

**Rejoinder**

## CHINA AND SOCIALISM

### Engaging the Issues

**Martin Hart-Landsberg and Paul Burkett**

*From the editors:* In 2005 Monthly Review Press (New York) published a book entitled *China and Socialism: Market Reforms and Class Struggle*, written by Martin Hart-Landsberg (a coeditor of *Critical Asian Studies*) and Paul Burkett. (The content of the book had appeared earlier, in the July-August 2004 issue of *Monthly Review* [vol. 56, no. 3].) We invited the editors of *Critical Asian Studies* to participate in a roundtable discussion of the issues that Hart-Landsberg and Burkett have raised. Responses from *CAS* editors Victor Lippit, Gene Cooper, Alvin So, Mobo C.F. Gao, and Tai-lok Lui appear in the September 2005 issue of the journal (vol. 37, no. 3). A rejoinder by Hart-Landsberg and Burkett is presented here.

We thank *Critical Asian Studies* for sponsoring a roundtable, and the five participants for offering their critical thoughts, about the issues raised in our book, *China and Socialism: Market Reforms and Class Struggle*.<sup>1</sup> For better or worse, the book seems to have touched many nerves on the left not only in North America but also throughout the world. Translations of *China and Socialism* have been, or soon will be, published in Norway, South Korea, Spain, Taiwan, and Turkey. In addition, discussions of the book (pro and con) have appeared on the internet. We believe that this response reflects the seriousness of the ongoing worldwide consideration by leftists of China's experience and the lessons it holds for advancing socialism. Since the roundtable appeared in the September 2005 issue of this journal, we start our response with a brief summary of our work. We then use our four principal conclusions to frame our engagement with the main points raised by each of the five commentators.

## China and Socialism: An Overview

Since 1978, according to official statistics, China's real gross domestic product (GDP) has grown by an average of 9.5 percent a year, the fastest in the world. China has also become the world's largest recipient of foreign direct investment (FDI) and third largest trading nation as measured by the total volume of exports plus imports. Most analysts consider China to be one of the most successful developers in modern times and they credit this success to the country's post-1978 transformation to a market-based, foreign-driven, export-led economy.

It was this largely uncritical celebration of China as development model that motivated us to write our book. We were concerned with the way that progressives in the west and in much of the third world understood the Chinese experience and by extension the workings of capitalism and the struggle to build socialism. In particular, we wanted to highlight the dangers of the growing left interest in competing with neoclassical economists to create models of national development based on the market successes of individual countries. For example, this competition encouraged progressives to view the experiences of individual countries divorced from the broader uneven and combined development of global capitalism. It also encouraged them to adopt neoliberal criteria of economic success, such as growth rates of national GDP, FDI inflows, and (total or manufactured) exports.

Our book was not designed as an intervention into mainstream development debates, let alone as a comprehensive analysis of Chinese political-economic developments.<sup>2</sup> Rather, we wanted to challenge what we saw as politically dan-



“What was important to [most progressives] was that China had evidently undergone a rapid industrial transformation and sustained high rates of growth based on exporting ever more advanced manufactures to the most developed capitalist markets” (Martin Hart-Landsberg and Paul Burkett). (Credit: World Bank/Curt Carnemark, 1996)

gerous patterns of analysis and ideology that were permeating left thinking about China — patterns that were threatening to cripple left efforts to advance alternatives to capitalist development and assist worker struggles for socialism, inside and outside of China. In short, our purpose was to dispute what Ching Kwan Lee has aptly termed “a ‘metaphysical pathos’ celebrating the Chinese experience as a historical success story.”<sup>3</sup>

Our preliminary studies of the Chinese experience had already led us to believe, with Ching Kwan Lee, that this metaphysical pathos represented “an optimism that flies in the face of working-class realities. . . a world of deepening class conflicts, moral confusion, economic dislocation, and decay.”<sup>4</sup> We also agreed with Lee’s prognosis that “the gap between the appearance and reality of a market driven society” was increasingly evident in China, and that this offered “an opportunity for critical knowledge, based on workers’ objective structural location in society.”<sup>5</sup> We felt an urgent need for such worker-community-centered analyses as a counterweight to the kind of “‘neoclassical sociology’ characterized by an emphasis on strategic action in the deployment of capital, property forms, elite circulation, and optimistic assessments of the potentialities of capitalism as the end of history.”<sup>6</sup> We also believed that a Marxist understanding of contemporary transnational capitalist dynamics was an essential component of such a critical, class-based interpretation of China, especially given the tendency for the class-exploitative and uneven development dimensions of capital accumulation to be lost in many recent left analyses (and celebrations) of the Chinese experience.<sup>7</sup>

Our examination of the Chinese experience began with the historical roots, and then the sequencing, of the post-1978 market reforms. We made two main points in this connection. First, the decision to radically increase the economy’s reliance on market forces was not taken in response to popular demands. It was a top-down decision made by the party leadership. As such, pursuit of the path of market reforms was not inevitable, but rather represented an outcome of conflicts within the party leadership combined with the historical alienation of the party from Chinese working people. Our narrative did not delve into these conflicts and this alienation in detail, but rather took them as historical “givens.” We did note that the pro-market faction led by Deng Xiaoping had asserted that market-based efficiency gains were the only viable means of overcoming the country’s growing economic problems said to be inherited from Mao’s overly centralized system of state planning and production. We argued that while political and economic changes were definitely needed and desired by the great majority of Chinese, Deng had overstated the severity of the problems and ignored other, nonmarket reform options that could have addressed them. And, given the party’s powerful control over economic and political life, he was able to block any national discussions that might have produced an alternative evaluation of China’s past achievements as well as proposals for extending them through the development of more democratic and decentralized structures of decision making and planning.

Our second main point regarding China’s marketization was that once the path of market reforms was embarked upon, the reforms developed a momen-

tum and instability of their own, with the contradictions generated at each stage calling forth new reform measures and new contradictions, leading to the relatively swift restoration of capitalism. We showed that the reforms evolved dialectically from more reliance on the market at the expense of planning, to the privileging of private enterprises over state enterprises, and, finally, to the privileging of foreign enterprises and export markets over domestic ones. This unstable “slippery slope” of market reforms contradicts those scholars and activists who still proclaim that China is pioneering a new system of market socialism and celebrate the country’s market successes as demonstrating its superiority.<sup>8</sup>

Given the growing dominance of market-structured, profit-motivated economic activity in China, we recognized that many, probably most, progressives would share our opinion and reject the notion that China was still socialist. We also recognized that many progressives had very little immediate interest in socialism (having been previously alienated by experiences with various forms of official Marxism and/or the collapse of Soviet-style communism), and would therefore not see China’s movement away from socialism as a serious problem. What was important to them was that China had evidently undergone a rapid industrial transformation and sustained high rates of growth based on exporting ever more advanced manufactures to the most developed capitalist markets. Moreover, it had apparently done so while utilizing policies and institutions (controls on financial capital flows, significant amounts of state enterprise in both industry and finance, and so on) that were anathema to the mainstream (“Washington Consensus”) neoliberalism of the U.S. Treasury and the International Monetary Fund (IMF). On this basis, many progressives still consider China to be a model developer (whose experiences refute neoliberalism) and encourage those in other countries to follow its policies.

Our book offered three arguments against such progressive, but non-socialist, celebrations of China. First, the marketization, privatization, and increasing foreign domination of China’s economy have created an unstable growth process that produces wealth mainly for the few at unacceptably high costs for the great majority of Chinese workers and farmers — skyrocketing unemployment, deteriorating work conditions, stagnant or declining real wages, and reduced access to health care, education, and retirement support. We charted the mounting resistance by Chinese workers and farmers to the imposition of these costs, and the increasingly class-conscious character of this resistance. We also pointed out that the more this worker-community resistance intensifies and takes explicitly anticapitalist forms, the greater will be the adverse political consequences of progressive support for the Chinese model. Basically, the celebrations of post-1978 China threaten to paint the country’s progressive supporters into a corner where, just like the neoliberal establishment, they must view upsurges of worker-community militancy not as a basis for historical movements beyond capitalism, but as a threat to the country’s continued economic success.

Second, market reforms, and the resulting erosion of the domestic working-class market by unemployment, intensified exploitation, and rising inequality, have caused China’s growth to become increasingly dependent on exports and

the FDI inflows needed to produce them. (There has also been a swing in productive priorities toward the luxury consumption needs of the country's relatively small but numerically significant minority of middle-class professionals and its tiny elite of super-rich capitalists, along with an unsustainable surge of speculative investment in residential and commercial real estate.) Exports now account for 36 percent of China's GDP and a significantly higher fraction of the country's GDP *growth*, and the share of these exports produced by foreign-invested enterprises has grown from 17 percent in 1990 to 55 percent in 2003.<sup>9</sup> As a result, the state's antilabor policies, required to maintain FDI- and export-competitiveness, have become more and more entrenched at the same time that China's growth has become increasingly dependent on the import capacity of the United States. The very logic of China's high-speed growth strategy can therefore be expected to intensify working-class resistance to, as well as U.S. trade pressures against, this strategy, thereby threatening China's future economic stability and growth. We believe that developments since our book was written, including the trade conflicts brought on by the end of the multi-fiber agreement and resulting surge of Chinese textile exports to the United States and Europe, are already beginning to verify this prognosis.

Our third argument against progressive celebrations of China was that the country's rapid economic growth cannot be understood in isolation from the broader dynamics of global capitalism, especially uneven development and the ongoing transnationalization of capitalist production processes. The massive FDI inflows powering China's exports and GDP growth have come largely at the expense of other countries, such as Mexico and South Korea, that also depend heavily on foreign investment to power their own export growth strategies. East Asian economies are, in particular, being rapidly restructured in response to China's rise in ways that narrow their respective industrial activities toward the supplying of inputs to China-based exporters. Moreover, the dominant agency for this restructuring is not national governments pursuing national industrial policies along the lines of the earlier industrialization campaigns of South Korea and Taiwan, much less Japan, but rather transnational corporations in pursuit of the most competitive international division of labor. Our argument was not that this emergent regional accumulation regime was incapable of supporting any growth among its participant countries, but rather that it was (1) intensifying competitiveness pressures, thereby undermining working-class living standards throughout the region (thus reinforcing export-dependency), and (2) doing nothing to reduce the region's overall dependence on exports to extra-regional markets — in fact, given China's crucial role as final export-platform, it was reinforcing the entire region's reliance on the unsustainable trade deficits of the United States. In sum, we saw China's growth as both cause and effect of a new transnational-shaped arrangement of regional economic relations that is incapable of promoting a stable process of long-term development.

We ended our book by distilling its argument into four main conclusions. The first is that the Chinese experience demonstrates that elite-managed market reforms have a self-reinforcing dynamic of their own, which suggests that market socialism is an unstable socioeconomic arrangement. We believe that

this slippery slope dynamic encompasses both domestic and international dimensions of economic policy. Second, the celebration of China as a development model encourages popular acceptance of the capitalist export-led growth strategy and by extension the use of neoliberal criteria of economic success. Deteriorating working and living conditions thus come to be viewed as temporary side effects rather than essential preconditions and inevitable outcomes of this form of capitalist development. And, as a consequence, little attention is given to possibilities for more worker-community-centered development policies. Third, treating China as a success story draws attention away from the uneven and combined development of capitalism, thereby encouraging the false notion that different countries can simultaneously achieve China-like successes based on the adoption of China-like policies. Fourth, development alternatives should be envisioned mainly through critical engagement with the growing movements among workers in China and other countries in opposition to market reforms and export-led growth. Rather than tailing neoliberalism's never-ending chase after the latest capitalist success story, progressives should strive to interpret what real worker-community movements tell us about the possibility and shape of more democratic and ecologically sustainable forms of economic and human development. In what follows, we use the themes underlying these four concluding points to organize our response to the key issues raised by the five roundtable commentators.

### **The Slippery Slope of Market Reforms**

The roundtable generated several substantive comments on our analysis of China's market reform dynamic. The most puzzling is Gene Cooper's claim that our slippery slope argument, "while engaging, is not so much demonstrated as asserted."<sup>10</sup> It is puzzling because we thought our book offered a rather detailed narrative of the specific path dependencies (contradictions leading to further reforms) generated by the market reform process.

Our narrative divided the reform period into three stages: 1978-83, 1984-91, and 1991 to the present. The first stage, allegedly designed to promote more efficient resource use, involved giving selected state managers greater freedom to sell surplus products at unregulated prices, hire and fire workers, close plants, and retain a share of profits. Not surprisingly, many of these managers immediately began selling an increasing share of the output under their control at inflated prices and laying off workers. The result was inflation, declining real wages, and labor unrest, which forced the state to temporarily halt the reform process. Significantly, foreign investment was also encouraged during this first stage since foreign firms were viewed as "schools" for promoting profit-maximizing enterprise behavior and new market-based labor relations.

Party leaders concluded that first-stage problems were largely due to insufficient market competition. They therefore designed second-stage reforms to promote greater market incentives and labor flexibility. State firms and local governments would no longer automatically receive funds from and return funds to the central government. Instead, they would now have to rely on their own earnings as well as loans from state banks to fund their operations and pay



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required taxes. To encourage the desired profit-maximizing behavior, the central government freed most prices from regulation. It also restructured labor relations; managers of state firms were now encouraged to hire workers on contract, which meant that new hires would not enjoy the long-term security or social benefits of existing state employees. Finally, the central government also encouraged an expansion of private, especially foreign-sector, operations, to overcome state-sector resistance (especially among workers) to the marketization of the economy.

Again, problems quickly developed. State firms and local governments went on a borrowing binge in an effort to generate profits (which they now had even greater freedom to retain). Their demand for goods and services drove up prices and produced a widening trade deficit. The resulting overinvestment meant that state firms were incurring debts that they could not repay, thereby undermining the stability of the banking system. Regardless, the banks were encouraged to overlook the problem in order to sustain the ongoing economic expansion. Intensified competition from private firms further compounded state enterprise problems. Private firms paid lower taxes and were not required to provide health, housing, or retirement benefits for their employees. This unequal treatment put state firms at a serious disadvantage, lowering their profit margins, and making it even harder for them to repay their loans. Pro-market reformers interpreted this dynamic as verifying the inherently greater efficiency of private enterprise compared to state enterprise; in this way the ideological ground was laid for future privatization campaigns. Indeed, as private activity was already becoming more acceptable, many state-sector managers began illegally transferring state assets to their own newly established private ventures,

further undermining the viability of the state sector. Finally, with the state sector producing a smaller share of goods and services and suffering from declining profitability, the central government found itself facing a fiscal crisis. Its shrinking revenue base was unable to match the growing demand for new social programs to cover the health and education and retirement needs of the growing number of unprotected state and private-sector workers.

The third stage of reform started in 1991. Facing a worsening banking and fiscal crisis, the central government committed to a program of privatizing state enterprises. In this way it hoped to raise revenues while reducing pressure on the banking system to refinance state enterprise debts (and to cover current state enterprise losses with new loans). This step made the foreign sector especially important, since it was foreign capital that generally had the resources necessary to purchase many of the larger state enterprises. Foreign investors were viewed as potential saviors in yet another way: rapid growth had generated trade problems and foreign enterprises were seen as best able to produce the needed exports. The direction of the reform process is well captured by the following trends: the state enterprise share of industrial output fell from 64 percent in 1995 to 30 percent in 2002, while the foreign enterprise share rose to 34 percent. The state share of urban employment fell from 60 to 30 percent over the same period.<sup>11</sup>

While most of the roundtable commentators expressed agreement with our characterization of China's market reform process as leading to capitalist restoration, several objections were raised about some of the conclusions we drew from this characterization. For example, Cooper and Victor D. Lippit rejected the connections we drew between China's marketization and the worsening health care, housing, education, and retirement problems faced by Chinese working people. Cooper argues that "a less hell-bent, more humane 'market' socialist alternative in which, for example, the institutions of rural education and health care were not allowed to deteriorate was, perhaps still is, not outside the realm of possibility."<sup>12</sup> Lippit also describes the dismantling of the "system of rural clinics and 'barefoot doctors' (paramedics)...in favor of a fee-for-service system" as both "shameful" and "unnecessary."<sup>13</sup>

Neither Cooper nor Lippit believe there was any alternative to the overall pro-market direction of China's reforms. But, they do not see why China could not have enjoyed greater market efficiency while also advancing human resource development within the framework of a more modern, welfare state. Cooper and Lippit's argument for a more humane and less hell-bent market reform process reflects the tendency of many market socialists and other progressive development theorists to treat economic policy regimes in non-holistic, abstract-ideal fashion, as if one can construct an optimal and equitable system from various institutional elements like dishes off a smorgasbord. The problem with this way of thinking about China's options becomes clear when one tries to explain how the rural education and health care systems could have been maintained while simultaneously destroying the commune system that organized them, or how the financial resources needed to fund new rural education and health care programs could be procured while still encouraging township and

village enterprise (TVE) and private-sector expansion, as well as FDI inflows, through low tax rates, and without overtaxing state enterprises already suffering from profitability and debt problems.

This technocratic utopianism reaches its pinnacle with Lippit's assertion that China's adoption of an export- and FDI-led growth model "certainly did not undermine the viability of state planning, nor did it undermine state direction of the economy."<sup>14</sup> This is an unbelievably Pollyannish statement, especially in light of the ongoing penetration of foreign capital into China's financial system and various other privatization and anti-planning measures (including domestic and external financial liberalization) that China has agreed to under the WTO.<sup>15</sup> Gregory Chow exhibits a more realistic grasp of what is happening with his observation that "the main motivation of premier Zhu Rongji in promoting China's entry into [the] WTO was to use foreign competition to speed up economic reform in both the industrial and service sectors."<sup>16</sup>

In a related error, Lippit and Cooper, along with Alvin So, conflate our analysis of the *path dependency* of market reforms with the much different argument that each step of the reform process was *completely predetermined by*, or an *inevitable result of*, the previous step in the reform process, as if we were claiming that the entire reform sequence could have been mapped out a priori once it was initiated. A fairer reading of our book's narrative would recognize the distinction between path dependency and predetermination, and that our claims involved the former but not the latter. We thought we had made it clear that the extension and deepening of market reforms in each stage of the process was contingent on the prior decision of the country's leadership to eschew nonmarket reform options. As such, the exact angle of the slippery slope of reforms was dependent on the balance of power between pro-market and anti-market forces within the party and the country as a whole. We never claimed that the exact array of reforms at each stage could be completely predicted by the previous stage's reforms and resultant contradictions. All we claimed was that, given the commitment to move in a pro-market direction, the logic of each stage would be to move further in this direction.<sup>17</sup>

Obviously, our book's analysis of path dependencies in the reform process leaves much room, and indeed calls out, for a more in-depth treatment of the relations between the party-state apparatus, class structure, and specific policy measures at each stage of the reform dynamic. In this regard, we totally agree with Tai-lok Lui's suggestion that a more detailed "class analysis of the changing social and economic systems in China is in order," given that "in each of the phases of China's economic reforms new social classes and class interests have emerged" largely as a result of "the further deepening of marketization, privatization, and thus the capitalization of China's economy."<sup>18</sup>

In our defense, our book did describe not only the pressures on workers' living and working conditions generated by the reforms, but also (however briefly and inadequately) the growing alienation of the party-state from worker-peasant support, and its increasing tilt toward the small minority of petit bourgeois and outright bourgeois Chinese pursuing lifestyles similar to upper-income U.S. citizens — a tilt reflected in the accommodation of policy to growing luxury

consumption and to a speculative boom in commercial and residential real estate, as well as in the bestowal of “model worker” honors on capitalists and their managerial functionaries.<sup>19</sup> Space constraints prevented us from detailing the wave of western-style management fads that have swept across China over the past decade, or the growing ranks of Chinese corporate functionaries straddling the increasingly dense institutional nexus between Chinese (state and private) enterprises and western transnational corporations, especially the big U.S. financial conglomerates.<sup>20</sup> We certainly agree with Lui’s argument that such dynamics of class formation have reinforced the market-reform dynamic, as “state administrators, managers, private entrepreneurs, and professionals and technicians have come to constitute those social classes that benefit enormously and disproportionately from marketization and privatization.”<sup>21</sup> Clearly, China’s capitalist restoration “has brought about structured inequalities that systematically enrich some social classes and deny benefits to others,” and this calls for more research on “how...those social classes that become the vested interests of the existing system have come to their current advantageous positions.”<sup>22</sup>

### **Development Means and Ends**

Lippit says he does not understand the role of class power in our reform narrative, because he finds “no serious attempt at class analysis” in our book.<sup>23</sup> He sidesteps our main point in this connection, namely, that the movement toward market economy must be seen as both cause and effect of the movement toward capitalist relations of production. As Lui puts it, “The post-1978 economic reform has brought about the real proletarianization of China’s workers and farmers. They have been truly subordinated to the market and separated from ownership of the means of production...”<sup>24</sup> In this connection, So’s characterization of our analysis as a Marxist “class polarization model” is accurate so far as it goes.<sup>25</sup> But, like Lippit and Cooper, So finds our class analysis overly abstract.<sup>26</sup> All three of these commentators seem to prefer a concept of class that focuses on juridical property relations and pluralistic interest group-type conflicts à la mainstream political economy. As a result, they miss the systemic linkages between proletarianization (understood as structural separation from conditions of production and resulting dependence on wage labor), specific reform measures, and the social costs of these measures. Unfortunately, this non-holistic perspective leads to a gross underestimation of the costs of reforms and an overestimation of reform achievements. It causes these commentators to disregard the possibility that China’s successes according to mainstream development criteria (economic growth, FDI inflows, and exports), far from creating conditions for actual or potential success on the human welfare front, might have instead undermined the conditions of human development for the majority of Chinese working people.

Consider the issue of health care. Both Lippit and Cooper recognize the post-1978 deterioration in effective health care access for the majority of Chinese people, especially in rural areas. But, as noted above, they refuse to recognize the structural connection between this deterioration and market reforms.

In reality, the collapse of the rural health care delivery system went hand-in-hand with the dismantling of the communes, which was the crucial precondition for “freeing” the labor power to be exploited by the TVEs and private (domestic and foreign) enterprises. In other words, declining health care access cannot be separated from the dispossession of Chinese rural working people from the socioeconomic rights they held in the pre-reform period. In this regard, Lippit and Cooper downplay capital’s crucial requirement of a materially dependent *and insecure* labor force, i.e., one whose *best chance* of securing subsistence is to offer its labor power for sale to (private- or government-owned) capitalist enterprises. Such material insecurity is, in fact, the essence of capitalism’s social separation of workers from the conditions of their production. From this perspective, the reduced health care access and rising share of out-of-pocket outlays in total health care expenditures (from 16 percent in 1980 to 61 percent in 2001 for all of China, with an even bigger jump in rural areas), signify the growing class-insecurity of workers that underpins China’s competitiveness and rapid accumulation of capital.<sup>27</sup> In this very concrete sense, China’s health care crisis was an inevitable precondition and result of China’s capitalistic “successes.”

Lippit also understates the sheer gravity of China’s health care problems. For example, he describes China’s record on infant mortality as “very good, with life expectancy for girls now seventy-three at birth and for boys seventy.”<sup>28</sup> Yet in the year 2000 China’s infant mortality rate was thirty-two per thousand, roughly the same as a decade earlier. This infant mortality rate was nearly as high as Indonesia’s thirty-five per thousand and slightly higher than the Philippines’s 30 per thousand, even though Indonesia’s per capita real GDP was more than 20 percent lower than China’s and the Philippines’s real per capita GDP was roughly equal to China’s.<sup>29</sup> Even more troubling is China’s *declining* health performance compared to other poor nations in recent years. As Amartya Sen observes:

China’s life expectancy of seventy-one years is now lower than in some parts of India, notably in the state of Kerala, which, with its 30 million people, is larger than many countries.... At the time of the Chinese reforms in 1979, life expectancy in Kerala was slightly lower than in China. However, between 1995 and 2000... Kerala’s life expectancy of seventy-four years was already significantly higher than China’s last firm figure of seventy-one years in 2000.... Moreover, since the 1979 economic reforms, the infant mortality rate in China has declined extremely slowly, whereas it has continued to fall very rapidly in Kerala. At the time of the Chinese reforms in 1979 Kerala had roughly the same infant mortality rate as China — thirty-seven per thousand. Its present rate is ten per thousand, a third of China’s thirty per thousand.<sup>30</sup>

These trends highlight the need for care in interpreting the timing of the effects of China’s market reforms on the country’s health indicators. For instance, Lippit fails to mention that even with the setbacks during the Great Leap Forward, average life expectancy rose from 35 to 65 over the pre-reform period of 1949-80, dwarfing the subsequent increase to 70 or 71 that has occurred during



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the reform period.<sup>31</sup> Even more importantly, it is highly misleading to credit all post-1978 improvements in health indicators to the reform process. In reality, as even the World Bank recognizes, the health gains in the years immediately after 1978 were more “the direct products of the government’s political resolve and imperative in the early 1970s, when the proliferation of public financed community and preventive health programs rapidly expanded access to basic health care and broadened its coverage.”<sup>32</sup> One would not expect the dismantling of the rural health system to immediately reverse prior trends, especially given the (temporary) jump in peasant incomes resulting from improved agricultural terms of trade during the years 1978-84. However, a decade later, the decline of health conditions had clearly set in. As the World Bank reported in 1997: “Since the early 1990s, mortality rates have increased in many provinces, particularly among infants and children younger than age 5.”<sup>33</sup> In rural areas, the number of hospital beds per one thousand people declined from 1.50 in 1985 to 1.11 in 1998, and the number of health care personnel per one thousand rural people decreased from 2.06 to 1.71 over the same period. Smaller reversals commenced in China’s urban areas by the mid-1990s, and will no doubt be accelerated if and when the government carries out its plans to privatize public hospitals.<sup>34</sup>

A similar dynamic is evident in education, with rural people and other workers forced to pay a growing fraction of educational expenses no longer covered by the communes or the government — and with the quality of education deteriorating for many students. Lippit asserts that the Mao period “left China’s education system in a shambles.”<sup>35</sup> Perhaps understandably, given his biases against

the pre-reform regime, he does not mention that government data show large declines in national student/teacher ratios at primary and secondary levels during the Mao era (except for a brief interruption in the 1960s), a continuation of these declines over the 1980s, and then a definite reversal, as national student/teacher ratios steadily rose over the years 1990-98.<sup>36</sup> Nor does he comment on the recent growth in the number of rural children of high school and even primary school age (especially girls) who do not attend school at all because their parents cannot afford it or because they must become wage-laborers (or prostitutes) to help support the family. This, too, must be seen as part of the proletarianization — creation of a dependent, insecure, exploitable labor force — that is part and parcel of China's export-led growth success. The same goes for the massive shift of unpaid care-giving responsibilities onto women — a burden that handicaps their ability to compete in an increasingly unregulated and discriminatory labor market, while providing an indirect wage-subsidy to domestic and foreign capitalists.

Concerning workers' dispossession during "the reform era," Lippit accuses us of "numerous errors of fact and interpretation."<sup>37</sup> But the only specific error of fact he points to is our purported misunderstanding of land ownership reforms. Lippit claims that land "remains owned by the state and one of the subsistence guarantees peasants retain is a right to work their share of village land."<sup>38</sup> It appears that Lippit has confused juridical property relations with the reality of workers' material-social separation from the conditions of production. Maurice Meisner describes the reality of the post-commune land system as follows:

To allay peasant suspicions that the new system might prove temporary, a 1984 government decree permitted land to be contracted for up to fifteen years, a period that was later extended to half a century. By the end of the reform era's first decade, it was generally understood that lands could be freely passed on to heirs for several generations. It soon became common practice for contracted lands to be rented, bought, sold, and mortgaged as if they were fully alienable private property. There was thus established a *de facto* capitalist free market in land, if not in formal ownership then in rights to land use, which encouraged much speculation in real estate by China's new monied elites.<sup>39</sup>

Besides, what good does it do farmers to have an official claim to a minuscule piece of land if that parcel cannot yield a subsistence income, and in a situation where land is subject to arbitrary confiscation by local government officials on behalf of domestic and foreign real estate developers? Experts on China's land distribution estimate that "as many as 70 million farmers have lost their land in the past decade — a number expected to rise above 100 million."<sup>40</sup>

Lippit and Cooper also assert that we seriously underestimate the employment benefits of TVEs. Their argument appears to be that workers must have been better off working for the TVEs — even though "the wages they pay are low," and even though TVE workers "still face, for the most part, awful working conditions and discrimination in eligibility for urban services" — insofar as their only alternative was unemployment.<sup>41</sup> According to this logic, getting exploited in TVEs was simply a voluntary choice on workers' part, even though the reason

why “conditions [were] still worse in the countryside” was (in reality) the prior abrogation of workers’ rights as members of the communes.<sup>42</sup> Moreover, neither Lippit nor Cooper address the recent stagnation of TVE employment. As of 2001, the TVEs employed 130.9 million workers, the figure having peaked at 135.1 million 1996. As we show in our book, the declining fortunes of the TVEs resulted from the contradictions of the reform process, including the need to divert massive amounts of credit to loss-making state enterprises, the growing use of credit for speculative rather than productive purposes, and the turn to more-and-more indiscriminate privatization policies in order to raise government revenues and satisfy the pecuniary needs of the government’s increasingly powerful constituency of domestic and foreign capitalists.<sup>43</sup>

More generally, Lippit’s attitude toward the employment crisis facing China’s workers can only be described as shockingly glib. While recognizing that “tens of millions of people have been dismissed from state-owned enterprises,” he blithely suggests that “most of these but not all have been able to find alternative sources of employment.”<sup>44</sup> The unfortunate fact is that actual (as opposed to official) urban unemployment has jumped from less than 5 percent of the labor force to double-digit levels during the reform period, with most of this increase following the massive state-enterprise layoffs of the mid-to-late 1990s. Although some laid-off state-enterprise workers do find new employment, most confront a huge decline in their job status and living standards. In this connection, the All China Federation of Trade Unions conducted a survey of workers who had found work after being laid off from state enterprises, and reported the following results:

18.6 percent were odd-job manual workers, 10 percent did various sorts of hourly work (which usually refers to activities such as picking up others’ children from school); 5.2 percent had seasonal jobs; 60 percent were retailers operating stalls; and a mere 6.8 percent had obtained formal, contracted employment. A worrisome 45 percent among the stall keepers were discovered to be highly vulnerable, mobile peddlers selling in shifting sites without a license.<sup>45</sup>

In short, the great majority of workers sacked from the state enterprises become members of the reserve army of unemployed, broadly defined to include those eking out an existence in the informal sector. Workers still employed by state enterprises feel the competitive pressure of this reserve army in the form of intensified exploitation and reduced health, housing, and pension benefits. Indeed, a 1992 reform directive issued by the State Council was deliberately designed to increase the rate of exploitation of state-enterprise workers (roughly, profits compared to wages). The circular said that starting in 1994-95, state enterprises listed on the stock exchange would be permitted to set their own wages, but only so long as they could show that wages were growing more slowly than labor productivity or after tax profits. In Marxist terms these criteria amount to a rising rate of surplus value.<sup>46</sup>

Lippit’s support for China’s reform program also seems to have blinded him to the serious empirical and theoretical problems underlying World Bank claims about massive poverty reductions in the post-Mao period. Lippit quotes

its estimate that 400 million Chinese rose above a poverty line of \$1 per day between 1981 and 2001, and declares this to be one of the regime's most important achievements.<sup>47</sup> However, this World Bank claim is based on an extremely narrow definition of poverty that ignores access to, and the relative cost of, such crucial living conditions as health care, education, housing, and pensions. As Robert Wade puts it, the World Bank's \$1 a day poverty line excludes changes in "most of the benefits people receive from publicly provided goods and services."<sup>48</sup> This distinction between narrow monetary income and broader poverty standards is quite relevant considering the health, education, housing, and pension cutbacks discussed in our book — and similar reductions in access to clean water and other environmental amenities afflicting a growing number of Chinese working people.

Even as a simple measure of real income, the \$1 per day poverty threshold cannot be trusted. The conversion of local monetary incomes into real dollars requires estimates of the comparative domestic purchasing power of different countries' currencies — including adjustments for the relative prices of non-traded goods and services. Unfortunately, as Wade explains,

[China's] PPP-adjusted income figures...contain an even bigger component of guess work than for most other significant countries. The main sources of PPP income figures (the Penn World Tables and the International Comparison Project) are based on two large-scale international price benchmarking exercises for calculating purchasing power parity exchange rates, one in 1985 in 60 countries, the other in 1993 in 110 countries. The government of China declined to participate in both. The purchasing power parity exchange rate for China is based on gues[s]timates from small, *ad hoc* price surveys in a few cities, adjusted by rules of thumb to take account of the huge price differences between urban and rural areas and between eastern and western regions.<sup>49</sup>

Finally, given the continued growth of inequality and unemployment stemming from China's capitalist reforms, one would expect any successes on the poverty front to become increasingly difficult, and even subject to outright reversals — even insofar as poverty is measured by narrow income standards. In fact, this is exactly what is happening in China. In July 2004, just two months after hosting a global antipoverty conference at which it received the congratulations of the World Bank for supposedly lifting 400 million people out of poverty, the Chinese government was forced to admit that the number of rural poor had surged by eight hundred thousand during 2003 — this according to the government's own income standard of 637 yuan (roughly \$79) per year. Eighty-five million rural residents (one out of every eleven) now make less than even this meager income.<sup>50</sup> In a 2005 study, the World Bank itself "found that incomes among rural Chinese — about three-fourths of the total population — have declined slightly in the [three and a half] years since China entered the WTO."<sup>51</sup> Even in urban areas, poverty is growing. Using household survey data from a representative set of cities, and based on a poverty line of 2,152 yuan (about \$266) of annual income in 1999, Jinjun Xue and Wei Zhong find that the urban poverty rate rose from 3.64 percent in 1988, to 4.98 percent in 1995, and 6.1

percent in 1999. They also found a close statistical connection between poverty and incidence of unemployment across households.<sup>52</sup>

In our book, we emphasized the need for progressive development analysts to engage with the growing resistance by China's workers and peasants to their socioeconomic dispossession under the country's market reform process, in order to envision and fight for alternatives to capitalist export-led growth. Such a critical engagement will be impossible insofar as progressives continue to accept the misleading indicators of development success trumpeted by elites inside and outside of China.

### **Uneven Development, Transnational Capital, and the Fallacy of Composition Problem**

Lippit, Cooper, and Mobo C.F. Gao challenge our book's analysis of the international contradictions connected to China's transformation. In fact, Gao finds our claim that "the foreign-driven rise of China as an export powerhouse will only intensify economic tensions and contradictions throughout the region, to the detriment of workers everywhere," to be the "most problematic" of all of our arguments.<sup>53</sup>

All three respondents see China replicating the prior series of growth "miracles" that occurred first in the four "Little Tigers" (South Korea, Taiwan, Hong Kong, and Singapore) and then in the ASEAN3 (Indonesia, Malaysia, and Thailand). In their view, the East Asian model of manufactured export-led growth represents the only viable path of development open to poor nations. China's abandonment of Mao's misguided policies in favor of the East Asian model was therefore a wise move, to which there was simply no sensible alternative.<sup>54</sup> In-



"In a 2005 study, the World Bank itself 'found that incomes among rural Chinese — about three-fourths of the total population — have declined slightly in the [three and a half] years since China entered the WTO.'" (Credit: World Bank/Curt Carnemark, 1994)

deed, Cooper asserts that “this so-called ‘Chinese’ model is only a larger jazzed up facsimile of the so-called ‘Korean model’”; Lippit, meanwhile, suggests that “China’s growth model...is indeed precisely the growth model that brought success to the Asian ‘tigers.’”<sup>55</sup>

In singing the praises of the East Asian growth model, and China’s wisdom in adopting it, these respondents exhibit a rather ahistorical understanding of capitalism, which allows them to ignore the uneven and combined development of capitalism, including overproduction problems, as well as the development constraints imposed by the changing historical context, including the end of the cold war and the ongoing transnationalization of production. They seem to believe that growth and development await any country whose government implements the market-based policies necessary to attract export-oriented FDI from more developed countries. As a result, they never bother to ask why so few countries have been able to engage in “successful” (by capitalist standards) export-led growth, and whether this might have something to do with the temporary autonomy of industrial policies (and external aid) that U.S. imperialism granted a select group of strategically located countries in the cold war, and the impossibility of large numbers of underdeveloped countries attracting the requisite FDI and having access to sufficient export markets. They also do not consider the implications of the fact that “much of the growth” occurring in China during the post-Mao era “was made possible by the infrastructure developed during the revolutionary pre-‘reform’ period.”<sup>56</sup>

Despite its popularity among many progressives, we are not supporters of the East Asian export-led growth model. In fact, we interpret the East Asian crisis of 1997-98 as the clearest indication of the model’s long-run exhaustion as a general growth strategy. Not surprisingly, Lippit denies that the 1997-98 crisis was rooted in deeper structural problems with export-led growth. Instead, following many mainstream analysts, he blames the crisis on “the inflow of short-term financial capital that suddenly flowed out.”<sup>57</sup> As we have argued elsewhere, we believe that the 1997-98 crisis calls for a much more nuanced analysis.<sup>58</sup>

Without recounting its complete history, our crisis narrative starts with the growth acceleration and industrial transformation of the ASEAN3 beginning in the late 1980s. These countries owed their sudden ability to produce and export manufactures in large part to massive Japanese investment, motivated by the revaluation of the yen under the 1985 Plaza Accord and the need for Japanese corporations to cut production costs. However, while ASEAN3 exports of manufactures soared, lifting growth, structural problems immediately became apparent. One was the foreign-dominated nature, and resulting import-dependence, of ASEAN3 manufacturing activity. Although each country ran a surplus in its trade with the United States, each ran a far bigger deficit in its trade with Japan. (Another factor contributing to these deficits was the rapid growth of imported luxuries.) The faster these countries grew, the larger were their overall trade deficits and thus the greater the reliance on FDI and other capital inflows to finance them. Indeed, under constant pressure to generate more foreign exchange, the governments of these model developers aggressively smashed worker attempts at unionization, brought in migrant workers to keep

wages competitive, and intensified exploitation of their natural resources. Thailand's government went so far as to aggressively promote the sex tourism industry, saddling the country with a major AIDS crisis.

The ASEAN3's efforts to attract new FDI to finance their trade deficits became increasingly problematic from the early 1990s, when Japanese corporations (closely followed by those from South Korea and Taiwan) began redirecting their investments to even lower-cost countries, especially China. In desperation, the ASEAN3 opened their financial markets to short-term investments in an attempt to attract alternative supplies of foreign financing. Thus, the deregulation of short-term capital flows that Lippit blames for the crisis was really a direct consequence of the structural dependency created by the ASEAN3's integration into transnational production networks. Moreover, this same integration created a situation where the ASEAN3, the Little Tigers, and China (which gained additional competitive advantage from its 1994 currency devaluation) were all producing, largely under foreign direction, increasingly similar products for the same export markets — especially the U.S. market. In 1996, export prices, and thus earnings, plummeted for the ASEAN3 and several of the Little Tigers as a result of regional overproduction. Fearful that the ASEAN3 and South Korea would be unable to defend their respective exchange rates, international financial speculators dumped their investments. In other words, the timing of the withdrawal of short-term capital in 1997, which triggered the 1997-98 crisis, was no accident: it resulted from the very nature of the FDI- and export-led growth process.

Now, of course, China's ascendance as an export powerhouse has given new life to the East Asian model in the eyes of many. In line with this conventional wisdom, Lippit asserts that "a more appropriate understanding of the impact of China's emergence would emphasize its positive impact on the world economy, and especially on its neighbors."<sup>59</sup> He cites statistics showing how China's economic activity, by pulling in imports, has supported the post-crisis resumption of growth in East Asia. He claims that our book's analysis "lacks all nuance" largely because it fails to appreciate China's emergence as "a second force driving world economic growth" — one that makes world (including East Asian) growth less reliant on the continued expansion of the U.S. economy.<sup>60</sup>

In fact, our book placed great emphasis on China's rise as an export market for the other East Asian countries. However, after providing a detailed overview of the neoliberal "win-win" interpretation (which is almost identical to the one made by Lippit in his response), we pointed out two problematic aspects of this new arrangement. First, insofar as China's exports are increasingly destined for the U.S. market, then China is not really a *second* force supporting East Asian and world growth.<sup>61</sup> China's own growth, and thus the growth of East Asian exports to China, remains structurally dependent on the unsustainable trade deficits of the United States. Second, while it is true that exports to China have thus far helped the other East Asian countries continue their growth despite their declining shares of the U.S. export market, this growing dependence on exports to China actually represents a threat to the region's development possibilities insofar as it is evolving within a framework dominated by transnational corporations.

For example, a growing share of East Asian economic activity is becoming trade dependent (symbolized by a rising ratio of exports and imports to GDP), and thus directed to meeting external rather than national priorities and needs. Moreover, regional trade activity is becoming increasingly narrowed to the production and trade of parts and components, with China serving as a processor of imported manufactured components and the final production platform for the region's exports to other regions, especially the United States.<sup>62</sup> This regional network features increasing standardization and fragmentation of productive processes under the control of transnational corporations, with individual countries competing for the smaller and smaller chunks of value added associated with all but the most advanced stages of production. Not surprisingly, East Asian intra-regional trade is characterized by a growing gap between gross trade flows (total inter-country sales) and trade flows as measured by the value added embodied in exports. In other words, the region's economies are on a kind of treadmill in which they must work harder and harder to generate the same amounts of value added.<sup>63</sup>

In sum, as a result of this regional restructuring, East Asia has grown ever more knitted together and dependent on exporting, with the crucial final market being the United States. And, insofar as the region's growth is increasingly dependent on cross-cutting and competing transnational corporate production networks, all of the countries of East Asia are under ever greater pressure to keep wages down and productivity up so as to sustain or improve their position within these networks. This, in turn, reinforces the bias of the system toward exports rather than domestic wage-based demand, thereby worsening export overproduction problems. Meanwhile, the growing reliance on exports and FDI inflows exerts a steady pressure for governments to deregulate their economies and join new regional and extra-regional "free trade" and investment agreements, i.e., to dismantle what is left of their erstwhile industrial policies. All of this helps explain the significant slowing of regional growth and standards of living in the years since the 1997-98 crisis.<sup>64</sup>

South Korea well illustrates these dynamics.<sup>65</sup> In the period since the 1997-98 crisis, South Korea has become ever more export-dependent. Exports actually accounted for 98.2 percent of the country's growth in 2003; and China has replaced the United States as South Korea's number one export destination.<sup>66</sup> But far from reinvigorating the South Korean model of late industrialization, the attractions of China have become so great for both foreign and South Korean firms that South Korea is now undergoing an industrial hollowing-out. South Korean firms have virtually stopped buying new equipment for their domestic operations. Before the crisis, the yearly growth rate of investment in machinery in the manufacturing sector was regularly over 20 percent; it fell to 0 percent in 1999, 0.5 percent in 2000, then -5.9 percent in 2001 and -4.9 percent in 2002. While the manufacturing investment growth rate has since recovered somewhat, the upturn has been quite modest, to just 0.6 percent in 2003 and 3.2 percent in 2004. Overall manufacturing investment (including plant and equipment) in 2004 was actually 4 percent lower than in 1996.<sup>67</sup> According to the Korean Chamber of Commerce and Industry, "about nine out of ten companies

manufacturing products in Korea have plans to invest in China in the future, as the country's low production cost and the eager-to-please regulations make the market more attractive to Korea.<sup>68</sup> One consequence is that the number of workers employed in South Korean manufacturing is now on the decline.

Despite rising exports to China, South Korea's aggregate economic growth has slowed. Initial post-crisis growth rates of 10.9 percent in 1999 and 9.3 percent in 2000 were driven largely by aggressive government deficit spending and increases in FDI inflows, the latter mainly vulture investments in domestic firms cheapened by the country's currency devaluation. Budgetary realities soon forced a reduction in government spending, and the FDI inflows declined rapidly once the most attractive South Korean assets had been purchased. Growth was then sustained largely by aggressive government policies that encouraged private consumption financed by credit card use, including tax deductions for purchases made by credit card. By 2003, the resulting consumer debt explosion had led to skyrocketing delinquency rates, forcing the government to limit credit card borrowing, which brought the consumption boom to a halt, triggering a decline in investment and a recession. The subsequent recovery has been quite weak, with real GDP growing by just 4.6 percent in 2004 and 3.7 percent in the first half of 2005.<sup>69</sup> And this lethargic growth depends ever more heavily on the stability of the Chinese economy and import capacity of the U.S. economy, insofar as most of South Korea's exports to China are intermediate products that are used in the production of China's exports to the United States.

Desperate to boost investment, the South Korean government has privatized state industries and created special free economic zones to attract foreign investors, so far with minimal success. It has also yielded to domestic and foreign business demands for labor market reforms that weaken unions and worker rights — contradicting Cooper's image of the state allowing "greater rights for workers...even while the nation set astride its international pathways."<sup>70</sup> One result is that the share of the employed labor force with "irregular" (part-time or otherwise contingent) labor status has increased from 42 percent before the crisis to 54 percent currently. These irregular workers receive only 53 percent of the wages paid to regular workers. Perhaps the best summary-indicator of social conditions comes from a 2004 Korean Broadcasting System survey, which found that "more than half of South Koreans feel that the current economic situation is worse than it was in late 1997 when the financial crisis shook the nation."<sup>71</sup>

Much more could be said about the connections between China's emergence as an export powerhouse and the industrial restructuring going on in other countries, not only in East Asia (including Japan) but also Mexico and the United States, but hopefully our point is clear: transnational capitalist dynamics are creating wealth, but not for working people around the world, the majority of whom find themselves pitted against each other and suffering similar adverse consequences, including unemployment and worsening living and working conditions. In this connection, Lippit and Gao misread our book as an attack on the Chinese nation and Chinese workers.<sup>72</sup> Nothing could be further from the truth. Our book emphasized the high costs that China's export "success" has im-

posed on Chinese workers, and we pointed out that Chinese workers have hardly been stealing manufacturing jobs from the United States, given that Chinese manufacturing employment fell by 15 million during the 1995-2002 period.<sup>73</sup> Our aim was not to bash China, much less Chinese workers, but to situate China's export-led growth within the broader — and in our view mainly destructive — dynamics of contemporary capital accumulation from the standpoint of human development in general and worker-community conditions in particular, both inside and outside of China. We felt, and still feel, that the popular view of China as an economic model and a new growth center for a reinvigorated global economy gives a distorted picture of contemporary capitalism.

We would like to offer one important clarification to our book's analysis of the role of foreign capital in China's economic restructuring and growth. In criticizing the Chinese economy's growing reliance on FDI-inflows and exports, we often used terms like "foreign domination," which could give the impression that we saw contemporary developments in China as a simple replay of the country's nineteenth century experience, when China was colonized. We should have done a better job highlighting the ways in which the Chinese state has worked to manage the country's reintegration into transnational capitalist accumulation circuits in an attempt to strengthen selected "national champions" and an associated national capitalist class, and with some success. Clearly a simple "victimization" narrative does not fully capture the reality of China's export-led growth; there is, as previously discussed, a proportionally small but numerically significant group of Chinese that has encouraged and benefited from current policies.

However, in offering the above clarification, we do not mean to endorse mainstream projections that China will continue to move up the transnational value-added chain as required to maintain the country's rapid economic growth. In embracing such projections, Cooper and Lippit make the common mistake of confusing China's growing participation in high-tech *industries* with success in attracting and developing high-tech *activities*.<sup>74</sup> China's production and export of "high-tech" goods, as in electronics, is heavily concentrated in the most standardized, lowest value-added portions of transnational production chains — mainly simple assembly operations. Indeed, "in recent years China has averaged a \$12 billion annual trade deficit in electronics goods, components, and machinery," due to the fact that "the really smart bits, such as integrated circuits, are imported."<sup>75</sup> This technological dependency and concentration in low unit value added production mean that China's exporters are under continuous pressure to cut their unit costs and output prices by any means necessary in order to ensure sufficiently high volumes. This, in turn, means that they must focus their "innovation" efforts on short-term cost cutting (largely new ways of sweating workers) rather than "developing intellectual assets, production skills, modes of serving customers, or actual products that can be understood as in any way proprietary."<sup>76</sup> As Edward Steinfeld describes it:

What has moved to China *en masse*, whether at the bequest of leading global companies or through pressures from Chinese firms themselves, are the manufacturing-intensive segments of particular value chains. More

precisely, it is the codified, commodified, nonintegral manufacturing activities that move....Chinese firms are integrating extensively with the global economy, but they remain concentrated in primarily low-end commodity manufacturing, activities for which they have few other options but to compete on the basis of intense discounting. 21 percent of China's \$325 billion exports in 2002 may have been classified by the Chinese government as "high-tech," but even these ostensibly higher end exports were dominated by lower-end parts for information technology products, or at best, mature products such as DVDs and laser printers....In higher technology sectors, Chinese firms are churning out goods roughly 80 percent of whose value is created elsewhere.<sup>77</sup>

This perspective shows how misleading it can be to treat China's export-led growth as a rerun of South Korea's earlier industrialization, much less Japan's. The ability of the dominant transnational corporations to standardize and fragment all but the most advanced production processes, and for their owners and top managers to monopolize the gains from the remaining less standardized, higher value-added operations (including design and marketing rents) has increased significantly over the past several decades. As Steinfeld explains, "it is not whole industries that move today across geographical boundaries, but instead activities."<sup>78</sup> The result, as we noted earlier, is that the transnational path of development has increasingly become a treadmill in which individual countries (and enterprises within countries) compete more and more intensively for smaller and smaller amounts of unit value added.

None of this precludes the Chinese government from trying to develop national firms that can compete in particular activities. But it does help explain why the Chinese government's efforts to develop such "national champions" (by giving them tax, land, and credit subsidies, and assisting them in negotiations with the transnationals) have been far more successful in resource enterprises (several oil and gas companies) and heavy industries (Baosteel, for example) than in high-tech and consumer brand activities.<sup>79</sup> A crucial difficulty is that compared to South Korea and Japan, "the central government has allowed foreign companies into China at a much earlier stage of its development and these now control the bulk of the country's industrial exports, have increasingly strong positions in its domestic markets and retain ownership of almost all technology."<sup>80</sup> A recent article in *Foreign Affairs* gives some details on "the dominance of foreign firms in China...in advanced industrial exports":

While exports of industrial machinery grew twentyfold in real terms over the last decade (to \$83 billion last year), the share of those exports produced by FFEs [foreign-funded enterprises] grew from 35 percent to 79 percent. Exports of computer equipment shot from \$716 million in 1993 to \$41 billion in 2003, with the FFEs' share rising from 74 percent to 92 percent. Likewise, China's electronics and telecom exports have grown sevenfold since 1993 (to \$89 billion last year), with the FFEs' share of those exports growing from 45 percent to 74 percent over the same period....This pattern repeats itself in almost every advanced industrial sector in China....FFEs increased their total share of high-tech exports from

74 percent to 85 percent between 1998 and 2002. But perhaps more significant, in the same period, they increased their share of total domestic high-tech sales from 32 percent to 45 percent, while the share of that market held by China's most competitive industrial firms, SOEs, fell from 47 percent to 42 percent.<sup>81</sup>

Foreign capital's heavy presence in China highlights the fact, succinctly stated by Dic Lo, that "the transformation of China's economic system in the direction of the free market model appears to be incompatible with the pursuit of the East Asian model."<sup>82</sup> South Korea's export-led growth policies included not only various tax subsidies, but also the channeling of cheap credit to selected firms by government-controlled banks, and the subsidization and protection of infant exporters through the erection of tariff and nontariff barriers against competing imports. All these measures are or soon will be unavailable to the Chinese government under the WTO. Steinfeld thus notes "the basic reality" that China "has at its disposal few of the policy instruments and external conditions enjoyed by industrializers decades ago," which "begs the question of how the divergent premises of 'comparative advantage' and 'national champion' can be reconciled."<sup>83</sup>

In sum, it appears likely that China's export-led growth will continue to depend heavily on aggressive cost-cutting based on intensive exploitation of workers, rather than real product and process innovations. It is doubtful that the benefits from such growth will trickle down sufficiently to create a massive Chinese middle class of 300 million by the year 2015, as projected by the Chinese government and Cooper and Lippit. In fact, the consumption share of China's GDP has fallen rather steadily from over 50 percent during the 1980s to 42 percent currently.<sup>84</sup> What seems more likely is that domestic and foreign capital will merely share some of the fruits of exploitation with the much smaller minority of Chinese managers that "has been created at the highest tiers of the economy" — an elite group that increasingly shuffles "back and forth between employment in foreign and domestic companies, and between employment within China and outside."<sup>85</sup> It is also worth recalling the previously highlighted threats to China's future growth prospects, threats that make official long-term growth projections highly suspect. These include China's ever-increasing dependence on the import capacity of the U.S. market, financial sector instabilities, and the increasingly militant nature of worker resistance to the exploitative conditions that underpin China's export competitiveness.

### **Conclusion: Development Alternatives**

It is, above all, capitalism that our book singled out for criticism, not China or Chinese workers. And it is organizing against capitalism and for socialism in China and elsewhere that we seek to promote. That is why we argued that progressive development analysts should spend less time chasing after capitalist success stories and more time engaging with and learning from ongoing worker struggles in order to help those involved draw from their own experiences new development visions and policy programs. In that spirit, we ended our book by offering our own thoughts about the principles underlying and the potential for

realizing new development options. Among other things we called for a strategy anchored in and responsive to human needs and capabilities. Such an approach is fully consistent with an active trade agenda, but, contrary to capitalist dynamics, the resulting trade patterns emerge out of and reinforce an autocentric integration of domestic needs, domestic demand, and domestic resource use. In other words, it is profit-driven, export-led growth and its associated restructuring of domestic social and production relations in line with capitalist competitiveness imperatives that we object to, not exporting (or importing) per se. We then concretized our presentation by discussing how health care could be used as one potential focal point for an expanding development process, highlighting the gains made by Cuba to illustrate possibilities and practicalities.<sup>86</sup>

Sadly, and perhaps most disappointing to us, was the roundtable's lack of support for our efforts to renew a vision of and movement for a socialism based on the needs and capacities of the associated producers. For example, Lippit argues that "primitive accumulation and early capitalist development are proceeding throughout much of Asia. The point is not to propose a utopian image of workers, peasants, and their communities carrying out the development process because that is not feasible in practice or in theory at the current stage of development. Rather, the point is to minimize the evident abuses and injustices associated with capitalist development in China, and indeed everywhere in the world."<sup>87</sup> Cooper offers the following: "despite all the corruption, small-minded materialism, alarming income disparities, industrial unrest, decay of rural infrastructure, education, and health care, etc., etc., etc., there is also a positive exhilarating side to the contemporary Chinese scene that should not be ignored as we continue to 'think about China.'"<sup>88</sup> Gao notes that "The trouble for the traditional style of the socialist movement today is that for most working-class people, 'holistically speaking,' they only care [about] now and me, because to them, 'in the long run we will all be dead.' Workers all over the world have never united and will probably never do so."<sup>89</sup>

More generally, roundtable participants offered two basic criticisms of our position on socialism. The first is that there is no need for an alternative to capitalism (TINNFA). Capitalism is quite capable of increasing majority living standards worldwide; the past and continuing successes of the countries following the East Asian growth model (now including China) demonstrate this conclusively. The second criticism is that there is no alternative to capitalism's transnational path (TINA). This criticism involves two related arguments: first, that there is no viable model of socialist calculation to replace the market, or said differently, no viable nonmarket means of resolving worker-worker and worker-community conflicts — at least at the current stage of human development. Second, that a democratic worker-community-centered economy is not viable simply because humanity is not yet ready for it.

The TINNFA position basically rests on the notion that capitalism, despite its brutality, continues to remain true to its "civilizing mission." Lippit for example, believes that capitalism will eventually transform "the whole world in its image" thereby ending "the scourge of underdevelopment."<sup>90</sup> We think that this position, for reasons noted above, demonstrates a rather naive belief in capitalism

and its historic mission. For one thing, it basically dismisses the contemporary relevance of imperialism. As we have seen, few countries have been able to successfully generate sustained and rapid growth. Those in East Asia have been among the select few, and all followed models of development that were made feasible by very specific historical circumstances. But, as the East Asian crisis well demonstrated, it is not a strategy that can be generalized or even sustained in the face of changing transnational capitalist imperatives. China's recent success does little to change this reality. In fact, it only highlights another destructive aspect of capitalism's motion: the law of combined and uneven development. As we argued above, transnational capital's restructuring of China as an export platform comes at the expense of development possibilities in other countries, including in the rest of East Asia.

This optimistic view of capitalism's mission is flawed in yet another critical way. Capitalism's mission is accumulation for private profit. Whether that process promotes "progress" and thus remains "progressive" from a world historical perspective is something that cannot be assumed. In fact, we would argue that on a world scale its negative effects now clearly outweigh its positive, especially when human health and environmental costs are taken into account. The reality is that transnational capital's hyper-fragmented and hyper-alienated divisions of labor are at the root of the planet's intensifying environmental and social crises, not to mention the conversion of culture into a commercial-corporate wasteland.

Finally, the TINNEFA position begs the question of what we are to say to the growing numbers of working people experiencing deteriorating living and working conditions, including those living in the countries considered to be economic success stories. Lippit argues that "the remedy [to existing problems]...is not to look toward some ideal state ruled by the workers and their communities, since such a state has never existed and could not exist at this time....Capitalism will have to play out its historic role before it can be supplanted. The task of the left is to minimize the damage it does before capitalism disappears from the scene, and to support the most humane forms of capitalism possible in the interim. Welfare state capitalism of the continental European variety may be the best that can be done at present."<sup>91</sup> As to timing, Lippit states that "capitalism's historic 'task'... is unlikely to be completed for several centuries."<sup>92</sup>

Do TINNEFA supporters really advocate encouraging workers in countries like South Africa, Cuba, and Mexico to pressure their governments into aggressively pursuing export-oriented foreign direct investment, with the expectation that their respective countries will then enjoy the same rapid economic growth as the East Asian tigers did before the 1997-98 regional crisis? And how should we interpret this belief in capitalism's civilizing mission in light of the destructive nature of the ongoing restructuring of the tiger economies themselves (such as South Korea)? Even in the more advanced capitalist economies of the United States, Japan, and Western Europe, growing numbers of workers are finding their hard-fought gains from previous eras being rapidly undermined by the heightened competitive pressures generated by contemporary global accumulation dynamics. Our position is that workers are quite right to refuse to accept

the restructuring costs required to support capitalist profit-maximization and that it would be criminal to encourage them to limit their demands to those compatible with that maximization.

This brings us to the TINA critique. Simply said, we reject TINA. We believe that worker-community struggles have not only shown that alternatives to capitalism exist but that it is only through engaging with and exploring the hidden potentials and meaning of these struggles that we can discover and realize these alternatives. Thus, our rejection of TINA is not based on the approach we criticized above, that viable alternatives can be constructed through smorgasbord-type model-building exercises. As Karl Marx noted, "Every step of real movement is more important than a dozen programmes."<sup>93</sup> Among the historical examples of East Asian communities and countries that have rejected the market in favor of new forms of popularly controlled and directed economic activity we would highlight the post-World War II experiences of worker-community production control struggles in Japan and the Peoples Committees in Korea.<sup>94</sup> More contemporary struggles and successes that deserve study and support continue in Cuba and Venezuela, and Chiapas, Mexico.

More generally, to the extent that our ability to build a new society depends on human capabilities and visions, then our chances of success depend in large measure on our own commitments and beliefs about the transformative potential of collective struggles for change. The question is not whether solidarity always or even mostly has triumphed in the past but whether it can, and how to promote it in the future, given working-class development in and against capitalism. Human development in the Marxist view does not simply get floated up on a sea of productive forces and consumer goods produced by capital, but rather occurs largely in and through the class struggle — understood (even while capitalism still rules, as well as after the establishment of the dictatorship of the proletariat) as a long struggle for the de-alienation of all the conditions of production, which includes all the relevant natural and socio-infrastructureal conditions. In this sense, ecological struggles are both class and human developmental struggles just as much as are workplace struggles.<sup>95</sup>

We conclude our own roundtable contribution by returning to the main topic of discussion, China and its future. We agree with Tai-lok Lui that our efforts to envision noncapitalist alternatives for China could profit from a more in-depth study of the development of China's working class as it undergoes a deepening proletarianization.<sup>96</sup> Chinese workers have often been dismissed as a passive mass, easily moved in line with central government dictates, and thus incapable of acting to challenge and transform China's capitalist structure. To counter this perspective, we offered in our book some history highlighting Chinese worker militancy during the revolutionary and Maoist eras. And we also described, in greater detail, the growing opposition movements involving farmers and workers in the post-1978 reform years. Significantly, worker militancy has continued to grow since the publication of our book, especially at foreign and private enterprises. As the *Washington Post* notes:

Heralded by an unprecedented series of walkouts, the first stirrings of unrest have emerged among the millions of youthful migrant workers who

supply seemingly inexhaustible cheap labor for the vast expanse of factories in China's booming Pearl River Delta.

The signs of newly assertive Chinese workers have jolted foreign and Chinese factory owners, who for the last two decades have churned out everything from Nikes to baby dolls with unbeatably low production costs. Some have concluded that the raw era in which rootless Chinese villagers would accept whatever job they could get may be drawing to a close, raising questions about China's long-term future as world headquarters for low-paid outsourcing.<sup>97</sup>

Such strike actions are relatively new. In the past the labor news was largely filled with reports of struggles by laid-off state workers demanding fair treatment in terms of severance payments and pension and health support. An example: the massive unrest in northeast China during the spring and early summer of 2002, which involved tens of thousands of workers in coordinated actions. As impressive as these events were, because those involved were "retired" from state production, their actions did not represent a direct threat to the foreign-dominated export production that now drives the Chinese economy. Thus, the Chinese government was able to use media blackouts, police spies, and arrests to contain them. But this strategy may well lose its effectiveness as more workers take actions that directly threaten production, especially at foreign companies. And the conditions are ripe for ever-bigger explosions. *Time Asia* reports that in Guangdong, where approximately one-third of China's exports are produced,

base assembly-line wages in the Pearl River Delta, the province's manufacturing belt, have been virtually frozen at about \$80 per month for the past decade, according to a recent survey by the Ministry of Labor and Social Security. Factor in inflation over roughly the same period, and average pay in real terms has declined by as much as 30 percent. The reason: China's rise as a manufacturing power has contributed to a surplus of global production capacity for all kinds of goods, from sneakers to DVD players to plastic lawn chairs. With the price of raw materials rising and factory profit margins shrinking, blue-collar workers are at the losing end of a long chain of supply and demand.<sup>98</sup>

What are we to say to these workers, that capitalist development will solve your problems and that you must not pursue demands that undermine the competitiveness of your country's exports? Should we tell them that they have the ideal system, whether market socialist or East Asian capitalist and not to rock the boat or else foreign capital will shift its activities elsewhere rewarding other workers with its favor? Or should we help workers there and in other countries understand the nature of the capitalist dynamics shaping their lives and offer what encouragement and wisdom we can to help them build capacities, create ties of solidarity with other workers in other countries who face similar pressures, and strengthen efforts to envision and shape alternatives to capitalism?

In this regard, Cooper comments that "Hart-Landsberg and Burkett provide plenty of evidence that labor unrest is widespread, and that the response to it has already grown rather nasty, but I know for sure I wouldn't last long in China

trying to help organize independent labor unions....I'd be way too conspicuous."<sup>99</sup> There are, of course, many ways that we can offer support to Chinese workers and farmers in their struggles against the social and ecological destruction generated by the process of capitalist restoration ongoing in China, ways that in the true meaning of solidarity would also benefit us. A simple example: our discussions of developments in China in our classrooms and in other intellectual activities (including networking with Chinese and other East Asian scholars and activists) can influence how those we interact with think about capitalism and socialism, not just in China but around the world and on a global-historical scale. As we argued in our book, and in this roundtable response, we can and should take advantage of these opportunities to challenge the continuing celebration of the Chinese economic experience and to expose the contradictory and exploitative nature of global capitalism. We should not underestimate the significance of such ideological interventions for the struggles ongoing in China and elsewhere.

### Notes

1. Martin Hart-Landsberg and Paul Burkett, *China and Socialism: Market Reforms and Class Struggle* (New York: Monthly Review Press, 2005); previously published in *Monthly Review* 56, no. 3 (July-August 2004). All page citations in this response refer to the 2005 book.
2. For our broader critique of mainstream development thinking with reference to East Asia, see Paul Burkett and Martin Hart-Landsberg, *Development, Crisis, and Class Struggle: Learning from Japan and East Asia* (New York: St. Martin's Press, 2000).
3. Ching Kwan Lee, "From the Specter of Mao to the Spirit of the Law: Labor Insurgency in China," *Theory and Society* 31, no. 2 (2002): 220-21.
4. *Ibid.*, 221.
5. *Ibid.*
6. *Ibid.*
7. On the continued relevance of Marxist analysis to the Chinese experience, see Jamie Morgan, "Contemporary China, Anachronistic Marxism? The Continued Explanatory Power of Marxism," *Critical Asian Studies* 36, no. 1 (March 2004): 65-90.
8. See, for example, the selection of quotes accompanying the roundtable, under the heading "Embracing China's Market-Reform Strategy? What Others Are Saying," *Critical Asian Studies* 37, no. 3 (September 2005): 460-61.
9. Stephen Roach, "What If China Slows?" *Global Economic Forum*, Morgan Stanley, 23 May 2005, on-line edition; George J. Gilboy, "The Myth behind China's Miracle," *Foreign Affairs*, July-August 2004, on-line edition.
10. Gene Cooper, "Thinking about China: Engaging Burkett and Hart-Landsberg," *Critical Asian Studies* 37, no. 3 (September 2005): 490.
11. Robert H. McGuckin and Matthew Spiegelman, "China's Experience with Productivity and Jobs: Benefits and Costs of Change," Part I, Research Report no. R-1352-04-RR, The Conference Board, June 2004, <http://www.conference-board.org/publications/reports.cfm>.
12. Cooper, "Thinking about China," 490.
13. Victor D. Lippit, "The Political Economy of China's Economic Reform: Observations on *China and Socialism*," *Critical Asian Studies* 37, no. 3 (September 2005): 471-72.
14. *Ibid.*, 477.

15. Bloomberg News, "China: Bank Restrictions Eased," *New York Times*, 5 August 2004, W1; David Barboza and Keith Bradsher, "Another China Bank Is Courted by the West," *New York Times*, 11 July 2005, C1 and C2; *The Economist*, "Investing in China: Milking It," 9 October 2004, 67-68; David Barboza, "Another Chinese Bank Has a Western Suitor," *New York Times*, 28 July 2005, C4; Eva Cheng, "China: Sweeping Privatizations Spark Criticism," *Green Left Weekly*, 16 March 2005, on-line edition.
16. Gregory C. Chow, "Impact of Joining the WTO on China's Economic, Legal and Political Institutions," *Pacific Economic Review* 8, no. 2 (June 2003): 108.
17. Among the roundtable commentators, only Tai-lok Lui seems to recognize the kind of historically contingent path dependency we were claiming. He rightly characterizes our analysis as "an attempt to transcend the existing mindset and framework of evaluating what has happened in China since the launching of market reforms in 1978. China's decision in favor of the so-called socialist market economy was not inevitable (as critics of socialist ideas often assume). Nor is it now necessarily the best available option, however we understand the meaning of 'best.'" Tai-lok Lui, "Bringing Class Back In: China Re-stratified," *Critical Asian Studies* 37, no. 3 (September 2005): 516.
18. *Ibid.*, 517. However, Alvin So goes too far with his suggestion that we basically ignored the fact that "market reforms emerged in a context where the party-state controlled almost every aspect of economy and society," including "the contours of class formation and class conflict." (Alvin Y. So, "Beyond the Logic of Capital and the Polarization Model: The State, Market Reforms, and the Plurality of Class Conflict in China," *Critical Asian Studies* 37, no. 3 [September 2005]: 498.) Leaving aside So's overestimation of the extent and depth of party-state control, our reform narrative took explicit account of the relevant party-state directives and resolutions in each stage, as well as the role of Deng and other party leaders in shaping the ideological terrain of policy debates. Naturally, there is always room for more depth and detail in this area compared to what we could cover in a short popular book not designed for academics.
19. Hart-Landsberg and Burkett, *China and Socialism*, 54-55, 67, 74-75. See also Joseph Kahn, "China's Elite Learn to Flaunt It While the New Landless Weep," *New York Times*, 25 December 2004, A1 and C4; Zhao Huanxin, "'Live Life Now' Is Mantra of New Rich," *China Daily*, 16 May 2005, on-line edition.
20. David Barboza, "7 Habits of Highly Effective Cadres: Western Management Experts Descend on an Eager China," *New York Times*, 19 February 2005, B1 and B3; "The New Power Brokers: Born in China, Now Closing Deals for U.S. Firms," *New York Times*, 19 July 2005, C1 and C4.
21. Lui, "Bringing Class Back In," 518.
22. *Ibid.*
23. Lippit, "The Political Economy of China's Economic Reform," 476.
24. Lui, "Bringing Class Back In," 518.
25. So, "Beyond the Logic of Capital," 498.
26. So also completely bypasses our book's treatment of international contradictions in the reform process — none of which can be directly traced to Marx's *Capital*. Naturally this reinforces the impression So creates that our analysis is overly abstract.
27. Xiaobo Zhang and Ravi Kanbur, "Spatial Inequality in Education and Health Care in China," *China Economic Review* 16, no. 2 (June 2005): 192.
28. Lippit, "The Political Economy of China's Economic Reform," 472.
29. Zhang and Kanbur, "Spatial Inequality," 193.
30. Amartya Sen, "Passage to China," *New York Review of Books* 51, no. 19 (2 December 2004), on-line edition.

31. Harry Magdoff and Fred Magdoff, "Approaching Socialism," *Monthly Review* 57, no. 3 (July-August 2005): 45.
32. Shaikh I. Hossain, "Tackling Health Transition in China," Working Paper no. 1813, *The World Bank*, August 1997, 2.
33. Ibid.
34. Zhang and Kanbur, "Spatial Inequality," 191; "Hospitals May Open to Private Investment," *People's Daily*, 3 August 2004, on-line edition.
35. Lippit, "The Political Economy of China's Economic Reform," 486.
36. Zhang and Kanbur, "Spatial Inequality," 191.
37. Lippit, "The Political Economy of China's Economic Reform," 475.
38. Ibid.
39. Maurice Meisner, *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978-1995* (New York: Hill and Wang, 1996), 230-31.
40. Jim Yardley, "Farmers Being Moved Aside by China's Real Estate Boom," *New York Times*, 8 December 2004, on-line edition; see also Enoch Caudwell, "China's Landless," *MRZINE* (<http://mrzine.monthlyreview.org>), 26 July 2005.
41. Lippit, "The Political Economy of China's Economic Reform," 475, 484; see Cooper, "Thinking about China," 493.
42. Lippit, "The Political Economy of China's Economic Reform," 484; see Cooper, "Thinking about China," 493-94.
43. Hart-Landsberg and Burkett, *China and Socialism*, 44-45, 57-58.
44. Lippit, "The Political Economy of China's Economic Reform," 479.
45. Quoted in Hong Kong Confederation of Trade Unions, *Chinese Labor and the WTO*, 2004, [www.ihlo.org](http://www.ihlo.org), 12-13.
46. Linda Y. Yueh, "Wage Reforms in China during the 1990s," *Asian Economic Journal* 18, no. 2 (June 2004): 152-53.
47. Lippit, "The Political Economy of China's Economic Reform," 469. Another commentator, Mobo C.F. Gao, similarly claims that "the majority of the people including the rural residents are better fed and better clothed in post-Mao China." "China and Capitalism: If Market Capitalism Is Good for the West, Why Is Capitalism with Chinese Characteristics Bad?" *Critical Asian Studies* 37, no. 3 (September 2005): 514.
48. Robert Hunter Wade, "Is Globalization Reducing Poverty and Inequality?" *World Development* 32, no. 4 (April 2004): 572.
49. Ibid.
50. Jonathan Watts, "China Admits First Rise in Poverty since 1978," *The Guardian*, 20 July 2004, on-line edition.
51. Peter S. Goodman, "Rural Poor Aren't Sharing in Spoils of China's Changes," *Washington Post*, 12 July 2005, on-line edition.
52. Jinjun Xue and Wei Zhong, "Unemployment, Poverty and Income Disparity in Urban China," *Asian Economic Journal* 17, no. 4 (December 2003): 389, 397-404. The survey was conducted by the Chinese Academy of Social Sciences, assisted by the National Bureau of Statistics of China.
53. Gao, "China and Capitalism," 511.
54. Lippit, "The Political Economy of China's Economic Reform," 472-74, 477, 480-83; Cooper, "Thinking about China," 490-91; Gao, "China and Capitalism," 514.
55. Cooper, "Thinking about China," 490; Lippit, "The Political Economy of China's Economic Reform," 477.
56. Magdoff and Magdoff, "Approaching Socialism," 47.
57. Lippit, "The Political Economy of China's Economic Reform," 478.
58. For our detailed analysis of both the 1997-98 crisis and mainstream responses to it, including our statistical evidence, see Burkett and Hart-Landsberg, *Development, Crisis, and Class Struggle*, chapters 11 to 14; Martin Hart-Landsberg,

- "The Asian Crisis: Causes and Consequences," *Against the Current*, no. 73 (March-April 1998): 26-29; Paul Burkett and Martin Hart-Landsberg, "East Asia and the Crisis of Development Theory," *Journal of Contemporary Asia* 28, no. 4 (1998): 435-56; Martin Hart-Landsberg and Paul Burkett, "A Critique of the 'Mismatch Model,'" *Bulletin of Concerned Asian Scholars* 31, no. 4 (October-December 1999): 37-43. We predicted the crisis in an article drafted in the summer of 1996, when right- and left-wing celebrations of the East Asian model were at their peak. See Martin Hart-Landsberg and Paul Burkett, "Contradictions of Capitalist Industrialization in East Asia: A Critique of 'Flying Geese' Theories of Development," *Economic Geography* 74, no. 2 (April 1998): 87-110.
59. Lippit, "The Political Economy of China's Economic Reform," 481.
  60. *Ibid.*, 481-82.
  61. The share of China's exports going to the United States rose from 8.5 percent in 1985 to 29.1 percent in 2002. Hart-Landsberg and Burkett, *China and Socialism*, 131.
  62. For details, see Martin Hart-Landsberg and Paul Burkett, "China and the Dynamics of Transnational Capital Accumulation," paper presented at the conference on "The Korean Economy: Marxist Perspectives," Institute for Social Sciences, Gyeongsang University, Jinju, South Korea, 20 May 2005; forthcoming in *Historical Materialism*, 2006.
  63. *Ibid.* See also, Prema-chandra Athukorala, "Product Fragmentation and Trade Patterns in East Asia," Working Paper no. 2003/21, Division of Economics, Research School of Pacific and Asian Studies, Australian National University, October 2003; Edward S. Steinfeld, "China's Shallow Integration: Networked Production and the New Challenges for Late Industrialization," *World Development* 32, no. 11 (November 2004): 1971-1987.
  64. Asian Development Bank, *Asia Economic Monitor*, August 2005, 23 (<http://aric.adb.org>). For a detailed analysis of East Asia's tentative and uneven recovery from the crisis as of late 2000, see Paul Burkett and Martin Hart-Landsberg, "Crisis and Recovery in East Asia: The Limits of Capitalist Development," *Historical Materialism*, no. 8 (summer 2001): 3-47.
  65. Martin Hart-Landsberg and Paul Burkett, "Economic Crisis and Restructuring in South Korea: Beyond the Free Market-Statist Debate," *Critical Asian Studies* 33, no. 3 (September 2001): 403-30; Martin Hart-Landsberg, "The South Korean Economy and U.S. Policy," *Asian Perspective* 28, no. 4 (2004): 89-117, and "South Korea: The Unraveling of an Economy," *MRZINE* (<http://mrzine.monthlyreview.org>), 15 August 2005.
  66. Kim Ji-ho, "Morgan Stanley Warns of Economic Slowdown in China," *Korea Herald*, 24 March 2004, on-line edition.
  67. Editorial, "Economy at the Crossroads," *Korea Herald*, 2 June 2005, on-line edition.
  68. Kim Mi-hui, "Factories Relocating Abroad to Cut Costs," *Korea Herald*, 25 October 2003, on-line edition.
  69. Asian Development Bank, *Asia Economic Monitor*, August 2005, 23.
  70. Cooper, "Thinking about China," 490.
  71. Kim Jae-kyoung, "Hardship More Serious Than 6 Years Ago," *Korea Times*, 26 May 2004, on-line edition.
  72. Lippit, "The Political Economy of China's Economic Reform," 482; Gao, "China and Capitalism," 512-13.
  73. Our book cited official government data that put the decline in the number of manufacturing jobs at 26 million. See Hart-Landsberg and Burkett, *China and Socialism*, 113, 127. The figure of "only" 15 million jobs lost is based on certain adjustments of the official data to take account of unregistered and nonurban

- manufacturing units. See Judith Banister, "Manufacturing Employment and Compensation in China," Unpublished Report to the U.S. Department of Labor, December 2004, p. 66 and passim.
74. Cooper, "Thinking about China," 490-91; Lippit, "The Political Economy of China's Economic Reform," 469.
  75. *The Economist*, "The Struggle of the Champions," 8 January 2005, 60.
  76. Steinfeld, "China's Shallow Integration," 1976.
  77. *Ibid.*, 1971-1972, 1983.
  78. *Ibid.*, 1983.
  79. *The Economist*, "The Struggle of the Champions," 60; Paul S. Ciccantell and Stephen G. Bunker, "The Economic Ascent of China and the Potential for Restructuring the Capitalist World-Economy," *Journal of World-Systems Research* 10, no. 3 (fall 2004): 565-89.
  80. *The Economist*, "The Struggle of the Champions," 61.
  81. Gilboy, "The Myth behind China's Miracle."
  82. Dic Lo, "China, the 'East Asian Model' and Late Development," Working Paper no. 131, Department of Economics, School of Oriental and African Studies, University of London, November 2003.
  83. Steinfeld, "China's Shallow Integration," 1981.
  84. Roach, "What if China Slows?"
  85. Steinfeld, "China's Shallow Integration," 1980.
  86. Hart-Landsberg and Burkett, *China and Socialism*, 117-20.
  87. Lippit, "The Political Economy of China's Economic Reform," 487.
  88. Cooper, "Thinking about China," 494.
  89. Gao, "China and Capitalism," 513.
  90. Lippit, "The Political Economy of China's Economic Reform."
  91. *Ibid.*, 472.
  92. *Ibid.*, 471. Similarly, ignoring Cuba's demonstrated successes, Lippit strangely appeals to FDA-approved drug development costs as proof that socialist health care and pharmaceuticals development is "devoid of any semblance of practicality" (*ibid.*, 486). Evidently exploitation by the transnational drug companies for several more centuries is more practical for workers than developing their own health care system.
  93. "Marx to Bracke" (5 May 1875), in *Marx and Engels, Selected Correspondence* (Moscow: Progress Publishers, 1975), 278.
  94. See Paul Burkett and Martin Hart-Landsberg, "Progressive Capitalism, Crisis, and Class Struggle: Lessons from Japan's Production Control and Democracy Movements," *Capital and Class*, no. 79 (spring 2003): 25-54; and Martin Hart-Landsberg, *Rush to Development: Economic Change and Political Struggle in South Korea* (New York: Monthly Review Press, 1993), chapters 5 and 6.
  95. See Paul Burkett, *Marx and Nature* (New York: St. Martin's Press, 1999), chapter 13; also "Marx's Vision of Sustainable Human Development," *Monthly Review*, forthcoming, October 2005.
  96. Lui, "Bringing Class Back In," 518-20
  97. Edward Cody, "Workers in China Shed Passivity, Spate of Walkouts Shakes Factories," *Washington Post*, 27 November 2004, on-line edition.
  98. Neil Gough, "Trouble on the Line," *Time Asia*, 31 January 2005, on-line edition.
  99. Cooper, "Thinking about China," 492.

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