Capitalist Reform") and the updates in this concluding chapter. I show that contrary to the belief or perception of the Left in the West, China has not been able to build a strong independent capitalist economy to counter the imperialist forces from outside, nor has it been able to free itself from domination of Western imperialist powers and Japan.

When the Reform began in 1979, as I wrote in Chapter 8, some Reformist leaders believed that since China had already built a rather strong industrial base, it could use its state-owned industries as defense against global monopoly capital. They also believed that China could make use of foreign capital and foreign technology without subjecting itself to imperialist domination. They thought that China could use its huge

market to entice foreign capital, and negotiate deals to obtain advanced foreign technology in exchange for foreign access to a part of the Chinese market.

During the 1980s and the beginning of 1990s, there were patriotic voices in China calling on the Reformers to be cautious in dealing with foreign capital. These voices said that China should not give up its industrial base and should find ways to develop China's own capitalism. Therefore, initially the new regime wanted to restrict the share of foreign capital in joint ventures and did not want to have businesses fully owned by foreign interest. It also wanted to decide its own trade policies by having the freedom to set import duties and import quotas. As a result, negotiations for China to join the GATT and later the WTO did not go smoothly for one and half decades. In hindsight, we realize that at the end of the 20th century, there were both internal and external deterrents that prevented China from developing capitalism on its own without the domination of international monopoly capital.

Internal and external deterrents

Internally, although the reformers were able to force the de-collectivization of agriculture rather easily, they encountered many serious difficulties when taking on the state-owned industries (see Chapter 8). Then in the 1990s, the reformers made the decision to launch a full-scale privatization of the state-owned industries by closing down many of these factories, transferring them to state bureaucrats to own and run, or selling them to private investors. That was when the reformers dismantled large numbers of heavy industrial complexes in the Northeast that were built in the 1950s and tens of thousands of light manufacturing factories in cities all over China but especially in provinces of central China. The reformers made this decision, because they realized that a full-scale privatization was the only way to permanently getting rid of millions of workers in these former state-owned industries. The reformers successfully changed the relations of production from socialist to capitalist only when the privatization was near its completion. The former state-owned industries were barriers that had to be removed in order for the Reform to advance. Therefore, privatization was the necessary outcome.

The "opening up" component of the Reform was complementary to changing the relations of production from socialist to capitalist. China began to grant favorable conditions to welcome foreign investors especially after it joined the WTO at the end of 2001. The reformers explicitly said that foreign corporations were welcome, because they would help demonstrate how to run modern (i.e., capitalist) enterprises efficiently. In order to justify this full-scale privatization, propaganda carefully targeted the "inefficiencies" of state-owned factories and promoted the idea that only material incentives and the threat of unemployment could get workers to work harder. As I wrote in earlier chapters, the privatization of state-owned industries was a brutal class war, yet its implementation was necessary for the success of the Reform.

In the process of dismantling state-owned industries, the reformer also set up infrastructure needed for the building of new privately owned factories in the coastal

areas. Many of these new factories are foreign-owned and quite a lot of the owners were (and still are) businesses from Hong Kong and Taiwan, which at the time they came to China already had many years of experiences working as contractors for Western and Japanese multinationals. This setup paved the way for the export-led-growth type of development. These corporations drew new sources of labor supply from China's countryside, and thus also served as an important component of Deng's Labor Reform.³⁰ This setup in fact has divided China's workers into two separate groups: workers belong either to the group of former state-owned factories or the group of new private corporations. Most of the latter group came from China's countryside.

In other words, in order for the Reform to proceed successfully, the new regime in China had to relinquish much of the State control it had over its industries. Large-scale privatization and setting up a new environment for private enterprises to flourish were necessary to change the relations of production. At the same time, the State control over the economy has been drastically weakened.

Another factor indicating that the Reform has not helped China develop into a strong capitalist economy is its lack of a modernized agricultural sector. As discussed in Chapter 9, by the end of the 1970s after twenty years of development under the commune system, the modernization of agriculture was well on its way. After de-collectivization was completed in 1984, China's agricultural production increased for a brief period and then stagnated. The fragmented land has made production very inefficient and individual households have not had enough money to invest in agricultural implements, let alone make improvements on the land and irrigation and drainage systems. The irrigation and drainage systems built during the commune years have fallen into disrepair due to lack of maintenance. The rate of return in agriculture is too low to attract any private capital. Some large commercial fruit and vegetable farms were built and they are still holding on even though the drop in exports during this global economic crisis has hurt them, but crop-producing farms have been doing poorly.

Many crop-producing farms now just produce enough for their own consumption. For a number of years, there have been reports of farmers abandoning their land. Since more than 150 million peasants have left their villages for jobs in cities, rural households do not have enough labor to farm the land. Although most of them hire harvesting teams equipped with machines to do the most difficult jobs, the fees they pay are yet another expense to be paid out of the little revenue they receive. A recent report from the *International Herald Leader* (May 23, 2011) said that this year land abandonment has become more significant due to large increases (30-50%) in the prices of agricultural inputs, such as seeds and fertilizer. Low crop prices and high costs of production have squeezed the farming incomes of many peasant households, making land abandonment their only option. As I said in Section A of this chapter, the result is that China has become more dependent on food imports. Currently there is little prospect for China to modernize its agriculture, and without a modernized agricultural sector, China cannot become a strong capitalist country. The predicament of Chinese peasants today is not unlike that of most peasants in the less developed world.

Externally, it is obvious that there have been barriers preventing China from developing capitalism on its own. For China to develop a strong capitalist economy independently, it would have to exercise more control over its own economy, and its industries would have to enjoy advantages when competing with foreign multinationals. These advantages would enable China to become a contending power challenging imperialist powers. As it turned out, reformers in China eventually came to realize that the powerful imperialist forces would not allow China to develop capitalism independently. They realized that the conditions they had insisted upon in joining the international trade organizations (first GATT and then the WTO) prolonged the negotiations and delayed China's admission. By the mid-1990s and especially after the Asian crisis in 1997, the Chinese government came to understand that China would not be allowed to join the world of capitalism without giving up many of the conditions that would enable China to exert significant control over its own economy. China finally backed away from those demands and accepted the terms set by global monopoly capital when it joined the WTO at the end of 2001.

Even before imperialism reached its late phase in the 1980s, revolutionaries in many Latin American countries and in Asian countries foresaw that their countries could not succeed in their attempts to develop capitalism independently. In the earlier decades of the post-WWII period, revolutionaries in these Latin American countries were convinced that their domestic bourgeoisies were too weak to defend their countries against imperialist aggression. They did not believe the strategy of import substitution and nationalization of important industries would actually protect them from foreign domination. Events that followed the 1980s have proven them right, that independent capitalist development was indeed not an option for these countries in the age of imperialism. Through the new neo-liberal offensive, major imperialist powers with the help of international financial and trade organizations leveraged the foreign debts owed by these countries, successfully forcing them into bankruptcies. These aggressive actions facilitated international monopoly capital to take over the economies of these countries. These same aggressive actions taken by the same imperialist powers behind the neo-liberal offense were ready when they came to deal with China.

In addition to the neo-liberal economic and political strategy, neo-liberal ideology has swept the world including China. The reformers have promoted neo-liberal capitalism enthusiastically. How else could we explain why major Chinese universities invited Milton Friedman to give extensive lecturing tours all over the country to peddle his most conservative brand of capitalism? The neo-liberals propagated their ideology among Chinese intellectual elites for quite a number of years until the Reform encountered so many problems in all arenas and met strong resistance from below.

By the time China joined the WTO, it had opened itself up and taken down nearly all barriers for foreign capital to expand. Even a mainstream economist, Nicholas R. Lardy of the Brookings Institution, admitted: "By the time China entered the WTO it was already perhaps the most open of all developing countries." Admitting China into the WTO quickly expanded foreign investment in the country and accelerated China's trade (especially exports) with imperialist countries.

In the decade after China's admission to the WTO, its export and GDP growth took off, reaching double-digit rates. Thus, in this 10-year period, international monopoly capital has been able to transform China's economy to their liking. As I explain in Section A, this "development" has trapped China at the low end of the international division of labor. This means that foreign monopoly capital has been able to take advantage of China's low labor costs, low tax rates, readily available land, plentiful supply of raw materials and energy, modern updated infrastructure, and the freedom to dispose of waste without being burdened by cleanup costs. Moreover, from the very beginning, foreign capital has had its eye on China's vast domestic market. The Reformers used the strategy of bartering China's market with foreign advanced technology, but have admitted that strategy was a total failure. China provided the multinationals a vast domestic market without obtaining any significant new technology. Its automobile market is bigger than any other country's, and in 2010 General Motors alone sold more cars in China than it did in the United States. At the same time China is dependent on imported technology of automobile manufacturing. From automobiles to pharmaceuticals, soft drinks to fast foods, delivery business to retail chains, sports equipment to health care, China now provides a huge market for these businesses to grow and occupy. In short, the new regime lost its bargaining power when it negotiated deals with foreign monopoly capital backed by the imperialist states and international financial and trade organizations.

It is true that China has expanded its trade and investment and has also competed with the imperialists in acquiring energy and other natural resources in many parts of the world. In the last decade or more, it has signed bilateral trade and investment agreements with large numbers of countries all over the world. It now has investments in practically all underdeveloped countries in its quest for energy and raw material. It has also invested in manufacturing in these countries and has tried to expand its economic and political influences not only in Asia, but also in Latin America, the Middle East and Africa. These actions taken by the Chinese government have caused some alarm, yet they have been tolerated by the imperialist center. One important reason is that China must have the energy and other natural resources to continue its current course of "development," which benefits monopoly capital from imperialist countries. As a matter of fact, since large volumes of manufacturing have been shifted to China, the imperialist powers have also conveniently shifted the "burden" of acquiring energy and natural resources to China as well. To cite one example: China changed from an oil exporter to an oil importer in 1995, and then in a few years became the second largest oil importer next only to the United States. As for China's investment in manufacturing in these less developed countries, it is not yet big enough to pose any challenge to the imperialist center. Also, often these Chinese manufacturing firms are contractors of Western multinationals. However, imperialist powers may soon find that China's shares in these markets are too big to be ignored or tolerated.

I have reached the conclusion that China is not an imperialist country. However, it does play a very significant role in the global economy today; what happens in the Chinese economy has a strong impact on global monopoly capital and on the economies of

the imperialist countries. China is now the world's largest producer of more than 170 products, including steel, aluminum, cement, computers, and cell phones, among many other products. Since China has had a large trade surplus for the last decade, it has become a major exporter of capital. By 2000 China, together with other Asian countries, made less developed countries as a whole net capital exporters to imperialist countries.

The amount of capital exported by China has continued to increase, while its foreign exchange reserves have now reached \$3 trillion. It has the option to use its large reserves to acquire companies in many countries including the imperialist countries (although it has limited choices). China has invested in numerous projects in less developed countries. It can also, if it wants, loan its reserves to European countries that are having serious debt problems. During this Great Recession, China's economy has continued to grow at rates that have far exceeded the sluggish rates of the United States, the European Union, and Japan, helping to prevent these economies from falling into deeper stagnation. A recent *Wall Street Journal* article explained, on the other hand, that the bursting of the Chinese housing bubble would slow down the growth of global monopoly capital and negatively impact the global economy.³¹ All these show that China can exert considerable influence on the world economy.

There has also been talk that China has been modernizing its military by producing additional up-to-date military equipment and also buying more from Russia. There is a perception that China is flexing its military muscles and is becoming a threat to its neighbors: South Korea, Japan, India and others. Since both South Korea and Japan have military alliances with the United States, does this mean that China is challenging US hegemony in Asia? This, together with the perceived threat of North Korea in northeast Asia, was the justification for the United States to launch joint military exercises with South Korea in the Yellow Sea near China's coast and near the border that divides North Korea and South Korea.

Propaganda aside, statistics do not show a Chinese military buildup on the scale portrayed by media. According to the Stockholm International Peace Research Institute, China's overall military spending in 2009 totaled \$99 billion (in 2008 dollars) while the United States spent more than six times that amount for its own military. In terms of GDP, China's military spending is less than half of that of the United States and less overall than it did at the start of the 1990s. The spokesperson of the Research Institute said, "There is not much evidence of an arms race."³² The same report said that China's new military capability means extra risk for the United States if it were to approach China's coast closer to its borders, and it also improves China's ability to project power. However, that is all China's military buildup has amounted to. The report also mentioned that US military spending in Asia is overshadowed by its need to cut its budget and its focus on military engagement elsewhere, such as Afghanistan. It is true that the military hegemony of the United States has been under pressure due to its mounting debt and the over-extension of its military power, but that is very different from suggesting that China is a rising military power in competition with the United States.

As stated earlier, revolutionaries in Latin American countries and elsewhere understood that, because of imperialist domination, their countries could not develop independent

capitalism in the same manner as the countries that had developed capitalism in the 18th and 19th centuries. We have learned about imperialism from theory and practice, throughout its entire history, and can conclude that there is no longer a path for countries in Asia, Africa, and Latin America to leap from their less developed status to become another imperialist country. Attempts were made by bourgeois economists in imperialist countries to prove the opposite was true. They cited the “newly industrialized countries” (NICs) as examples to show that these countries were able to link themselves to the international capitalist system and transform themselves into industrialized economic powers. This kind of propaganda might have had some short-term impact in convincing countries that they should join “globalization” for their own good. The clear-minded Left certainly has not been so persuaded and has continued its fight against imperialist globalization.

The new regime in China found it convenient to use the NIC argument for continuing its Reform and for giving up its many demands in order to join the WTO. US imperialists now use China and India as examples to show how a country can run on a track of fast development, if it simply opens its doors and integrates itself with the global capitalist system. If the Left still believes as it did before, that a great leap from being a less developed country to becoming a new imperialist power is not possible for any country in the world of imperialism, why does it think that China can be an exception?

An examination of China’s capitalist reformers

The analysis presented above leads me to conclude that for reasons both internal and external, China has not and cannot become an imperialist country. I think we can go one step further to examine the class nature of China’s reformers. On the surface, many would agree that China seems to have a strong State. However, if that were true shouldn’t China have a strong capitalist class behind the State? In what sense are we talking about the existence of a strong capitalist class? Is it in relation to the bourgeoisie behind the existing imperialist states or in relation to the Chinese proletarian class? I think it has to be both.

For people who argue that China has developed a strong capitalist economy and has risen in the ranks to compete with imperialist powers, the question we need to ask is: What are the necessary conditions for such a new capitalist power to become a reality in today’s world of imperialism? Clearly a strong independent capitalist economy would require a strong national bourgeoisie wielding state power. However, no less developed country today (or at any time during the history of imperialism) around the world including China, has there actually existed a strong national bourgeoisie. The new capitalists in China cannot fulfill the requirements of a strong national bourgeoisie even if they appear or pose as one. As I demonstrated above, the reformers in China realized their own weaknesses and understood that cooperating with foreign capital was a better option for them than putting up any strong resistance. In the earlier discussion on the political situation in China, I showed that there are different factions within the State. As China proceeded with its Reform, the Right and the politically powerful groups pursued their own self-interest, grabbing whatever they could get

their hands on. These powerful groups soon realized that cooperating with foreign capital was (and still is) one of the most lucrative endeavors to accumulate wealth. It is actually more appropriate to call these new capitalists in China bureaucratic capitalists instead of a class of new bourgeoisie.

These bureaucratic capitalists in China are not unlike their counterparts in other less developed countries. They lean heavily on international monopoly capital and derive benefits and other advantages from the connections they have with foreign capital accordingly. The Chinese government may at times demonstrate a little more independence, because it still has control over some key industries. The Chinese bureaucratic system may also operate more efficiently in facilitating capital accumulation after it takes a big cut. However, like their counterparts in other less developed countries, Chinese bureaucratic capitalists have not in any way demonstrated their ability or their will to protect either the people or the land from the exploitation imposed on them by international monopoly capital. They just join international monopoly capital in dividing the loot. It is rumored that more than one million rich and powerful Chinese have already acquired citizenships in Western countries. The super-rich in China are known to have invested in expensive real estate in many major cities in Europe and the United States. They stay in China for as long as they can continue to accumulate wealth, but are ready to abandon ship as soon as their privileged positions are threatened.

Looking at the bureaucratic capitalists in China a little closer, we see that they face great difficulties in transforming themselves from degenerated Communist Party members into a new rising capitalist class. In fact, if they had had the power to do so, they would have abandoned the title of the Chinese Communist Party a long time ago. As the capitalist Reform has proceeded further and deeper, penetrating all spheres of Chinese society, the bureaucratic capitalists have lost all their legitimacy to hold on to State power as representatives of the working class. As I explained in the earlier sections of this chapter, these bureaucratic capitalists are being challenged by both the Left and the Right. The Left has accused them of violating the Charter of the Chinese Communist Party and the constitution of the People's Republic of China, of oppressing the Chinese people, and of selling China's interests to the imperialists; the Left has declared that they are no longer real communists. On the opposite side, Rightist elements have demanded changes in China's political structure more in line with its economic reality, so they can participate in it as partners on more equal terms.

The bureaucratic capitalists cannot transform themselves into a new rising bourgeois class with firm control of China's industries to fend off foreign encroachment. This is despite the many major nationalized industries left to them after 30 years of socialism. Compared with bureaucratic capitalists in other less developed countries, they could have enjoyed a head start and an easier task by holding on to this industrial base. However, for the sake of the advancing the Reform, many nationalized industries, with a few exceptions, had to be dismantled for both internal reason and external reasons.

One other important reason for the bureaucratic capitalists' inability to transform themselves into a new rising capitalist class is the staying power of socialist ideology. The bureaucratic capitalists continue to face great difficulties in establishing their own

ideology and culture. They have to borrow their ideology and culture either from the West or from China's feudal past. Western culture does not have roots in China. As I said earlier, neo-liberal capitalist ideology flourished in the 1980s and early 1990s, but the realities of the Reform finally forced it into retreat. Feudal culture, though, has deep roots in China's long feudal past; it is rearing its ugly head once more and is being promoted by the current regime. However, since it was criticized and discredited during socialist times especially during the Cultural Revolution, it has lost its magic and is struggling to survive, since feudalism's economic base had been uprooted by Land Reform.

These weaknesses of China's bureaucratic capitalists are the main reasons that it cannot develop into a strong capitalist state that can oppose or rival imperialist states. For the same reason, the bureaucratic capitalists cannot sustain the power and the strength to win their current struggle against the proletarian class and its ally, the peasants.

Conclusion

When Lenin wrote *Imperialism, the Highest Stage of Capitalism* in 1916, he was able to show that imperialism was the eve of the socialist revolution. The Russian revolution in 1917 and the Chinese revolution in 1949 proved that socialist revolution could be victorious in countries comprising the weakest link of imperialism. The socialist construction that followed the Russian revolution until the revisionist forces took over in the late 1950s and the socialist construction that followed the Chinese revolution until the capitalist roaders within the CCP took over in 1978 were the strongest anti-imperialist forces, thus also the strongest anti-capitalist forces, that ever existed.

Today, imperialism has reached its late phase and I believe it has also reached *the last phase of the highest stage of capitalism*. In this late phase, monopoly capital and the imperialist states representing it have encountered unprecedented economic, political, and ecological crises in catastrophic proportions. There is no prospect that any of these crises could be resolved within the framework of this late-phase imperialism. However, unless the anti-imperialist forces are strengthened and united in their persistent fight against imperialism in many parts of world, it will not be defeated. On the ideological front, it is more urgent than ever to confront imperialism head-on with vigor and conviction.

Should the Left be preoccupied with debates on whether China is on its way to becoming a new imperialist power that could overtake the United States, we fall into the trap of narratives narrowly set up by monopoly capitalism and its bourgeois intellectuals. I think I have demonstrated in this book that China is not an imperialist country, and is currently incapable of becoming one. This conclusion is not only based on the fact that China's current system lacks the ability to overcome the domination of the existing imperialist powers. It is also based on the fact that in the late phase of the last stage of capitalism, monopoly capital and its representative imperialist states—any imperialist state—can no longer carry on their business as usual. This also means that the physical world, the earth itself, has reached its limits in sustaining the destruction brought upon it by the imperialist system. Therefore, monopoly capitalism at this late

phase no longer has the capacity to let the existing imperialist powers (exemplified by the hegemony of the United States and others) or a supposedly new imperialist power like China to carry on their destructive operations to decimate the earth unless we, as human beings, are willing to be buried together with it in its ruins.

That being said, the Left should in no way excuse any imperialist-like behavior of Chinese capitalists, private or state, as expressed in their exploitation of workers, plunder of natural resources, and brutally criminal actions committed against people in the less developed countries. The anti-imperialist forces should publicize these actions and thus expose the true nature of the present Chinese state. I have confidence that those on the Left in China will join the fight against their own ruling system and oppose their government's abuses in other less developed countries.

Left forces in China have found it hard to understand why some Left forces in other countries think China has become a new and rising imperialist power. China's government, in the eyes of the broad masses especially the workers and peasants, has been very weak in dealing with imperialist powers, which is the reason it sold out the interests of the Chinese nation and people. In order to stand firmly behind the struggles of the broad masses of the Chinese people, the Left outside China needs to recognize the extent to which imperialism has exploited the Chinese people. The sufferings endured by Chinese workers and peasants in the past thirty years may have even been more brutal and more severe, in some ways, than those of some of their counterparts in other less developed countries. The Chinese bureaucratic capitalists have behaved more cowardly toward the imperialist powers and have acted more brutally toward Chinese workers and peasants. After 30 years of capitalist Reform, revolutionaries in China believe that returning to socialism is the only way to liberate Chinese workers and peasants and the rest of the Chinese people. Revolutionaries in other oppressed countries, after going through hundreds of years of colonialism and more than a century of imperialism or neo-colonialism, are of the same belief. Therefore, the struggle against imperialism and the struggle for socialism and national liberation have become one single struggle that unites people fighting for liberation. Sixty-two years after Liberation, the lessons and imperatives drawn from China's revolution and continuing class struggles remain as relevant and urgent as ever.

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Endnotes

- 1 Chapter 8 was previously published as “An Analysis of China’s Capitalist Reform,” *Institute of Political Economy, in the Philippines, Journals*, November 2006: 3-41.
 - 2 Chapter 9 was previously published as “How Sustainable Is China’s Agriculture? A Closer Look at China’s Agriculture and Chinese Peasants,” an online publication, Pesticide Action Network Asia Pacific and People’s Coalition on Food Sovereignty, PAN AP: PCFS: <http://www.foodsov.org/html/resources.htm>, August 4, 2008.
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 - 4 Another warning came from China’s Economic and Social Transformation experts, who said that by 2030, per capita water resources would drop to 1,760 cubic meters, which is perilously close to the 1,700-cubic-meter level that is the internationally recognized benchmark for water shortages. (China Task Force Report, 17)
 - 5 Daniel S. Greenbaum and Robert O’Keefe, “China’s Environmental Health Challenges,” *Frontiers in Ecology and the Environment*, September 2006.
 - 6 Additionally they are also concerned about the safety of processed foods and consuming food grains and soybean oil planted with genetically seeds bought from Monsanto.
 - 7 *Wall Street Journal*, January 21, 2011, and *Money Watch*, February 7, 2011.
 - 8 “China’s 2011 National People’s Congress (NPC): Fine-tuning the economy with an eye on social stability,” APCO Worldwide, http://www.apcoworldwide.com/content/PDFs/npc_briefing_2011.pdf.
 - 9 In the 12th Five-Year-Plan, the government plans to increase china’s domestic consumption from the current level of 35% to 40% of GDP by 2015 by raising the minimum wage and reducing personal income tax on the low to middle income households and increases in spending on health care and low-cost housing. Wen Jiabao’s report to the NPC admitted that raising the consumption level would be a difficult task.
 - 10 Chapter 10 was previously published (with Hsin-hsing Chen) as “Has Capitalist Reform Developed China’s Technology and Productive Forces?” *Institute of Political Economy, Journals*, February 2009.
 - 11 *The Economist*, December 11–17, 2010, 78.
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 - 15 NPC Briefing 2011, APCO Worldwide.
 - 16 *Economic News*, June 4, 2005.
 - 17 August–September 2010, www.book.wyzxsx.com.
 - 18 Disney college audit team. Accessed 30 July 2011 at <http://disneyxiao zu.blog.163.com/blog/static/13339329420109142221116/>
 - 19 Chapter 11 was previously published as “Mao’s Legacy in China’s Current Development,” a paper delivered at The Conference on the Significance and Relevance of the Anti-Revisionist Struggle and the Great Proletarian Cultural Revolution, in The Hague, the Netherlands, 1 May 2007.
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- 20 This incident was not reported in the media. It came from an eyewitness who wrote in the readers' comments space in a letter supporting Zhao Dong-min.
- 21 I do not have references to specific incidents. If one pays attention to the news (either in print or online) one will read reports on these abuses of power all the time.
- 22 For a detailed analysis on the relationship between the Chinese Communist Party and the private capitalists see: Bruce J. Dickson, "Integrating Wealth and Power in China: The Communist Party's Embrace of the Private Sector," *The China Quarterly*, December 2007: 827-854.
- 23 See Chapter 7 for the difference between state-owned and public-owned enterprises.
- 24 The long letter of the group to the CCP Central Committee was published in the January 2008 issue of the *Institute of Political Economy (IPE) Journals*, and posted on the IPE website (www.politicaleconomy.info) on 24 March 2009.
- 25 Nanfeng Chuang, July 15, 2010.
- 26 The Workers Research website has since been re-opened as Workers' website, which had been shut down a few years earlier.
- 27 China Labor Bulletin website. Accessed 30 July 2011 at www.clb.org.hk/en.
- 28 As mentioned earlier, this website was closed down by the government in the summer for its role in supporting the Honda strike workers.
- 29 *New York Times*, April 4, 2011.
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Higher Education Reform During the Cultural Revolution – A Milestone in the Advancement of Our Society*

By Si Lan

Translated by Pao-yu Ching

TRANSLATOR'S NOTE

One of the most vicious attacks on the Cultural Revolution was launched against the Higher Education Reform that Mao Zedong proposed in 1968 and carried out for a few years during the Cultural Revolution. Mao's proposal to reform higher education had two main focuses: that university learning had be closely linked to the needs of agricultural and industrial production, and that students who entered universities should be selected from the ranks of workers, peasants, and soldiers.

Mao highly valued learning that combined theory and practice, or "learning by doing." He was concerned that the expanded university education since the establishment of the People's Republic kept a growing number of students apart from larger society and limited them to classroom learning for too long. As a result of this kind of classroom-oriented higher learning, Mao feared that universities would create a new tier of elites who considered themselves above ordinary workers, peasants, and the broad masses.

The concrete reform as it was carried out during the Cultural Revolution abolished the college entrance examination, which put great emphasis on book learning. Such examinations had been rooted in China's feudal past. They favored young people from intellectual families and put the children of workers and peasants at a great disadvantage. After abolishing the entrance examination, most high school graduates went to work first, and the work place (factories and mines, units within the agricultural communes, and military units) was given the responsibility to decide who would be sent to study in universities. The expectation was that after graduation they would then return to their respective units to work.

Education reform in universities faced strong resistance from many directions. The most important concern was the quality of graduates. Since the entrance examinations selected the "best" students from the "best" schools, college professors and administrators believed that doing away with them would lower academic standards. Soon after Mao died, his vision of educating workers, peasants, and soldiers to be new leaders of the socialist society was denounced. The new "reformers" charged that worker, peasant,

and soldier students were not suited for college education, and they lacked the cultural background to join the educated. They charged that China had wasted ten precious years during the Cultural Revolution by not educating its brightest and most talented youth. In 1977 the college entrance examination was reinstated. The Education Reform instituted during the Cultural Revolution was repudiated and abandoned.

The author of this article was selected from the countryside to attend the Central China Normal University for teachers. She majored in mathematics. In the article, she writes about her life experiences, including how she got into the university, how they studied and learned, her life on campus, and what she did after she graduated. She also gives an overall evaluation of education reform during the Cultural Revolution. I think this is a good article for people who are interested in many of the newborn things launched during the Cultural Revolution and their significance in creating a new society even after its demise. For this reason, I translated this article into English for a wider audience. – PYC.

We inserted subheads to help make the article more readable. – IPE Journals editors.

July 21st of this year (2011) marked the 43rd anniversary of Chairman Mao's directive on China's revolution in higher education.

In July 1968, we were celebrating the successful completion of the Ninth Party Congress and our nation was covered with the joyful color red. At this historical juncture, Chairman Mao issued the important directive on how we should revolutionize our university education. He said, "We need to continue to build our university education. I am mainly referring here to the science and engineering programs in universities. However, we need to shorten the duration of these programs. We need to revolutionize our education. ... University students should be selected from workers and peasants. After a few years of study in universities they will then return to production."

Chairman Mao's directive brought spring and rain to nurture the seeds of an education revolution, which were planted in the soil of socialism. Soon after the "July 21 Directive," workers' universities, communist labor universities, and other new types of universities sprouted up everywhere. Waves of peasant, worker and soldier students poured into universities all over China from the countryside, from factories and mines, and from the military. They came to the new battlefields of continuing revolution, pledging never to disappoint the Party and the people who sent them there. They came with the determination to receive education, to administer the universities, and to use Mao Zedong Thought to reform and change the universities.

From farm life to university life

I was born and grew up in a village in Hubei Province. Our family was very poor. My mother died young and my father was a member of the production team. When I was young I had to quit school for three years in order to help out at home. Then in July 1968, I graduated from junior high school and returned home to work as a farmer. That same year, I was elected to become the accountant of the production team. In the spring of 1972, I was elected to attend Miaoling High School in E-cheng County, and there I was elected as the Party secretary of the student body. I graduated in 1972. Miaoling High School and the regional Party secretary nominated me to attend the Central China Normal University for teachers, where I majored in mathematics.

On a bright sunny morning, other students and I marched to the door of Central China Normal University accompanied by the song “Peasant, Worker, and Soldier Students”. Teachers and upper level classmates welcomed us at the door. The Party secretary of the Mathematics Department had a big welcome party for us, and the chairman of the department and other teachers came to visit us in the dormitory. As part of the festivities, there were basketball games and art shows and evening culture performances. The University also organized field trips for us. We visited Chairman Mao’s old home and the place where he gave talks on agriculture. We also visited Wuhan Steel, Wuhan Heavy Instrument, and Wuhan Exhibition Hall. The new students then took a test so we could be divided into different teams. My team had 28 students and the composition was as follows: 30% were students just graduated from high school, 10% of whom came from the best high schools in Wuhan area. The others were students who came directly from agricultural production, and most of them had teaching experience in the elementary and high schools of their brigades and/or communes.

There were four basic criteria used for selecting young people to attend universities: political consciousness and behavior to demonstrate it, love for physical labor, a good academic foundation, and good health. It is also important to point out that there were potential problems associated with how students were selected by their work units. It was obviously not an easy procedure, because those who were in a position to make such selections might play favorites. It was also possible that people who had political clout could influence decisions. However, if decisions were made unfairly, in most cases, sooner or later people would find out and those who made them would be criticized. It was an open system and the overwhelming majority of people tried hard to do the right thing.

Although we came from different backgrounds, we got along very well. We treated one another as comrades. From our daily lives to going to classes, participating in debates, doing homework, and training in athletic programs, we did not feel there were any differences or any barriers among us. In 1974, when my grandmother died, a classmate sent 15 RMB to my family. My classmates helped me in other ways too. One helped me make a comforter. Another helped me copy articles I wrote for our class literature journal. Some classmates also came to my home village to visit. At that time, we did not pay any tuition for our education. Worker and soldier students continued to receive their wages from their units. Some of us received 13.5 RMB worth

of meal tickets for our food, enough for the whole month, and another 5 RMB monthly allowance. With our student IDs, we received free medical care and free entrance to the school's bathhouse.

At that time students had very active lives on campuses, and we kept a tight schedule. We got up at 6:00 in the morning. At 6:30 we gathered together to do morning exercises and then morning study. Classes started at 8:00. After lunch we rested until 2:00 pm, then afternoon classes began or we studied on our own. At 5:30 our extracurricular activities started. At the ringing of the 5:30 bell, the whole campus suddenly filled with activities of various kinds. We went running, played basketball, badminton, or volleyball. We took turns cleaning our classrooms, dormitory, bathrooms, hallways, and the yard. Some of us did calligraphy and painting, and we also wrote stories for our wall journals.¹ Some practiced singing and dancing. My two classmates and I joined our departmental orchestra, so we used the time to practice. We had political study every Thursday morning, and we all gathered in the auditorium to listen to lectures and reports. Afterwards we were divided into small groups for discussion. Every Saturday afternoon, we went to South Lake Farm to participate in agricultural production, and when we were there, we often had the chance to observe female soldiers doing their training and/or rehearsing their cultural programs. We had the best time on Saturday evenings. We usually ate supper early and then moved our chairs from the dorm rooms outside to secure places in the open field chatting and waiting for the movies to start.

Sunday was a day of rest. We did our chores, went to the library, wrote articles, went strolling on the streets outside our campus, or stayed behind, enjoying visitors from home. For the autumn and spring festivals and also during New Year celebrations, we had the Provincial Dance Group, Provincial Chorus Group, Wuhan Dance Group, and Wuhan Acrobatic Group, come to give performances. On other national holidays, we published special editions of our school journal and the university sent representatives to cities and to the different districts to participate in activities there. I participated in different activities to celebrate significant events in Wuhan a few times. I also wrote quite a few articles for the special editions of our school journal. During the one-month summer vacation, some of us stayed in school to study, some of us went home, and others participated in production. Every year during the Chinese New Year, we had a 10-day vacation to celebrate with our families.

Math Department curriculum, learning methods

The curriculum of the Mathematics Department was set up by following Chairman Mao's direction on university education and according to what was needed for teaching math at the high school level. The objectives of our study were to serve industrial and agricultural production. The emphasis was placed on students' thinking methods by learning mathematical theories and practical skills. We were required to take general education courses in philosophy, political economy, history and geography. In philosophy we studied Engels' *Dialectics of Nature*, and Marx's writings on mathematics. The study of history included the development of mathematics in Chinese history. For mathematical theory we studied: the *Study of High School Mathematics* (two volumes),

Mathematical Analysis (four volumes), *Advanced Algebra* (two volumes). Applied Mathematics included *Mathematical Statistics*, *Geometry and Methods of Mechanical Graphing*, *Surveying in Agricultural Villages*, *Methods of Teaching Math*, *Mathematical Method for Calculating Optimum* and *Applied Mathematics in Agriculture* (one volume each).² We also studied the relationship between mathematics and quantum mechanics, electricity, and radio.

The way we learned was, we first prepared the lessons on our own. Then we went to class to listen to the lectures. Afterwards we had discussions and did our exercises. Additionally we went to the school's factory and farm and its experimental station to practice what we learned. Then we went to the schools that were set up by factories, mines and agricultural communes (and brigades) to listen to lectures and participate in something called "Three-in-One" teams to tackle difficult problems. The benefit of this kind of hands-on learning was that the students not only were able to grasp theory and knowledge but also to integrate them with practice. In addition to learning the theories, we also did physical work. We learned how to do certain calculations, how to graph, survey, drive tractors, how to set up radio equipment, and so forth. The most important thing was that we were able to retain our character as laboring people and were not separated from the laboring class.

The chairman of our department and some teachers established long-term relationships with the technological departments of several enterprises in our province. In the last semester before we graduated, we did our internships in these places. Before leaving, our teachers gave us more lectures on applied math and then sent us in teams to different places to study and learn. Our team had nine people and I was the coordinator. We had our advanced algebra professor Zhou accompany us for consultation.

We first went to the Red Star Leather Enterprise on Xin-hua Road in Hankou to help improve the quality of the leather by solving the problem of finding the right formula for the leather coating. Then we went as interns to the agricultural machinery factory of Cai-dian Commune, the Hongsu Brigade, and the Cai-dian High School to learn. We learned from the workers, peasants and teachers about production experiments and teaching methods. During the day, we participated in production and teaching. We studied together with the technical teams in factories and in agricultural production teams on how to improve technology. We wrote articles and posted them in their wall journals. During the evenings we held discussion sessions to critique bourgeois rights and to rehearse our cultural programs. We also did performances for people we worked with. During that semester, we also went to a meteorological station in Huang-bo County to help analyze data on weather, and we also completed the survey and design of the Hong-su canal for the Cai-dian Commune.

Working as teacher, finishing graduate school

Academically I was not at the top of my class. I was about in the middle. However, I had a solid foundation for teaching mathematics to students who majored in math or

engineering. After graduation, I was asked to be in charge of the Corresponding School of E-cheng Normal School for high school teachers. Within a month after I arrived, we received a notice from the County Educational Bureau to start our first experimental class in training math teachers. We soon started the class with forty students selected from several commune high schools.

The students included team heads of math teachers and other selected teachers. For this class I taught five days of mathematical theory. Another teacher from E-cheng Normal School taught applied math in the fields. This first experimental class immediately caught the attention of those in the field of mathematics in E-cheng. Then two other communes, Ding-zhu Commune and Xu-guang Commune, started their own teacher training classes. Each commune had more than 30 teachers from junior high and high schools participating in the training classes. Every Wednesday and Saturday, I went to teach a whole day class at each of the communes. The subjects of the classes included Mathematical Statistics and Methods of Teaching Math. Students in these classes gave very positive evaluations and feedback on my teaching.

By 1977 the university entrance examination system was restored. I was asked to help students review their high school math to prepare them for the entrance examination. I did the same to prepare the 1978 and 1979 high school graduates to take their college entrance examinations. I was elected to be the model math teacher of the whole county.

In 1980 I also took the entrance examination to enter the graduate school of China's Social Science Academy. The subjects of the examination included: English, Fundamental Theories of Marxism and Leninism, Historical Dialectics, Sociology, Advanced Mathematics, and Statistical Theory. I passed the examination and became a Researcher in Sociology at Hubei Academy of Social Science.

By that time the worker, peasant, and soldier university study program disappeared just like all other newborn things in the Cultural Revolution. They disappeared from the red earth of China like falling stars. However, even though the education revolution was defeated, its glory continues to shine – just like the Paris Commune. The education revolution was a successful attempt for workers, peasants, and soldiers to occupy the sphere of ideology. It was an unprecedented milestone in human development on the long road of human emancipation. After it was first born it flourished but was then defeated.

Socialist system with birthmarks of old society

Our socialist system was the consolidation of Marxist and Leninist theories with our own historical cultural traditions. The socialist system was able to absorb the experiences of our long struggles in the revolutionary bases with the experiences of socialist construction in the Soviet Union. Up to this day our socialist system is still the highest political accomplishment across the length of human history. The essence of our socialist system was based on the public ownership of the means of production and a system of distribution according to how much labor one contributed. On that basis, we built a government that served the people and a government that recognized that

the people were the masters of our country. We were able to develop our production according to the growing material and cultural needs of our people and also to develop all kinds of social enterprises that benefited the people. That was one of the fundamental characteristics of our socialist system.

On the other hand our society grew out of an old exploitative society and political system. Therefore, it still carried the birthmarks of the old society, such as business operations by individual families, individual family farming, old village politics, and extensive control held by the head of the family, and so forth. That was the other fundamental characteristic of our society.

The revolutionary communists tried to find the most appropriate forms of organization to meet the demands of our country and people. They went through many experiments – some succeeded and others failed. However, by 1965, the basic structure of our social set-up was consolidated. In agricultural production, the three-tiered ownership of production (the commune, brigade and team) was set up in the communes, with the team serving as the basic unit of production. The ownership of the means of production in industries belonged to the whole people. These two kinds of ownership existed side by side with ownership by all the people playing the dominant role and collective ownership playing the supplementary role. The productive system of agriculture, industry, mining, commerce and trading was built on the co-existence of the two types of ownership.

The system of distribution according to the amount of capital one had was replaced by distribution according to the amount of labor one contributed. In the military, the ranking system was abolished and the new system of equality between officers and ordinary soldiers was established. The lesser status of women had a long history in Chinese feudal society, so it was a hard struggle to oppose gender discrimination in all spheres of the new society. However, gender equality was almost reached.

There was still a long way to go in both ideology and in action before our people could in fact become the masters of our country and institute a government that could serve the needs of the people. For example, should the cadres make the major decisions or should it be the people who make them? Should medical resources and medical personnel be placed mainly in the urban centers or should there be a balance in allocation between the urban and rural areas? Should higher education, culture, literature and art serve the elite, or should they serve the broad masses? After almost twenty years after the revolution, these were still unanswered questions. We needed another revolution that allowed us to look deeper into our souls so we could continuously search for ways to perfect our society.

Education during the Cultural Revolution

Then came the first three stormy years of the Cultural Revolution (1966-1969), when our souls were baptized. The most obvious change during those years was the rising consciousness of the broad masses. They became fully conscious of the fact that they should be the ones in charge of their own destiny. In the process of this change, the

broad masses not only paid closer attention to national political events but also became more involved with these events. They believed that they had a right to criticize the government if it did something wrong. During the Cultural Revolution, the masses had the opportunity to be part of the three-in-one leadership teams in handling political affairs.³ They also wrote big-character posters as a way to expose any wrongdoings of the cadres. Thus, big-character posters became a tool to supervise the cadres. The cadres transformed themselves through the process. Instead of looking upward to the policy makers and then simply issuing orders to the masses, they began paying close attention to how the masses were responding to the policies.

The revolution continued after the first three years, and during the next seven years the critique of bourgeois right went on. At the same time, the system of sending intellectual youth to the countryside to receive education from poor and lower middle peasants was first established and gradually improved. There was also the program of sending cadres to the May 7th School to receive re-education and training, along with the program of sending medical personnel to the countryside. The direction of art and culture was also transformed to focus on creative works that recorded the accomplishments of workers, peasants, and soldiers. All of these changes were aimed at building a system of organizations that would fit well with industrial and agricultural production. The system had mechanisms that served the workers and peasants in their tasks of managing production and in the related fields of technology and culture.

The socialist agricultural and industrial productive system not only provided the training ground for worker, peasant, and soldier students to study and learn; it also provided places for graduates to work and to use what they had learned.

In villages, worker, peasant and soldier student graduates filled many positions in organizations that directly served production and provided services to the peasants. At the county, district and commune levels: graduates worked in medical clinics and hospitals, taught in elementary schools and high schools, and conducted art and cultural work in cultural centers. These graduates were also furniture makers and retailers in stores and food centers, and worked in agricultural machinery or farm tool workshops. At the commune and brigade levels, they worked as teachers, barefoot doctors, sales personnel, and arts and cultural propaganda workers, thus providing various services to large numbers of peasants. Many also worked at farms, forests, farm animal stations, construction, transport, agricultural and forestry technological stations, veterinary stations, plant protection stations, irrigation stations, and stations that were responsible for designing and planning farmland construction work that required special skills. These graduates also worked at the brigade and team levels aimed at raising the quality of management. They served as financial planners, team accountants, and storage managers.

In cities and townships, these graduates also provided services for industrial production, workers and other urban residents. They worked in departments of research and design, technology, production and supply, finance, transportation, and quality control in large, medium, and small industrial enterprises. They also worked in places that served the urban masses directly, in medical clinics and hospitals, stores, banks, schools, cultural centers, radio and television stations, newspaper and

magazine publishing houses, public welfare organizations, bus transportation, police stations, people's court, and water and gas enterprises. Graduates from universities were able to improve the quality of management in industrial enterprises and raise the political consciousness in mass organizations.

In 1977 the government restored the university entrance examination system and ended the worker, peasant, and soldier university study program. With the demise of the Education Reform instituted during the Cultural Revolution, the connection between various work units and graduates of universities also fell apart. The technical network of industrial enterprises also became dysfunctional. Many top enterprises in China today are monopolized by foreign capital and no longer hire Chinese workers to fill their high-tech professional positions. Many university graduates now complain that graduation means the beginning of unemployment. At the same time, the best of China's university graduates find ways to study abroad. Some have commented that our higher education system has become a prep school for foreign universities.

Education Reform's three contributions to socialist construction

By the time the Cultural Revolution began, the socialist cultural situation had reached a higher stage, so it became possible to reform higher education. Consequently, higher education reform also became a force that continually pushed socialist development forward. The Education Reform made three major contributions toward advancing socialism:

One: The Education Reform helped workers, peasants, and soldiers establish their dominant positions in the socialist superstructure, thus strengthening their role as masters of our country.

After Liberation, workers, peasants and soldiers overturned the old exploitive system and transformed themselves from slaves of the old society to the masters of our country in the spheres of agricultural and industrial production as well as in the building of our national military defense. However, in the sphere of education and culture, where the intellectuals played a dominant role, the position of workers, peasants, and soldiers was only marginal.

The Higher Education Reform that enabled workers, peasants, and soldiers to attend universities was a breakthrough in changing intellectual domination in higher learning. It was a very important reform that helped transform the structure in the ideological sphere. Only through such a process was it possible for universities of the old type to be transformed into schools where workers, peasants, and soldiers received their education to become new working class intellectuals. The new working class intellectuals then became the dominant force in the sphere of the superstructure sphere in transforming workers, peasants, and soldiers to become masters of their country. The focus of higher education in those years was "Serve the workers, peasants, and soldiers." Workers, peasants, and soldiers were in universities to receive an education at the same time they were also the main forces to reform education.

The reform in education was not at all like what were later said about it. It was not chaotic. We did not launch random attacks on others. In fact, we paid great respect to our teachers. The main focus of the reform was to transform our own world outlook. Through disciplining ourselves in political studies, helping our classmates, volunteering our labor, and doing small tasks such as cleaning our schools and doing routine chores, we transformed our thinking and how we related to others. Our own transformation came first, followed by the critique of bourgeois rights and feudal relationships, and making suggestions on how teaching and school administration could be improved. The emphasis was on encouraging self-motivated transformation in our own world outlook.

The Education Reform was a newborn thing that attempted to make a fundamental break with traditional thinking and old habits. Making a fundamental break with the past was the reason why it was attacked from both the Right and the Ultra-left. They did everything to discredit the Higher Education Reform. They launched vicious attacks on the quality of education and charged that worker, peasant, and soldier students lacked the cultural background to receive university education.

Two: The Higher Education Reform provided a distinguished system that organically integrated education with proletarian politics, production, and research. The reform answered some fundamental questions such as: what kind of educational system should a socialist system have? Who should be served by this educational system? It is very clear that if the educational system did not serve socialism or the people, it would serve imperialism and the exploiting class. During the Cultural Revolution, the universities made use of Marxism, Leninism, and Mao Zedong Thought to revolutionize students so they would be able to think critically. Students at that time were very clear about the direction of our revolution and how to distinguish right from wrong. That was in sharp contrast to today's students who are unable to distinguish what on the surface seems to be correct but in fact is not.

The curriculum in universities during the Cultural Revolution was closely tied to the goal of serving the people and serving production. Universities used tremendous amounts of resources to organize teams of teachers to write and edit teaching and research materials in order to build a solid foundation of special fields by expanding and deepening their content. Knowledge of these special fields was tested through production and teaching. Through many years of experimenting, the teaching materials continued to be improved and perfected.

This was again in sharp contrast to how teaching materials are put together today. Professors in today's universities write and edit textbooks for the purpose of earning extra income and to acquire promotions. They put out books according to the "market demand." They do their work without any serious research, mainly by copying the work of others. In the past, teaching methods were revolutionized to integrate teaching with production and research. Research was aimed at advancing production and building the foundation of knowledge. That approach to education transformed the ivory towers into frontiers where enthusiastic students learned to become the new educated laboring class who had both the proletarian outlook and also special knowledge and skills.

Three: In the past 30-some years, a large number of graduates from the worker, peasant, and soldier university study program have made important contributions to our society. During the Cultural Revolution, universities and colleges in China enrolled seven classes of worker, peasant, and soldier students for a total number of 2.3 million. In addition, there were another 2 million students who graduated from “July 21st” universities established by large and medium industrial and mining enterprises and other laboring communist universities established by counties. Among the graduates of worker, peasant, and soldier students, 70% returned to the work units that had sent them, and the other 30% were assigned jobs to work in different branches of the governments. The graduates of “July 21st” universities and laboring communist universities went to work in factories and mines. Some also worked in communes and brigades until these were dissolved. After 30 years, many of these graduates now hold important positions in many fields, including leadership positions in both the central and the local governments. Many graduates are now accomplished scholars, writers, and journalists.

Among the 28 graduates of my own class, twenty have been teaching math at high schools, normal schools for teachers or other occupational schools. As for the other eight, one went to study at a graduate school in the United States and returned to become an accomplished mathematician; three are now professors in universities; one has become a researcher at the Social Science Academy; one works for the human resources department of a university; another one has become the head of a county; and one is the vice-chief of a provincial department.

While we recognize the positive contributions made by the Education Reform during the Cultural Revolution, we also need to recognize the mistakes made in instituting the reform. For example, we glorified Zhang Tie-shang who entered the university by handing in a blank piece of paper during the entrance examination without carefully studying his background.⁴ As a result, we let those who opposed the Education Reform use this example to discredit the reform. According to Zhang’s academic records in high school and his abilities in serving as the head of his production team, he had the qualifications to be admitted into the university. When we ignored facts about his background and only emphasized his blank examination paper, we lost the chance to defend the Education Reform.

Educational reform during the Cultural Revolution was the third reform in higher learning after thousands of years of the private tutor system under the feudal system. The first was the reform at the end of the Qing dynasty abolishing the national examination system, which selected civil servants for the imperial court. The second was a higher education reform in 1952, soon after the founding of the People’s Republic of China. The direction of Education Reform during the Cultural Revolution was very clearly towards advancing human society. The theory and practice of the reform are significant; they are treasures of China and even of the world. Looking back at the process of carrying out the reform, many mistakes were made. However, before there was time to learn from these mistakes and to further improve the new higher education system, it died in its infancy.

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Endnotes

- 1 A wall journal consists of articles and reports and is usually posted on the back wall of a classroom. Wall journals have had a long history in China's schools, work units, and neighborhoods.
 - 2 Mathematical Method for Calculating Optimum was a subject that taught how to use mathematics to figure out how to use the least amount of resources in achieving the highest return in production.
 - 3 There were many different kinds of three-in-one teams. For example, in the factories, the three-in-one team consisted of workers, engineers and cadres. Other three-in-one teams could consist of the young, the old, and the middle aged.
 - 4 Zhang Tie-shang's handing in blank examination papers was a famous case. It was used to show that the university entrance examination was not a fair system for selecting students. Publicizing his case was a way to support Zhang in asserting his right to oppose the unfair system. However, according to the author, "handing in blank examination papers" might have been used the wrong way to indicate that no book learning was necessary.
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