

China's plan to 'urbanize villages' will worsen, not solve, crisis

by Michael O. Billington

A series of studies and reports on the economic and demographic crisis in China has emerged from various ministries of the People's Republic with a common theme: China will embark on a program of upgrading hundreds of villages to become small cities or towns, to provide employment for the millions of unemployed peasants being driven out of the countryside by the stagnation in agricultural development.

It is admitted by high government officials that this policy is the "second best choice," compared to the actual need for new larger cities, but the cost for such large industrial cities, they claim, is prohibitive. However, as *EIR* has demonstrated repeatedly over the years, such pragmatism is a certain course for disaster.

A Sept. 2 release by the official Xinhua news agency confirmed that the new urbanization policy is an extension of the current low-tech, cheap-labor industries which make up the "rural industry boom" of recent years. "China used to emphasize the building of large cities, which has resulted in a number of crowded metropolises," the release states. "However, the mushrooming of township industries in many parts of the country over the past decade has brought changes to China's city construction structure, which is now characterized by the decline of large cities and the rise of small cities and towns."

The 'hukou' system

The new policy appears to be a loosening of the system of *hukou*—the Chinese government registration system which strictly prohibits mobility. This policy has been rigidly enforced in China under the communist regime, with the result that there is an increasing disparity between the urban and rural areas of the country. This disparity, and the ruthless determination to maintain a large destitute and uneducated peasant population, tied to the land, is the policy behind what the Communist Party likes to refer to as "socialism with Chinese characteristics" or the "economy with two legs"—one economy for rural areas, and one for the urban. Under *hukou*, a peasant who lives in a village cannot move to a city to find a permanent job, not even through legal marriage to a city dweller. Nor can a small city worker move to a large

city, such as Shanghai, Beijing, or Tianjin, without a special permit which is controlled by the government through a restrained quota system.

However, the *hukou* system has been stretched far beyond its limits. In the early 1980s, Chinese government publications wrote that the countryside would be overwhelmed with up to 200 million rural "surplus" laborers. Such projections have only been revised upward since then. The pressure on the population of the countryside is intense: Under the redistribution of communal landholdings to peasant families in the early 1980s, the landholding per family has steadily declined to under one hectare per family today.

Although peasants were able to till land which the family leased from the government, with only a production quota to cough up to the government, the total lack of investment in agriculture has resulted in the failure to increase agricultural productivity. China's infrastructure and manufacturing, rather than being geared to the development of China's land mass and population, has centered on the "open door" policy of Deng Xiaoping: Manufacturing has been geared toward export, and infrastructure has been built only to bolster the cheap-labor export industries. Under continuing conditions of a net disinvestment in agriculture and agro-industry, the average Chinese peasant is unable to generate enough surplus to enable his family to survive.

Since 1979, Chinese peasants, as well as workers from small cities, began migrating inside the country, particularly going to the southeastern provinces looking for employment. While many enterprises take peasants without their *hukou* (city registration), peasants can take jobs only on a contract basis, knowing that they will eventually have to return to their village. Nevertheless, many peasants choose this option, rather than staying on the land all year. Simple labor-intensive jobs are the only choices for many peasant men. Women work in handcrafting sweatshops that pay them about 13 U.S. cents an hour.

These peasants are not encouraged at all to invest in their own labor—either to learn better skills or to educate their children. Schools in this area will not accept the children of these laborers, because they have no *hukou*.

Second best is 'more practical'

Many Chinese economists acknowledge these general facts, but the new "small town" policy demonstrates a tendency to opt for the easier short-term approach, and to pretend that they are "saving money" by investing in less efficient and less productive means. The director of the Rural Development Department under the State Council Development Research Center, Chen Xiwen, is quoted as follows by Hongkong's *Window* magazine: "Chen believes one way to tackle the labor flow problem would be to urbanize small and medium-sized counties in an organized manner. This would be the second-best choice, as scaled economic efficiency proves highest in large cities with populations between 1 and 2 million," he says, emphasizing, however, that urbanizing small and medium-sized towns would be more practical.

According to Chen, for each additional person in a large city, the government would have to finance \$104 for infrastructure facilities and housing. In contrast, the subsidy for an additional person in a small town would be only \$8.

Of course, the opposite should be the case—that the cost of infrastructure for a large number of people would be far less per capita due to economies of scale and more efficient use of land and utilities. What the official clearly means is that the plans for small towns do not include modern infrastructure at all, but intend to retain small-scale, rural-style utilities and social structures.

Moving millions of peasants into such mini-cities will guarantee that they cannot be employed in the type of major infrastructure development or heavy industry which can only develop in large cities. The end result of this "practical" method of attempting to bypass infrastructure development will be, at best, the further pumping up of the bubble and an eventual economic collapse.

The various ministries proposing this small town approach all begin with the premise that it is the only method which can address the surplus rural labor. Current demographic statistics predict that the mass of unemployed will reach nearly 300 million by the year 2000. The Ministry of Labor reported on Aug. 16 that the rural "blind flow" will be over 200 million by then, and the urban unemployed will be 68 million!

A different approach

On Feb. 11, 1994, *EIR* published "An Emergency Plan for China for the Next 100 Years," written by Dr. Jonathan Tennenbaum. That proposal, which calls for construction of 1,000 new nuclear-powered "cities of 500,000 to 1 million residents, with the most modern and educational infrastructure," has been studied at the highest levels of the relevant Chinese agencies, and was translated and published by a magazine associated with the semi-governmental research institutes. The proposal, inspired by economist and statesman Lyndon LaRouche, demonstrates that the severity of the

backwardness in the Chinese economy necessitates nothing less than such a leap into the most modern techniques on a mass scale—especially nuclear energy and high-speed rail grids—to provide the required leap in the productivity of the labor force.

This is the same general concept presented by Dr. Sun Yat-sen in his 1929, "The International Development of China." Anything less will result in a breakdown into yet another of the national disasters that have plagued China on a recurring basis since the British Opium Wars of the mid-19th century. To reject the city-building proposals of the LaRouche plan for a compromise of low-tech, labor-intensive, process industry townships, to try to soak up the 150-200 million surplus labor, will, first of all, fail in its objective, and second, will result in a near-term breakdown crisis.

One additional demographic fact unique for China demonstrates the absolute necessity of the city-building, advanced-technology method in order to increase the productive powers of labor. That is, that China's coercive birth control policies (cf. *EIR*, Sept. 23, 1994, p. 42) over the past 30 years have created a relative aging of the population which has far exceeded the rate of economic development. The Beijing Center of Gerontology on Aug. 16 reported that the population over 65 years of age increased from 10 to 20% in only 21 years. Of the 57 countries with an over 20% aged population, all except China have a per capita GNP of more than \$1,000. China's is about one-third of that.

The report states that China has more old people than any country in the world. While the birth control policy could be and should be reversed, the fact is that the workforce must support the booming cost in pensions and medical services for the elderly. If the productivity of labor is suppressed by preventing the massive city-building required, the demographic crisis will become a holocaust.

Another effect of the Chinese government's mini-city approach will be the further breakdown of the country into competing regions—a potentiality much to the liking of the British intelligence nest at the International Institute for Strategic Studies (IISS) in London, whose denizens are pushing for a civil war after the death of Deng Xiaoping.

A recent study by the Chinese Academy of Social Sciences called "1991-2010—Policy Choices of China's Development" pushes the small towns policy, while admitting that this would further aggravate the disparity of income in the coastal areas over that in the interior. The report was given front-page, back-page, and editorial coverage in the *Financial Times* of London on Aug. 26, which gloated that the report predicted that six distinct economic regions would emerge in China. It is the wide economic divergence between the southern coastal regions which the IISS operatives are using to forge a separate state encompassing some combination of Guangdong, Fujian, Shanghai, Hongkong, and Taiwan.