

# China's growing social polarisation

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China's vast shopping malls, sporting luxury international brands at inflated prices, sold a record US\$9.4 billion in 2009.

Dealerships for every make of luxury car can be seen in every major city, while massive jewellery stores abound. China now consumes 27.5 percent of the world's luxury goods, more than the United States, and second only to Japan, according to the World Luxury Association's annual report.

Beijing's most luxurious gated housing development in the shadow of the imperial Summer Palace and gardens in the Haidian district of the city is selling homes, each with its own swimming pool, Jacuzzi, garden and underground parking, for \$7 million apiece.

The growth in China's rich has been rapid. In 1999, the year when Forbes produced its first rich list for China, it took just \$6 million to make the top 50. In 2009, only 10 years later, the figure was \$1.3 billion.

China's turn to market reforms in 1978 required active state action, repression and violence. It has been accompanied by rampant corruption, racketeering, kickbacks and blackmail as evidenced by the articles every single day in China's press. It has spawned a small, privileged layer that enjoys enormous wealth at the expense of the vast majority of the population. The Gini coefficient, which measures wealth inequality, is said to have grown to 0.46 in the last 30 years. Just 10 percent of urban families own 45 percent of total urban wealth.

Workers, far from benefiting from China's economic growth that has averaged 9 percent a year, have seen their income decline from 51.4 percent of GDP in 1995 to 39.7 percent in 2008. Under conditions where more than 167 million rural migrants—about one quarter of the total urban population—have moved to the cities to find work and millions of state owned enterprise workers have been laid off, workers are forced to accept subsistence wages, long hours and harsh conditions.

As real estate prices have soared, more than 30 percent in the last year alone according to the *Beijing Morning Post*, millions are unable to afford decent housing. In Haidian, just a stone's throw from Beijing's most expensive housing and most prestigious universities and science parks, there are one-room wooden shacks and shelters, added onto existing buildings, with a shared outside sink and no bathroom. Residents must use the public

neighbourhood toilets, a common sight in China's cities. The narrow lanes, often unmade and strewn with rubbish, quickly become mud baths when it rains.

Migrant labourers working on construction sites, in factories and the service sector in the cities fare even worse. With wages well below those of city residents, unable to access decent education and healthcare services for themselves and their families, and often living in the most abject housing conditions, their plight is appalling. Last week, *China Daily* reported the third suicide this year at a Foxconn factory in Dongguan.

An estimated three million graduates are unable to find work or are underemployed as a result of China's rapid expansion of universities starting in 1999, which now enrol about 20 million undergraduate students. Known as the "ant tribe" after a recent book documenting their plight, they are forced to live in shacks or prefabricated metal shelters subdivided into several rooms, at a cost of US\$65 a month, and take internships with low wages in the vain hope that they will be a stepping stone to a real job.

As well as the gap between the new rich and working people, there is also a vast and growing gap between the 622 million urban workers, 46.6 percent of China's population, who are mainly in the eastern coastal provinces, and rural workers in the western and central provinces.

According to the National Bureau of Statistics, the income gap between China's urban and rural residents expanded further from 11,020 yuan (\$1,621) a year in 2008 to 12,022 yuan (\$1,768) in 2009. While annual per capita disposable income of urban households rose to 17,175 yuan (\$2,526) in 2009, the same figure for rural households was just 5,153 yuan (\$757). For many rural families, only the remittances they get from family members working in the cities keep them from total destitution.

In remote areas, particularly in the South West, people lack access to clean drinking water, education and health care. Rural children are 3 to 6 times more likely than city children to die before they reach 5 years of age, according to the *Lancet* medical journal.

The lack of roads makes it impossible to get any surplus produce to market. There is little surplus to be had anyway, as farms are tiny, at about one third of an acre.

Those provinces with concentrated ethnic minorities, border areas in China's western regions and mountainous areas in the central provinces, are particularly badly affected and poverty is all pervasive.

Forty million people in China's rural areas, 4.2 percent of its 800 million-plus rural population, are desperately poor, with an annual per capita income of \$175. The drought in the South West provinces is plunging millions more into poverty as without rain, there is little to harvest and seeds go unplanted.

A recent survey showed that 72 percent of those questioned believed the wealth distribution was unfair, with more than 60 percent saying that the very low income of workers was the most important issue.

Under such polarised conditions, social tensions and conflicts have risen. Last week, dozens of people were injured and 10 vehicles were overturned in a clash between local government officials and hundreds of residents in Kunming, capital of Yunnan province in the south west of China. The conflict started when officials from the *chengguan* agency, responsible for clearing the street of unlicensed vendors and supervising housing demolitions to make way for development projects that benefit the rich and public officials, attempted to fine street vendors for selling without a licence. With the *chengguan* a byword for thuggery, the rumour soon spread that the street vendor had been killed and a riot broke out. It took six hours to restore order. One newspaper described the riot as symptomatic of public resentment against local government that could blow up like "a bomb at any time".

While the rumour turned out to be untrue, there have been numerous cases of people who have fallen victim to the *chengguan*'s brutality. Only a few days ago, a farmer died and his father was seriously injured in East China's Jiangsu province when they protested the forced demolition of their pig farm to make for a new highway. They faced ruin as the local government was refusing to pay more than one third of what it had cost the farmer to build the farm 15 years ago. The farmers locked themselves in their home and poured gasoline on the door, as more than 100 *chengguan* came to demolish the property. The demolition team did not remove the two men but drove the bulldozer into the house and dismantled it by force. This followed a similar case last November in Chengdu. One commentator in *China Daily* blamed the officials for their indifference, saying that they "seemed resolved to show that life as a bargaining chip carried no weight in their eyes".

With parts of China resembling a vast construction site, the fear of forced relocation to make way for development projects that benefit investors and corrupt public officials is widespread. Some residents have been forced to move several times over the last 20 years. Stories abound of real estate developers employing gangsters to force relocation by cutting off people's electricity and water, as well as blowing up their homes.

Official figures, only a pale reflection of the actual number of riots and mass protest actions, show that the number of mass incidents, just over 10,000 in 1995, had risen to more than 87,000 in 2005. Two of the most egregious examples in recent years are those at Weng'an and Longnan.

In July 2008, thousands of people rioted in Weng'an county of Guizhou province after the family of a teenage student disputed the official cause of her death. In November 2008, about 30 residents of Longnan, Gansu province, went to complain to the local government office about housing, land and economic issues. Within a short time, 2,000 people gathered to protest at the office and the incident snowballed.

There have also been protests against businesses that have swindled small traders. Last week, hundreds of tenants of a department store in the Chaoyang district of Beijing took to the streets in protest at the store's refusal to refund their pre-paid rent after closing within three months of opening. The average claim for a refund was 100,000 yuan (\$14,286).

Desperate migrant workers have taken to the streets to protest at the refusal of unscrupulous employers to pay their wages, often for months at a time.

Two activists have been jailed in an attempt to deter people from organising the parents of children killed in shoddily built schools during the earthquake in Sechuan province in 2008. Anger at official corruption, collusion with business and cover-ups constantly threatens to spill out into protests, including for example, the lack of response by officials to a hepatitis B vaccine scandal in Shanxi province that has killed several children and sickened dozens of others after an unqualified private firm stored the vaccines without refrigeration.

It is the fear that worse is to come that lay behind premier Wen Jiabao's report to the National People's Congress last month, which was notable for its populist rhetoric and emphasis on social justice. But more significant was the announcement that the rate of growth in social spending would be halved, with no major initiatives to redistribute income more fairly, and that spending on "public security" would be increased.



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