

almost entirely due to China-based stock issues—as well as the collapse of the new domestic stock markets in Shanghai and Shenzhen. Several major private investors, notably Hongkong builder Gordon Wu, have cut back drastically on their plans for major power and transportation projects in the mainland. The World Bank and the Asian Development Bank, in the meantime, have both announced a cutback in infrastructure loans, claiming that the private sector is providing adequate financial support for infrastructure.

Ironically, the largest slice of the projected foreign investment in infrastructure is coming from the world's leading derivatives speculator, George Soros, who has set up funds with both GE Capital and the Hongkong-based Peregrine Investments totalling \$3.5 billion, according to the *Financial Times*, with China the primary target. As the global derivatives bubble collapses over the coming period—perhaps in the coming months—these sources will disappear.

### Opportunity awaits

The battle for power in China after the death of Deng (an occurrence which must be considered just as inevitable as the crash of the global derivatives bubble), or perhaps even before Deng's death, will provide an opportunity for a dramatic transformation of the past 45 years of recurring economic disasters under Communist Party rule—provided there are those with the commitment and basic economic intelligence to meet that challenge. The publication in *Strategy and Management*, the journal of the Chinese Academy of Social Sciences, of the proposal by *EIR* founder Lyndon LaRouche and his associate Dr. Jonathan Tennenbaum, demonstrates the existence of at least some motion in that direction. The LaRouche program, featured in *EIR* on Feb. 11, 1994, is based on the construction of 1,000 new nuclear-powered cities over the next century, built along a series of "development corridors" cutting into the interior and connecting with several new "Silk Routes" to Central Asia, Africa, and Europe. This approach would allow the use of the high concentration of people and land use to increase per capita and per kilometer use of energy, water, transportation facilities, etc., and build the infrastructure necessary for these cities and for modern agriculture.

Along similar lines, an interview granted to *EIR* by Hui Yongzhen, vice minister of the State Science and Technology Commission of China (see *EIR*, May 27, 1994), expresses a serious approach to the necessity of developing the entire Eurasian landmass as the minimum approach to assure peace and development. It is these tendencies which must overcome the still-dormant view of the Chinese leadership that the capital needed for development must be extracted from coolie labor in primitive agriculture and low-skilled sweatshops.

If this latter policy is continued much longer, yet another holocaust awaits China's 1.2 billion people.

## P.R.C. never stopped looting its peasants

by Michael O. Billington

Faced with a severe agricultural crisis, including thousands of peasant demonstrations and riots across the country as well as mounting production problems, the People's Republic of China (P.R.C.) Ministry of Agriculture Rural Economic Research Center released in January a stark analysis of the causes behind the crisis. (A translation of the report was published in the May 13 Foreign Broadcast Intelligence Service of the U.S. State Department.) The report is as notable for its honest admission of the systematic looting of the agricultural sector since the early days of Maoist rule through to today, as it is for a lack of any competent conception of how to solve the problem. In particular, there is absolutely no mention of the question of the mechanization of agriculture, nor of the horrible state of water and transportation infrastructure.

The report lists the problems affecting peasant income as follows: "the continuous deterioration of trading conditions for agriculture, the issue of IOUs for the purchase of farm products, the outflow of agricultural funds [the diversion of agriculture funds to speculation in real estate, etc.], the holding up of farmlands by development zones, and the added burden on peasants [extra taxes, levies, etc. by local government]." The result is that a rapid deterioration of farm income has reduced the ratio between the peasantry's per capita income and that of urban residents back to the pre-reform level of 1978, following the dark days of the Cultural Revolution.

Production growth, which fell significantly in the mid-1980s, recovered somewhat between 1989 and 1992, but only enough to sustain zero-growth in output per capita. The report provides the data shown in **Table 1**, which show the dramatic growth in farm output and income between 1979 and 1984, when the commune system was abolished and agricultural investments increased rapidly. However, in 1984, as the free trade reform policies were first being implemented as part of the deal with the British over the eventual return of Hongkong, the government intentionally cut agricultural investments, de-emphasized tractor production, and began to look the other way when peasants broke the residency laws, eventually flooding into the coastal cities in search of work in the export zones. The report points out that peasant income growth did not fall further than 5% in this

1985-88 period due to the establishment of thousands of "town enterprises" (a combination of low-skill process industries) such that peasant income was supplemented by part-time work in these local industries.

However, the report notes, such township industries are extremely scattered, "not in step with urbanization," and thus the benefits due to infrastructure concentration in cities are not available. The resulting inefficiency of production and distribution dramatically limited the potential of such primitive "industry." Thus, although agricultural production rose slightly after the "retrenchment" of 1988 and Tiananmen events of 1989, peasant income growth fell nearly to zero, while the number of unemployed peasants swelled to nearly 200 million.

### Primitive accumulation

The ministry report acknowledges that the People's Republic followed Stalinist economic policy after the 1949 seizure of power by Mao's Communist Party. This was based on the Marxist notion (found as well in the Adam Smith/David Ricardo free trade model) that capital accumulation can only occur by taking it from someplace, assuming capital to be an excretion of physical labor. Ignored here is the science of physical economy discovered by Leibniz (see *Feature*) and implemented by the young United States under the leadership of Treasury Secretary Alexander Hamilton, whereby wealth is created by *increases* in the productivity of labor, generated by advances in the technological transformation of nature and by scientific discovery. Instead, the Marxists implemented "primitive accumulation" against agriculture, intentionally diverting all agricultural surplus into support for heavy industry. As the ministry reports: "Under this system, we lowered the cost of industrial raw materials and wage costs through the monopoly purchase of farm products at low prices, and acquired an excess profit through raising the prices of industrial manufactured goods. . . . From 1952 to 1978, owing to the exchange of industrial and agricultural products at unequal prices, the funds flowing from agriculture to industry amounted to 391.7 billion yuan" (or \$223.8 billion in 1978 dollars). This process required the total monopoly of the state over grain procurement and distribution, as well as strict laws preventing peasants from leaving their assigned rural residencies.

The brutal control over every aspect of life of the peasants has been somewhat relaxed during the reform period. However, the report admits, "To date, the pattern of supporting industry with agriculture accumulations has not been radically reversed." Without needing to remind its readers of the mass genocide by starvation after the Great Leap Forward fiasco in the late 1950s, nor the chaos of the Cultural Revolution, the report warns that there must be some protection of the agricultural work force, "otherwise, history will repeat itself."

TABLE 1

### Growth in income for Chinese peasants plummeted

Year	Agriculture production growth	Peasant income growth
1978-84	6.5%	15.1%
1985-88	4.1%	5.0%
1989-92	5.1%	2.0%*

\*Other estimates show a negative growth.

The Ministry of Agriculture officials do *not* mention, however, the most severe form of "primitive accumulation" which has been introduced against the peasantry under the reform, which is the creation of the 150-200 million-strong "blind flow" of unemployed or "redundant" rural labor. Only a small portion of this truly massive flood of humanity find employment in the trade zones. Those who do, usually work for only a few months in the sweatshops, under horrendous 19th-century conditions, then return to their home provinces, leaving their jobs to another "lucky" migrant. This recycling of labor is a form of short-term accumulation against the very bodies of an impoverished population, which is only one step removed from the concentration camp industries of Nazi Germany, where the final stop was the gas chambers. This is the "primitive accumulation" which is so admired by the IMF and the British speculators centered in Hongkong.

### Non-solutions

This recycling of labor is not mentioned in the report, perhaps because the authors purpose *expanding* such mass migration as a *solution*. They do strongly advocate a price protection policy for major farm products, a useful first step toward a parity price policy necessary for productive and secure agricultural production. However, this is perceived by the ministry officials as merely a stop-gap measure to pacify the peasantry, while further "market mechanisms" are implemented, aimed at "thoroughly smashing the planned purchase and marketing system and the city-countryside segregation system." These are "magic of the marketplace" panaceas which, lacking policies to actually build up the physical economy will do more harm than good. Allowing free movement, for instance, is obviously a fundamental right, but in the context of the recycling of labor through the sweatshops, such "rights" simply assure an even greater flow of desperate unemployed into the trade zones to be chewed up and spit out. The report virtually cries out for a true solution, such as that published in *EIR*'s Feb. 11, 1994 issue. Any less comprehensive approach, and indeed, "history will repeat itself."