

China: The Largest Cheap Labor Factory in the World

By [Prof Michel Chossudovsky](#)

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This video describes China's system of despotic capitalism, under a "Communist" label.

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

China is an advanced capitalist economy integrated into the World market. Wages for non-skilled labor in Chinese factories are as low as 100\$ a month, a small fraction of the minimum wage in Western countries.

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

Capitalist Restoration

In 1981-82, based at the University of Hong Kong, Centre for Asian Studies (CAS), I started my research on the process of capitalist restoration in China. I took a crash course in Mandarin at the HKU Language School as well as in Taiwan. This research -which extended over a period of 3 years- included fieldwork conducted in several regions of China (1981-83) focussing on economic and social reforms, analysis of the defunct people's commune and the development of privately owned capitalist industry including the cheap labor export economy.

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

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

Most "Left wing" economists and social scientists dispelled my analysis: *"What you are saying Michel is an impossibility, it goes against the laws of history"* said Brazil's political economist Theotonio dos Santos (in response to my presentation, Second Congress

of Third World Economists, Economistas del Tercer Mundo, Havana, 26-31 April 1981).

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

I completed the manuscript of my book entitled *“Towards Capitalist Restoration? Chinese Socialism after Mao”* in 1984. It was casually turned down by Monthly Review Press:

“We unfortunately have no market for a book on this subject”.

While this was a slap in the face from what I considered to be an important and powerful socialist voice, I came to realize that MR (Harry Magdoff in particular) throughout the 1980s remained firmly supportive of the post-Mao regime under the helm of **Deng Xiaoping**. I had previously met and was in contact with both **Paul Sweezy** and **Harry Magdoff** for whom I had high regard. The book was subsequently published by Macmillan in 1986.

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

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

The editors’ introduction by Harry Magdoff and John Bellamy Foster, while acknowledging “the reemergence of capitalist characteristics” associated with rapid economic growth tends to skirt the broader issue of capitalist restoration, a historical process which has been ongoing since the early 1980s:

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

Many Marxists including **Theotonio dos Santos** believe that the reemergence of capitalist characteristics in the People’s Republic of China had its roots in post-1949 socialist construction rather than in the semi-colonial structures prevailing in China prior to 1949. The issue of high growth of GDP is misleading. The rate of growth during the Maoist period was equally significant, its focus and “social composition”, however, was different. The

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

The video below should dispel any doubts concerning the nature of contemporary Chinese society. Levels of income inequality are higher than in the U.S according to a 2014 [University of Michigan study](#). Social inequality in China is among the highest in the World.

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

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

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

While China plays an important balancing role on the geopolitical chessboard, it does not constitute a viable alternative to Western capitalism. Moreover, in contrast to the US, China has no imperial ambitions.

Michel Chossudovsky, February 15, 2015

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About the author:

Michel Chossudovsky is an award-winning author, Professor of Economics (emeritus) at the University of Ottawa, Founder and Director of the Centre for

Research on Globalization (CRG), Montreal, Editor of Global Research. He has taught as visiting professor in Western Europe, Southeast Asia, the Pacific and Latin America. He has served as economic adviser to governments of developing countries and has acted as a consultant for several international organizations. He is the author of eleven books including *The Globalization of Poverty and The New World Order* (2003), *America's "War on Terrorism"* (2005), *The Global Economic Crisis, The Great Depression of the Twenty-first Century* (2009) (Editor), *Towards a World War III Scenario: The Dangers of Nuclear War* (2011), *The Globalization of War, America's Long War against Humanity* (2015). He is a contributor to the *Encyclopaedia Britannica*. His writings have been published in more than twenty languages. In 2014, he was awarded the Gold Medal for Merit of the Republic of Serbia for his writings on NATO's war of aggression against Yugoslavia. He can be reached at crgeditor@yahoo.com

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