

The Fable of the Chinese Bees - A a new phase of uncertainty and conflict in China

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The Chinese economic miracle seems to prove that *The Fable of the Bees* was right. This was a satirical poem written in the 17th Century by Bernard Mandeville. According to the poet, corruption, fraud, deceit and extravagant consumption are all beneficial to the economy. Theft provides work for the locksmith. Thrift merely depresses the economy.

In China there is certainly no lack of corruption, deceit and extravagant consumption. And the Chinese economy has enjoyed a 10% annual growth rate for the last 30 years. So it is easy to agree with the poet's idea that there is a close link between rampant greed, corruption and a healthy economy.

China pays its workers too little to buy what they make

A second look, however, reveals that the "Fable of the Chinese Bees" does deviate a bit from Mandeville's original. It has its own "Chinese Characteristics". No capitalist economy can thrive without its workers, who are the majority, engaging in mass consumption. This applies to China too. But what is strange about the Chinese beehive is that it doesn't primarily rely on its own domestic consumption. Instead, it relies heavily on consumption by the American, European and Japanese beehives.

There is extravagant consumption in China, but it is mainly limited to the upper class. This class pays such low wages to its worker bees that they simply cannot buy enough of their own goods to support the economy. That is why the business class needs to export so much.

Boosting exports means importing more raw materials, semi-finished products and technologies. It is no wonder that in 2012 China became the world's largest trading nation for goods, ending the post-war dominance of the US. In 2014 alone, Chinese imports and exports accounted for more than 10% of global goods trade, shooting up from just 3% in 2000.

Capitalism cannot exist without periodic crises

When Mandeville wrote his poem, the first business cycle in 1825 was still more than a century away. Greed and corruption may be engines for capitalist growth, but capitalism is unable to grow continuously without periodically entering into crisis.

What is a business cycle?

Every capitalist economy has always gone through cycles of “boom and bust”.

- During the boom years: capital invests in productive capacity - factories, machinery, offices, equipment etc. The economy grows. More goods and services are produced. Capital continues to invest in productive capacity until it produces more goods and services than it is able to sell.
- During the bust years: prices fall as capital battles to sell its goods and services. As a result, profits fall. When profits fall, capital invests less and the economy shrinks. Less goods and services are produced.

For the working class, the “bust” years are years of rising unemployment and increased poverty. “Boom” years generally reduce unemployment but often have little impact on poverty.

The problem is that since 2008, the US, EU and Japanese economies have been heavily affected by the Great Recession. So they have not been able to take as many imports from China as before. Hence the great decline in Chinese exports, which is one of the reasons for China’s economic engine losing steam.

Last year China’s growth went down to 7%. This was followed by the bursting of the twin bubbles in the real estate market and the stock market this July. The stock market crashed 30% from its peak, wiping out 2.4 trillion Chinese Yuan (RMB). This inevitably cut the volume of imports. Given the size of the Chinese economy, the drop in imports will adversely affect the exports of many countries, including South Africa.

A repressive labour regime fattens the ruling class

Despite its recent period of high-speed growth, the Chinese economy has always suffered from tremendous imbalances. Ironically, this was one of the reasons for its past success. A repressive labour regime enables the Chinese ruling class to accumulate huge wealth. This wealth supports the extravagant consumption of the elite as well as an exceptionally high investment rate. This accounts for China’s 30 year infrastructure boom.

But this high-investment, low domestic consumption, export-oriented growth pattern cannot be sustained in the long run. Its time of reckoning arrived when the Great Recession hit in 2008. Only China’s hugely centralized state capitalism saved it from the recession, with the state launching its 4

trillion RMB stimulus package.

Prior to this, the Chinese Communist Party (CCP) had already been talking about re-balancing the economy with a fairer wealth redistribution policy. The state rescue in 2008-9 was an opportunity to implement such a policy, but this never happened. Again, two thirds of the stimulus package was spent on infrastructure.

So the decline of household consumption continues. In the 1990s, household consumption was 47% of GDP. It has kept on declining since then, and in 2005 dropped to 37.7%, while the world average was 60%. Despite the stimulus package, household consumption dropped further to 35.3% in 2009, and has stayed at this level since then.

China: a special kind of state capitalism

Why can the CCP not implement its own policy? The answer is self-interest. Instead of paying workers high enough wages, the ruling bureaucracy spends the money on infrastructure, so that they can profit from it through commissions, kick-backs and bribes. Why would they give back some wealth to the poor when they can take it all?

In China we have a special kind of state capitalism, which some call the “corporatization of the state”. This means that the state takes on the role of capital accumulation and also of the sharing of profits among the upper-ranking bureaucrats. It props up the markets which give them the most profit, for instance the real estate and stock markets. This was exactly what the Chinese state did in July when the stock market fell 30%.

The explosive corruption behind Tianjin

But there is a limit to the effectiveness of state rescue. One reason for this is the rotten degeneration of the state bureaucracy. Corruption is so extensive that it now routinely obstructs the normal functioning of the state apparatus. The Tianjin explosion of 12 August exposed the scale of such degeneration: the storage facility of Tianjin Ruihai International Logistics was totally unsafe from the very beginning. And yet it had obtained all the necessary permits to store dangerous goods.

This is simply because the bosses of the company were all connected to local officials who founded it. So the consultancy company was bribed to certify the premises as safe.

This kind of practice dominates all the activities of the state. Instead of fixing society's problems, the bureaucracy itself is the biggest problem. This is also why it is powerless to implement a restructuring of the economy in the interests of the majority.

Anti-corruption campaigns don't solve anything

But isn't Xi Jinping, the General Secretary of the CCP, launching a successful anti-corruption campaign which may fix the state machinery? We don't need to doubt the seriousness of Xi's intentions, even if the most prominent leaders who are being charged also happen to be his opponents. Anti-corruption campaigns have featured throughout the history of the CCP's republic. In fact they have taken place throughout the entire history of China since its unification in 221 BC.

The first emperor of the Ming dynasty (1368-1644) hated corrupt officials so much that he skinned

them alive and put their skin on public display. This did not stop the empire from eventually collapsing. The Kuomintang party (KMT) also launched an anti-corruption campaign in the 1930s, limiting officials' meals to four dishes plus soup. Officials evaded these regulations by doubling and trebling the size of the dishes. In the 1980's the CCP repeated the same exercise. The officials simply repeated their predecessors' responses, and everyone was happy.

The only answer is democratic control

No anti-corruption campaign can be successful without implementing real democratic control over the ruling bureaucracy. And this is exactly what the bureaucracy fear and avoid by all means. If the people rise up to protest, the top leadership responds by increasing its bureaucratic control over the people. With every anti-corruption purge, the bureaucracy is further consolidated and its corruption becomes more entrenched. This is what has happened since the Tiananmen Square massacre on 4 June 1989. So Xi's efforts are destined to fail.

What was the Tiananmen massacre?

Student demonstrations were held from April 1989 in Beijing's Tiananmen Square in support of Communist Party General Secretary Hu Yaobang, who had been removed from office. He was seen as a supporter of greater democracy and freedom for Chinese workers and students.

The students soon made general demands for an end to corruption, for democratic control of the Communist Party, and for a clear legal system instead of arbitrary bureaucratic power.

Students from other parts of the country joined them and there were demonstrations and strikes throughout the country. The seven week occupation of Tiananmen square became symbolic. At its peak, there were one million workers and students in occupation.

On May 20, the government declared martial law, and the army cleared the square on 3-4 June. Nobody knows how many people died. Estimates range from hundreds to thousands. The massacre was followed by widespread repression of pro-democracy activists.

In addition to this, Xi has attacked political princelings, such as Bo Xilai, as well as other corrupt officials. This has prompted an increase in factional fights among the top leadership. At the same time, though, Xi is the only leader since 1949 who was chosen by his peers. So he has fewer political credentials than his predecessors to make his peers obey him.

Worker bees are mobilising

Xi and his CCP are now entering a new phase of uncertainty and conflict, both in politics and the economy. This emerges while the regime continues to face rising worker militancy. The workers on whose backs the Chinese economic miracle was built have become increasingly aware of their

rights. They are also becoming increasingly prepared to fight to defend themselves in the face of poor working conditions and abuse.

Currently their struggles are still fragmented and largely spontaneous, but if this were to change, collective labour actions could also further shake up the Chinese regime. There are most certainly unsettled times ahead for the Chinese beehive.

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