

China Report by Michael O. Billington

'Shock therapy' imposed

Deng Xiaoping's new round of rapid reform is just what George Bush and Henry Kissinger ordered.

The western media are providing extensive coverage of the current rapid expansion of the Chinese form of "shock therapy" being imposed under 87-year-old Deng Xiaoping, the "old friend" of George Bush and Henry Kissinger. Deng is portrayed as the hero fighting for reform against the hardline conservatives, as if Deng were not the one who ordered out the tanks to massacre the cream of Chinese youth just three years ago.

The secret behind this is twofold: the reformers and conservatives are in agreement on the necessity to crush any expression of political freedom or creative thinking; and Deng's "reform" is in fact a policy of destruction of the people and the physical economy of China, in keeping with the demands of the bankrupt Anglo-American financial institutions.

The focus of Deng's new campaign is the drive to crush the "Three Irons": the iron rice bowl, the iron chair, and the iron salary, referring to the (theoretical) assurance of food, a job, and a salary for every Chinese. Now these state guarantees are being abolished, which, according to Deng, the spokesman for the "magic of the marketplace," will somehow create the "prosperity" of a market economy. As has been shown in eastern Europe and the Third World, such International Monetary Fund (IMF)-dictated destruction of state support for the population, with nothing to replace it, causes nothing but death and decay.

In practice, the meaning of this policy is expressed in the admission in the March 5 *China Daily* that the

"blind flow" of unemployed peasants, which assures foreign investors an endless supply of cheap, unskilled labor in the free trade zones, is now well over 100 million and will increase at the rate of 10 million per year. The average wage of an urban worker is about 1/100th that in the United States, about the same ratio as it was in 1918 when Dr. Sun Yat-sen proposed the as-yet-unfulfilled industrial development of China.

Beijing has begun the process of cutting off millions of workers from their jobs. In the bankrupt basic industrial sector, which is largely state owned, the bailout of federal funds which has sustained these companies over the past three years is coming to an end. Firms that have defaulted on a debt, the government announced the first week in March, will be closed or merged with other firms. Projects which default on a debt will be closed. Already, industrial workers who believed they had lifetime employment have found themselves joining the "blind flow." It is worse in the civil service. Under the guiding hand of U.N. Development Fund director William Draper, about 15% of the work force in the government institutions is to be left to fend for themselves among the unemployed.

The squeeze is on in other ways as well. The previously token rent rates are being radically increased. Free medical care is disappearing. This is openly said to be necessary due to collapsing federal revenue, which is due to collapsing state sector industries and to enormous tax breaks given the

cheap labor export-oriented industries in the free trade zones. Moreover, the State Administration of Taxation announced March 9 the introduction of sales taxes.

The conservative opposition to the reforms, centered around 86-year-old Chen Yun, has traditionally (at best) complained that the agricultural and industrial infrastructure was being sacrificed while the free trade zones prospered.

On March 1, however, the Hong Kong daily *Cheng Ming* reported on a document circulated by these networks which pointed to the insanity of "opening up" to a U.S. economy that was itself collapsing. The document references the Japanese book *The Japan That Can Say No*, and read: "The fundamental reason for the decline of the United States is its neglect of material production and its excessive zeal for making money from financial markets as it embarked on a so called 'Third Wave.' For a while, China's newspapers, broadcasts, and television endlessly bombarded the public with this view: 'Manufacturing represents backward and conservative thinking, while engaging in business constitutes the modern concept.' To this day, the naive idea that still prevails in our country's theoretical economic circles is that the industrial structure can be upgraded simply by expanding the proportion of the tertiary industry in the national economy. In addition, the best and the brightest in our country have been lured from production and science and technology fields into the circulation sectors."

Yet, these circles have no better idea how to run the economy, since they, like Deng, fail to recognize that modernization and development are impossible with a population that is confined by an ideological straitjacket and the tyrannical suppression of thought.