

<https://internationalviewpoint.org/spip.php?article8562>



China

Systemic Poverty is a Huge Hindrance to China's Economy

- IV Online magazine - 2024 - IV593 - June 2024 -

Publication date: Sunday 16 June 2024

Copyright © International Viewpoint - online socialist magazine - All rights reserved

About ten years ago, when China's economy was still in the midst of its world-recognized "glory", I had two impressive encounters during my travels. One was in a northern city in winter. Walking down a sparsely populated street on a bitterly cold afternoon, we saw a man in thin clothing selling huge chicken feather dusters—presumably used to clean the shells of automobiles—by the side of the road. I wondered if such a commodity with a very specific purpose would find buyers in a location that was not a marketplace. The woman walking with me commented: "That's what people have to do to make a living."

The second encounter was in a southern city in the summer. I found a "watchtower" built by villagers about a hundred years ago in a village that had become part of the city. This tower-like structure was used as a defence against bandits, made of reinforced concrete, with only a small space on each floor and narrow shooting windows on all sides. There was no restriction on access to this historic building, so I began my climb. As I entered one of the floors via a steep narrow iron step ladder, I suddenly noticed a wooden board in the corner with a mosquito net stretched over it, in which two ragged toddlers were staring wide-eyed at me, the uninvited guest. It turned out that this abandoned building with no electricity or water, full of mosquitoes and dust, was the "home" of a family in the city.

Such pictures of poverty can be found in any country, perhaps due to unemployment caused by the overall sluggishness of the national economy, or due to personal trauma and drug addiction. However, China has its own special feature: systemic "working" poverty in the midst of rapid economic development. According to China's National Bureau of Statistics (NBS), the average weekly working hours of the country's employed workers in December 2023 was 49 hours, a new record high in modern China and one of the highest in the world. Despite this, the average annual wage income of the country's residents in 2023 was only 22,053 yuan (about 2,800 euros).

Systemic "working" poverty persists

The documentary "Eighteen-year-olds on the Assembly Line," released in 2016, vividly records this situation. The director spent three years in Dongguan's industrial zones, showing viewers that even the world's hardest workers struggle to escape poverty in China's factories. The hourly wage can be as low as 10 yuan (about 1.3 euros) for a 12-hour day; ordinary entertainment in metropolises quickly drains paychecks; and the money needed for marriage and homeownership remains a distant goal.

In 2022, a TikToker filmed a wedding banquet in the Daliang Mountain region and was summoned by the police because the widely circulated video revealed the shocking aspects of poverty in rural China: the wedding room was in disrepair, with few usable tables, chairs, or electrical appliances. Guests squatted on the floor to enjoy the only dish at the wedding banquet—pickled bok choy and tofu soup. This explains why many young Chinese are still willing to work in sweatshops.

Xi Jinping solemnly declared on February 25, 2021, that China's "campaign against poverty has achieved a comprehensive victory ... and created another human miracle that will be remembered throughout history!" Some sarcastically comment that perhaps the economic downturn during the epidemic left relatively wealthy urban residents in dire straits, thus lowering the bar for "poverty".

The proliferation of smartphones, short videos, and self-publishing media has made encounters and accounts of

Systemic Poverty is a Huge Hindrance to China's Economy

poverty ubiquitous on the Internet. While these images and texts cannot replace rigorous economic data, they challenge the government's narrative of a good economic situation.

Even with strict censorship, I still found a pathetic news story about poverty in *South Reviews*, a mainstream magazine in China. Zhao was a 19-year-old young man who died before the spring of 2024. During the eight months before his death, he had sold his plasma 16 times, earning 200-400 yuan (about 25-50 euros) and a meal each time. Zhao had a job as an Internet café steward and led a modest lifestyle. He seldom went out with friends and couldn't afford an electric bicycle for transportation. His biggest expense before his death was a smartphone he bought for his father in December last year. His home had no computer, TV, or sofa, and he didn't turn on the lights at dusk to save on electricity. His mother couldn't work due to illness, and his father was a migrant worker. The blood station where he sold blood belongs to a large-scale bio-enterprise. This company's annual report for 2023 shows it had 79 operating blood stations, collecting a total of 2,415 tons of plasma that year.

After three years of strict quarantine, China's economy didn't rebound as hoped in 2023. Now in 2024, the hot topic is "overcapacity"—the European Union and America are planning to increase tariff rates on electric cars made in China. In the face of Western boycotts of Chinese products, Xi's latest solution is to let the Chinese people absorb the "surplus capacity". In March, the State Council issued an action plan for promoting large-scale equipment renewal and consumer goods trade-in; in April, the Ministry of Commerce and 14 other ministries jointly issued another action plan, organizing a nationwide campaign of trade-ins of cars and home appliances and 'renewal' of home furnishings.

The trade-in policy mentioned in the action plan includes 'giving preferential treatment to consumers who trade in their old appliances for energy-saving appliances' and "encouraging resourceful regions to subsidize consumers to buy green and smart home appliances". For families living in abandoned buildings or for villagers in Daliang Mountain who hardly own any appliances, such a policy can only be said to be better than nothing.

This reminds me of a British "joke" I heard in my childhood: "Mommy, why is our house so cold?" "Because we can't afford coal, darling." "Why can't we afford coal?" "Because your dad lost his job." "Why did dad lose his job?" "Because there's too much coal."

According to researchers Wan Haiyuan and Meng Fanqiang from the Institute of Income Distribution of China at Beijing Normal University, the number of people in China earning less than 2,000 yuan (about 250 euros) per month reached 964 million, accounting for about 69 percent of the total population; as much as 95 percent of the population earns less than 5,000 yuan (about 637 euros) per month. Expecting such a population to absorb the products of export manufacturing industries established to meet the needs of developed countries is tantamount to fantasy.

Maybe the target group of this "brilliant plan" is the so-called "middle class". However, data for the first quarter of 2023 shows that China's mortgage balance was 38.94 trillion yuan (about 5 trillion euros). Much of this debt is carried by higher-income urban residents, so how much incentive does this class have to buy new electric cars or smart refrigerators?

The causes of China's systemic poverty are not only low wages and awful working conditions, as shown in Dongguan's electronics factories, but also prohibitively expensive housing, education, healthcare, childcare, and senior care industries. These sectors allow the business class and the government to extract high profits and taxes. While consumer goods like cell phones and cars may be more affordable than they were 30 years ago, ordinary food and drinking water free of excessive pesticides, chemical fertilizers, and heavy metals have become luxuries. Few Chinese have truly "overcome" poverty when their lives are measured against a standard of decency, health, and relaxation with a promising future.

The causes of China's systemic poverty

The repercussions of poverty are visible: the rich are constantly looking for ways to move their assets overseas to escape devaluation; tens of thousands of workers and even some middle-class people are traveling through the dangerous rainforests of Central America to flee to the US in order to sell their labor at a better price; more and more young people are losing hope in accumulating wealth and moving up the social ladder, so they refuse to work hard and choose to live with low aspirations; and some desperate people are choosing to end their own lives or harm others out of frustration.

So, why didn't China's rulers allow ordinary people to have more "dividends" during the past decades of economic prosperity? For example, universal unemployment insurance; decent pensions for all elderly people; adequate allowances for students; higher minimum wage; a more inclusive public housing system. Currently, the average pension in rural China is only about 204 yuan per month (about 26 euros), according to a 2023 report by Farmers' Daily. University students need a certificate of poverty to apply for small state subsidies of 1,000 to 3,000 yuan per year (about 127-382 euros). Government low-cost housing requires a local hukou and a per capita household income of less than 960 yuan per month (about 122 euros), excluding most rural migrant workers.

An interesting explanation for this comes from the "Book of Lord Shang," a classical writing from the Qin Dynasty (221BC). It suggests that 'the way to rule the country is to weaken the people,' keeping them poor so they depend on the state and cannot confront it. This technique helped establish the first united empire in Chinese history. Some indications suggest that Xi admires the Qin system, such as the heavily funded state television drama "The Fugue of Great Qin," which aired after Xi established himself as ruler for life.

Systemic poverty will be a stumbling block

While these 2,000-year-old "arts of ruling" are primitive and absurd from the perspective of modern statecraft and capitalist economics, Xi Jinping's style of rule in the last decade or so has given us the impression that anything is possible. Whether it is a byproduct of failed economic policies or an intentionally designed way of harnessing the people, systemic poverty will be a stumbling block rather than an enabler for China's rise.

12 June 2024

First published: [Anti*Capitalist Resistance](#).

PS:

If you like this article or have found it useful, please consider donating towards the work of International Viewpoint. Simply follow this link: [Donate](#) then enter an amount of your choice. One-off donations are very welcome. But regular donations by standing order are also vital to our continuing functioning. See the last paragraph of [this article](#) for our bank account details and take out a standing order. Thanks.