

Shanghai: Grinding poverty amid corporate opulence

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Shanghai's vast road network, its maglev and gleaming metro, its forest of more than 5,000 office and residential skyscrapers, luxury hotels and shopping malls, non-existent just 18 years ago, testify to the enormous growth and wealth of China's commercial hub.

But amid this commercial opulence, there is grinding poverty and deprivation on an even greater scale in this city of 20 million people. China has a Gini coefficient, an indicator of inequality, approaching 0.5, up from less than 0.3 a quarter of a century ago. The 0.4 mark is seen by analysts as a predictor of social unrest.

Millions are unable to afford decent housing, as real estate prices have soared due to low profits in other sectors, particularly manufacturing, which has been hit by the European debt crisis and the US recession. While manufacturing offers returns of about 5 percent, the property market offers an eye-watering 30 percent. The government has directly fuelled the speculative bubble by ordering the state banks to flood the economy with cheap credit to stave off rising unemployment. More than a quarter of all bank lending went into real estate development.

This was exacerbated by the US quantitative easing, which injected billions of dollars in to the American banking system to lower the value of the dollar. Speculation was further encouraged by US pressure on China to revalue the yuan against the dollar, encouraging speculators to buy yuan-denominated assets, especially under conditions where interest rates are higher in China than the US.

The real estate boom has also been driven by rapid urban expansion, with 15 million rural migrants moving into the cities each year as cheap labour for the corporate elite.

Confiscation of farmland, often for commercial development, coupled with insufficient compensation, has led to up to 25 percent of farmers who lost their land

leaving for the cities, according to a recent National Bureau of Statistics survey. The authors estimated that more than 40 million farmers have lost their farmland and about 2 million became homeless in each of the past five years.

Residential property prices in China's major cities have more than doubled in the last decade. According to statistics from China Index Academy, housing prices in the 10 largest cities, including Shanghai and Beijing, saw an increase of at least 15 percent last year.

Some of China's new housing has been built on brownfield sites once occupied by polluting factories, such as steel, iron and smelting plants releasing toxic heavy metals, chemical plants releasing persistent organic pollutants from pesticide residues, and petrochemical and electronic plants releasing organic chemical compounds, a recent World Bank study reported. These sites are often heavily contaminated because pollutants from the factories leaked into the soil and hazardous wastes were not properly disposed of. Once contaminated, the soil may release toxic substances for decades that may be absorbed into the body through drinking water and the food chain, posing a major risk to both construction workers and residents.

As the World Bank study noted, China lacks the regulations, laws and technical frameworks to manage and remedy the brownfield sites, believed to number between 300,000 and 600,000. Few of the developers are prepared to pay for the most commonly used remediation practice—the removal and burning of the polluted soil—secure in the knowledge that they will not face retribution.

Officials regularly ignore the most flagrant breaches of construction safety and fire regulations in exchange for bribes. In a rare prosecution, the Shanghai authorities have charged 24 people with bribery and other crimes relating to last November's fire in a 28-storey apartment

building in the downtown area of the city that killed 58 and injured another 71 people. The fire swept through the building after welding sparks ignited the nylon netting and bamboo scaffolding during a refurbishment programme.

The investigations shed light on the criminal nature of the relations between the construction companies and government bodies: the construction company failed numerous safety checks, but won the contract after bribing officials. Professor Jing of Fudan University notes that 75 percent of public procurement in the Pudong commercial district of Shanghai was based upon “invited bidding and other non-competitive means”.

The fire also exposed the total inadequacy of the fire prevention system for residential buildings and of the firefighters’ equipment.

Food prices as well as housing have risen sharply, up 10 percent in recent months. Average wages are about 3,200 yuan a month (US\$522). But the *Shanghai Daily* cited an office worker earning more than double that, 7,000 yuan a month, who was finding it hard to make ends meet despite living with her husband and child at her parents’ home to save money.

Along with poverty, child begging and homelessness has soared. While there are no figures on this, Premier Wen Jiabao was forced to recognise the scale of problem.

There are disabled people exposing shrunken limbs on the sidewalks of prosperous shopping streets, paper cups outstretched, symbols of China’s dire lack of a social safety net. With health care, pensions and social welfare linked to state-owned enterprises and public sector employment, privatisation and the outsourcing of public services have left hundreds of millions of workers without access to welfare benefits.

Many migrant labourers working on construction sites, in factories and the service sector, live and work in desperate conditions. They are paid wages well below those of city residents. Without a Shanghai *hukou* registration card that would provide entitlement to subsidised public housing, health care and education covered by government funds, and access to unemployment benefits, pension and other social welfare programmes, they are forced to live an insecure and an impoverished existence far away from their families, whom they see possibly once a year.

Soaring food and house prices have made life in the richer coastal cities unaffordable, leading to a shortage of migrant workers returning after the annual Spring Festival, as many preferred to seek work in the cheaper

central and western cities. Many cities in the Pearl and Yangtze deltas were forced to increase wages to attract workers, with the Shanghai government raising the minimum monthly wage by 14 percent to 1,280 yuan, the highest in the country. Shanghai also sent 400 buses to bring workers in from Anhui, Henan and Hubei provinces.

Just a stone’s throw from Shanghai’s central railway station, on Xhongxin Road, there is crowded slum housing, accessible only on foot, with shacks and shelters added on to existing buildings, often with outside stone sinks and no bathroom. Residents must use potties, whose contents are thrown into the gutters, or use the public neighbourhood toilets, a common sight in China’s cities.

In another slum district, Cao Jia village in the Putuo district, one householder on Baiyu Road showed the *World Socialist Web Site* a small kitchen shared by three families. Trapped in dreadful housing, residents, predominantly elderly and migrant workers, said that their only way out was for the Shanghai government to buy them out for redevelopment. But home demolitions that uproot residents often abuse their legal rights and pay minimal compensation in favour of commercial developers.

The government has responded to the housing crisis by increasing interest rates, introducing a property tax in Shanghai and Chongqing, two of China’s largest cities, limiting to two the number of houses an individual may own, and requiring a 60 percent down payment for a second home.

It has also announced that it will spend about 1.3 trillion yuan (US\$197 billion) on government-subsidised housing this year—10 million in 2012 and 16 million from 2013 to 2015 in a bid to curb surging property prices and assuage social tensions. When complete, the 36-million housing building programme is expected to provide 20 percent of the country’s housing supply. This could bankrupt many real estate developers. But it is far from clear where the funds will come from for the 2012-to-2015 programme.



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