

The Uno Newsletter:  
Rejuvenating Marxian Economics through Uno Theory  
(Vol. II, No. 19)  
Working Paper Series 2-19-2  
20 March 2017

## **A Theoretical Note on the Commodification of Labour Power in China Under the Conditions of Globalization**

**Richard Westra (Graduate School of Law, Nagoya University, JAPAN)**

([westrarj@law.nagoya-u.ac.jp](mailto:westrarj@law.nagoya-u.ac.jp))

[http://www.unotheory.org/news\\_II\\_19](http://www.unotheory.org/news_II_19)

The Uno Newsletter: Rejuvenating Marxian Economics through Uno Theory

Office: c/o Nobuharu Yokokawa, Uno Newsletter, Musashi University, Toyotama-Kami

1-26-1 Nerima-ku, Tokyo 1768534 Japan

Email: [contact@unotheory.org](mailto:contact@unotheory.org)

Homepage : <http://www.unotheory.org>

## **A Theoretical Note on the Commodification of Labour Power in China Under the Conditions of Globalization**

Richard Westra

Graduate School of Law, Nagoya University, JAPAN

[westrarj@law.nagoya-u.ac.jp](mailto:westrarj@law.nagoya-u.ac.jp)

### **Introduction**

This article explores the social relations of production in China through the prism of Marx's theorising of the commodification of labour power. This task is immensely important given the preponderant role China's labour force plays in global production networks, particularly in regards to the bundle of consumer goods around which mass consumption of advanced capitalist economies revolves. It is maintained that world economic processes euphemised as globalisation have crystallised social relations of production across the non-developed third world in a pattern shaped in important ways by the configuring of production relations in China. This is the case because of the sheer weight of China's labour force in the global economy.

To build the argument the article commences with an extended elaboration upon the conceptualising of the commodification of labour power in Marxian economic theory. The discussion builds on the point that commodification of labour plays a far more substantive role in material reproduction of capitalist society than captured by the simple empirical existence of the wage form in remuneration for work. Narrow focus upon low wages in China and the third world blinds analysis to deeper structural issues of the qualitative transformation of production relations that has occurred across the globe from the closing decades of the twentieth century.

The organisation of this paper is as follows: The next three sections develop the theorising of the commodification of labour power in relation to Marx's writing on the subject as supplemented by insights of Japanese Marxian economists Kozo Uno and Thomas Sekine. Its empirical referent is the historical experience of early commodification of labour power in Britain. The fourth section applies insights from the theoretical discussion to questions of the commodification of labour power under the impetus of tendencies euphemised as globalisation. The fifth section moves to analyse China's toxic labour configuration through the prism of the theorisation of the commodification of labour power undertaken in the previous sections. To be sure, it is always with some trepidation that an author attempts to make connections through several subject domains in a single article. In this case, the article builds upon Marxian economic theory and the empirical milieu in which Marxian economic categories are first elaborated. It then briefly treats world economic processes euphemised as globalisation to further draw out issues raised in the conceptualising of the commodification of labour power. Finally the paper turns to social relations of production in China. Yet, there is a determinate method to this procedure. Such big picture work can be highly productive of knowledge. The article is animated

by the profound belief that, in times like the present, where the global economy is undergoing seismic transformations, it is vital to think carefully about the application of conceptual categories. China offers an important new ‘laboratory’ for this endeavour (Bernstein 2015).

### **The commodification of labour power in Marxian theorising of capital**

For Marx, the commodification of labour power is not just about workers receiving wages for their work. Nor is it simply a reflection of workers or even peasants engaging in ‘market’ activities. As Marx argued, commodity *forms* such as wages, money, ‘markets’, even profits, existed at various points throughout precapitalist history in what he dubbed the ‘interstices’ of

ancient worlds (Marx 1977, 172).<sup>1</sup> Marx explains here that modes of production antedating capitalism were marked by economic principles other than those of capital. In particular, in precapitalist economies human beings found themselves enmeshed in interpersonal social relations of production. And, except for the historical epoch Marx characterised in his schema of historical materialism as primitive communism, the interpersonal relations of production of precapitalist economies tended to imbricate human beings in relations of domination and subordination. Hence, to the extent the sorts of ‘exchanges’ of goods associated with the capitalist era occurred in the social milieu of precapitalist economies, the economic impact of these was always external to the ways precapitalist material livelihoods were reproduced.

The historical specificity of capitalism resides firstly in the way it draws categories such as commodities, money, wages, profits and so forth, into a unique symbiosis predicated upon maintaining human labour power, the very wellspring of human material reproduction, social wealth and sustenance, as a commodity. Put differently, in the historical emergence of capitalism, spreading marketisation of economic life subsumes or internalises as the material reproductive core of human society which had always remained external in precapitalist historical epochs. Secondly, paradigmatically at least, the historically progressive hallmark of the capitalist era is the fact of capital ‘freeing’ human beings from their enmeshment in interpersonal production relations of domination and subordination. In Marx’s iconic phrase, capital converts these interpersonal production relations into *impersonal* ‘relations among things’. This in effect *reifies* human economic life such that as our ‘free’ human beings pursue their individual, self-seeking proclivities, capital wields these like a Stalinist dictator for its abstract goal of value augmentation or profit making. Nevertheless, the form compulsion takes in capitalist economies is economic to be differentiated from extra-economic compulsion idiosyncratic of precapitalist economies.

In the foregoing vein, I find recent debate over so-called ‘unfree’ labour in reference to capitalism and commodification immensely distracting (Brass 2010). Questions relating to such debate are handled with far greater precision in terms of commodification vs. non-

commodification. This is how Marx himself frames the discussion. As Engels, following Marx, expressed it, capitalism plays an important role in raising humanity up the ladder of human freedom. For the direct producers specifically, it ‘frees’ them from extra-economic compulsion of interpersonal relations of domination and subordination which ensnared them in precapitalist economies. But capitalism harbours one major remaining human un-freedom. That is, it subjects human beings to blind economic forces of the society-wide market. This is the ‘kingdom of necessity’. Commodification of labour power is the mechanism of this subjection for the direct producers. The ‘kingdom of freedom’ in Marx’s conceptualising exists *only* when extra-economic coercion of precapitalist economies *and* economic coercion of capitalism are surmounted by socialism (Engels 1954, 391-3). For pre-socialist economies including capitalism, the question, therefore, is *not* ‘free’ vs. ‘unfree’ labour. Serfdom ‘freed’ the direct producers from chattel slavery. Capitalism ‘frees’ human labour from feudal interpersonal bonds and so forth.

There is a second dimension to the historically specific way commodification of labour power ‘frees’ the direct producers which is a further signpost of capitalism. This is the fact that, as workers, the working class is economically driven to sell their labour power to capital on the market in order to receive wages through which they access their means of livelihood. Yet, as consumers, workers are generally free as other ‘traders’ on the capitalist market to purchase the particular array of goods suitable to them as individuals. With this said, let us return to the commodification of labour power as the *sine qua non* of capitalism to examine the architecture of the foregoing.

Marx himself was crisply clear that the metabolic interchange between human beings and nature which furnishes the useful goods or ‘use values’ of human sustenance and survival is common to all human societies. We cannot imagine human society, in other words, in the absence of some labour process of material provisioning of use values. Making an analogy with computer systems, the metabolic interchange between human beings and nature which materially reproduces human society constitutes the transhistorical ‘hardware’ of human economic existence. On the other hand, the historically specific principles of economy through which human material life is reproduced constitute the ‘software’ or ‘operating system’. The *law of value* which undergirds workings of capitalist market principles is the discrete ‘software’ of capitalist economies (we will return to this point momentarily). And the commodification of labour power as the indispensable mechanism of this ‘operating system’ is the specific way capital manages the metabolic interchange between human beings and nature common to all human societies.

Marxist theory has been forceful on the ills of capitalism. Capitalism is a class divided and class antagonistic, asymmetric wealth distributive society. It is exploitative and alienating,

and an ‘upside-down’ society reproducing human material life for an abstract ‘extra-human’ purpose of value augmentation or profit making. Capitalism is crises ridden and operates anarchically. But, one question which Marxist theory has paid scant attention to is how a society manifesting such a litany of ills is able to exist as an historical society and reproduce the material existence of human beings in the first place? If, as stated above, market principles of capital predicated upon the commodification of labour power constitute an historically specific and delimited ‘operating system’ for a transhistorical metabolic interchange between human beings and nature, it is therefore incumbent upon Marxist theory to demonstrate precisely what ‘general norms’ of human material life capitalism must satisfy to exist as an historical society.<sup>2</sup> Put differently, while capital is wielding human society for its abstract purpose of value augmentation or profit making, saddling humanity along the way with the aforementioned ills, at minimum as a *byproduct* of this, capital necessarily must meet some norms or requirements of managing the metabolic interchange between human beings and nature for it to reproduce economic life and exist as a human society.

As elaborated upon elsewhere, in developing Marx’s work in *Capital*, it is possible to set out three cardinal norms that capitalism, like any really existing human society in history, must satisfy (Westra 2014, 58): First, no human society could survive for long if its direct producers do not at minimum receive the product of their *necessary labour*. Second, no human society could survive for long in the face of chronic misallocation of social resources, particularly human labour power, with regards to the meeting of social demand for basic goods. That is, both means of production and means of consumption must be produced in appropriate proportions to ensure such. Third, if productive technology remains constant, the material reproduction process of society cannot expand faster than the natural rate of growth of the working population. Though, if it trends in that misdirection, socio-economic dislocation will follow. It is largely ramifications of the first two which factor into the argument in this article over the commodification of labour power and social relations of production in China and the global economy.

### **Necessary labour and commodified labour power**

In *Capital* Volume One, Marx draws upon the fabled example of Robinson Crusoe working alone on his island (Marx 1977, 169-72). Necessity, Marx explains, compels Robinson to organise his time around various life sustenance production activities. Robinson may even decide once his immediate needs are satisfied to prolong his work (before he relaxes with a book) in order to put things away for a rainy day or upgrade his living facilities. For Marx, *all* these activities represent *necessary labour*. Only if a few armed pirates encountered Robinson on his island, and liking his set up but not wanting to work themselves so coercing Robinson to extend

his work time each day to support them, would Robinson end up performing *surplus labour*. And, whatever the apportioning of the total product of Robinson's work, if the pirates did not allot Robinson the equivalent of his necessary labour that sustains Robinson's life, Robinson would soon expire forcing the pirates to do the work they disdain or cast off to find other pliant 'Robinsons' on other islands.

In capitalist economies where the metabolic interchange between human beings and nature to furnish use values for human sustenance takes place under conditions of the commodification of labour power the same requirement as existed for Robinson to receive the product of his necessary labour holds for the direct producing class. But the capitalist 'operating system' has its own historically specific program. First, the social production relations of domination and subordination or extra-economic coercion ensnaring Robinson and the pirates are eliminated in capitalist economies. They are replaced, paradigmatically at least, by economic compulsion. Second, in capitalist economies the direct producers are separated from the means of production and livelihood which is the property of capital. Hence, the direct producers receive the product of their necessary labour through the impersonal nexus of the capitalist market. However, the way that the capitalist market organises such 'exchange' under conditions of the commodification of labour power is wholly different from the mythical encounter between beaver trapper and deer hunter memorialised by neoclassical followers of Adam Smith. That is, diverging from such an exchange where both commodities are available in the hands of their owners at the time of the exchange, when workers sell their labour power to capital in the market the wage goods that factor into the equivalent of the workers' necessary labour do not yet exist. They are produced in the capitalist process of production and value augmentation. And, come pay day, whatever the wage in money terms or movements of prices in the capitalist market, the wage must be able to purchase the equivalent of the workers necessary labour in a basket of goods that will reproduce the livelihood of the worker and ensure the material reproduction of the direct producers as a class. As put by John Bell: 'In the exchange of labour power for wage goods the law of value appears in its purest form' (Bell 2009: 71). But this brings us to the question of the sorts of socio-economic transformations which enable the above.

### **Capitalist allocation of social resources to materially reproduce a human society**

In his manuscript fragment 'Results of the Immediate Process of Production', Marx differentiates between 'formal' and 'real' subsumption of material life by capital in a fashion which shines light on the question we face (Marx 1977, Appendix). Marx pointed to the 'sweated trades' of proto-capitalist, proto-industrial garment industries operated by *merchant capital*. These proto-capitalist operations, found in wool production though other 'light' industries as well, entailed modes of 'putting-out' systems of manufacture. Marx referred to this putting-out system as the formal subsumption of the labour and production process by capital. The reason Marx

distinguished formal subsumption from what he calls the real subsumption of the labour and production process by capital is, on the one hand, because the former existed in modes of production other than capitalism where capital operated in its antediluvian forms in the interstices of ancient worlds, as he put it. On the other hand, the formal subsumption of the labour and production process does little to alter it in a substantive fashion.

To make crucial determinations over whether the formal subsuming of the labour and production processes commences significant transformation which marks it off as a nascent capitalism: or, put differently, whether labour power is, at least, *becoming* commodified or remaining non-commodified, Marx sets out the following criteria.

First, Marx points to the issue of the compulsion for work. Precapitalist economies, as noted above, are marked by extra-economic coercion as opposed to capitalism in which the paradigmatic form in which surplus labour is performed derives from the ‘free’ sale of labour power by workers to capital in the capitalist market; thus the compulsion for work is solely, economic. The economic import here of ‘freeing’ the worker from interpersonal webs is that in a society where the direct producers are separated from the means of production, and the latter are coveted in the hands of capital which itself is divided into private businesses across a division of labour, both the material reproducibility and characteristic economic ‘efficiency’ of that society require workers making their labour power available in the market to produce *any* good according to shifting patterns of social demand and profit making. Approached from another angle, capital requires commodified labour power rendered *indifferent* to the production of particular use values. This is the case because given the social goal of capitalism – the augmentation of value or profit making – capital itself is indifferent to use value in all the latter’s qualitative heterogeneity. Rather the sole interest of capital in use value is as a vehicle for quantitative expansion of value. And the labour power that produces use values as commodities for capital’s abstract purpose, must itself be commodified and ‘freed’ from non-capitalist, noneconomic encumbrances.

Second, there is the question of ‘time’; whether the manufacturing activity which is drawn into the circuit of merchant capital or even ‘usurer’s’, money lending capital is supplementary to the means by which the material reproduction of the direct producing class is ensured. And, third, there is the question of the scale of the operation (Marx notes that whether the tools or raw materials are supplied to producers is less of a determinant here).

In early 18<sup>th</sup> century Britain, the historical period from which Marx drew his evidence on formal subsumption, enclosures had accomplished much to separate the direct producers from land entitlements they held in the feudal era. But enclosures did not automatically lead to capitalist farming practices taking root. Rather, feudal land tenure was replaced by a congeries of diverse landholding arrangements that bore little resemblance to transformation of agriculture in the

hands of capitalist farmers in the mid 19<sup>th</sup> century (Overton 1996, 205). Indeed, even by 1831, 36 percent of landholders were not employing farm labourers in order to produce for profit and sale on markets. Much production remained oriented to satisfying family and community needs. Only from 1851 did decisive changes toward capitalist farming for market profit become widespread where land was worked by capitalist farmers who hired labour through impersonal contracts (Overton 1996, 178, 204). Further evidence of the mid 19<sup>th</sup> century as the period of decisive change in agriculture is the steep rise in agricultural productivity from the 1850s into the 1870s. This is the period historical specialists view in terms of the onset of ‘high farming’ where modern agriculture efficiently interlocks grain production and livestock in single farming operations (Jones 1974, 191ff).

Freedom of movement for the erstwhile peasantry was restricted through Settlement Acts, Poor Laws, and the Speenhamland system (the latter enforced to 1834) each which, in their own way, endeavoured to keep the newly ‘freed’ rural workforce rural and poor, yet surviving (Polanyi 1957, 77ff.). We can surmise that in its formal subsumption of labour power proto-capital compensated for its dearth of control over the production process by exerting control over ‘exit’ options for workers through harsh legislation. Further, most work available to the newly ‘freed’ workforce at this historical juncture was casual, irregular and contingent. The ‘freed’ workforce divided its time between engaging in regional putting-out operations organised by merchants, with farm work for family sustenance or as agricultural labourers. The latter were often ‘servants-in-husbandry’ residing at the house of a landowning farmer and paid in kind. Indeed, the historical record confirms that even putting-out labour was often paid in kind. In 1700 around 50 percent of the commons had not yet been enclosed allowing workers to supplement their sustenance outside of paid work. This also meant that when wages for work were paid they did not amount to a subsistence wage as the concept of workers receiving the product of their necessary labour specifies. Therefore, despite ‘freeing’ of workers from feudal interpersonal bonds, persistence of both paternal social relations and the product of workers necessary labour deriving only marginally from specifically capitalist market activity, meant even in the to-be capitalist heartland the commodification of labour power was never a *fait accompli* (Albritton 1991, 78-80).

On Marx’s third criteria the historical evidence on the putting-out system is that cottage production incrementally transformed the division of labour in wool production by separating amongst rural cottager families tasks such as spinning and weaving which would have been undertaken by a single multi-skilled worker in urban guilds. Technological advancements in the design of spinning wheels, and flying shuttle in weaving, improved labour productivity. Yet the unit of production in the putting-out system remained the family cottage. And only under

conditions of piece work was merchant capital of the putting-out system able to exert a modicum of impersonal force over the labour and production process (Albritton 1991, 76-7, 79).

The real subsumption by capital of the labour and production process emerged rapidly from a confluence of forces. Expensive technical improvements in farming benefitting larger landowners both hastened final enclosing of the commons and ruination of small farmers, driving the latter into ranks of farm labour. And, as farm labour demanded a more dedicated agricultural workforce, landowners increasingly prohibited the rural cottage industry, which had been the staple of the putting-out system, from operating on their land (Hill 1969: 268-73). In the end, of course, the improvements in agriculture facilitated made by greedy landlords and capitalist farmers producing for expanding markets did lower the price of food across Britain in a way that supported urbanization and industrial revolution, but this was little solace to the immediate human carnage.

Simultaneously, a raft of innovations in mechanising cotton production along with steam energy that supplied industry with power underpinned the rapid growth in scale of manufacturing operations. And cotton proved far more amenable to mechanisation and capitalist manufacture than woollen industries of the putting-out system. Already by 1815 cotton spinning factories employing up to 1500 workers were recorded, this trend certainly meeting Marx's third criteria for the real subsumption by capital of the labour and production process. Through mechanisation capital dispenses with paternalism as it exerts its control over labour power by rendering workers appendages of its machines. As mechanisation proceeds apace, it impels processes of work deskilling amongst the labouring class as a whole. Capital in this way increasingly confronts the 'abstract' worker in the labour market, ready to sell their labour power to be applied by capital to production of *any* good as per shifting patterns of social demand and opportunities for profit making. Transformation of industry, and the fact of industry surpassing agriculture in terms of its overall contribution to Britain's economy and employment by 1820, in turn drove the final changes in farming that are held as synonymous with capitalist development. As agriculture in Britain mechanised the population in agriculture declined precipitously with only 15 percent of families bound to that sector in 1871 (Albritton 1991: 128-9, 134-41). By 1881, 44 percent of the labour force in Britain was employed in industry and related operations. Agriculture in that year employed only 13 percent of the working population. Remaining workers found 'service' employment in burgeoning transportation industries (Bayly 2004, 173).

Though abundantly spiked with empirical material, Marx's *Capital* is not a genetic historical study in the real subsuming by capital of the labour and production process of society (Westra 2009, 13-20). Rather, Marx's *Capital* is devoted to exposing the inner program or 'operating system' of capital as it wields human material life in capitalist society as a byproduct of value augmentation (offering a critique of bourgeois political economy along the way).

In *Capital* Marx establishes how under conditions of the major means of production configured in the hands of capital as manufacturing and factory production, human labour power itself converted into a commodity, and commodity production generalised across society including in capitalist agriculture, the material reproducibility of capitalist economies is ensured. The fact is private production is never directly social. The question is obviated in a mythical society of ‘Robinsons’, with no division of labour, where each direct producer is responsible for their own material reproduction. In precapitalist landlord-peasant economies, which did have a division of labour based upon their discrete social class relations of production, private production is rendered social on top of the backs of the direct producers through interpersonal relations of domination and subordination. In capitalist economies it is rendered social behind the backs of the direct producers.

According to Marxian economic theory the validity of the law of value and material reproducibility of capitalism imply each other. That is to say, the allocation of social resources including the expenditure of available labour power is determined objectively through the operation of the capitalist market which mandates that goods be produced in socially necessary quantities by what Marx terms *socially necessary labour*. Capitalist calculus demands such because if commodified labour power is set in motion in private units of capital with non-competitive technologies or on products which are not in social demand, no value augmentation or profit making will occur and from the perspective of the material reproducibility of capitalist society, social resources will be deemed misallocated.<sup>3</sup> Put differently, the condition of

commodified labour power as value augmenting being the same as that ensuring all commodities are produced with socially necessary labour constitutes the *differentia specifica* of capitalism as an historical society. However, if the capitalist economy was marked by a division of labour unable to allocate basic goods in line with shifting patterns of social demand due to chronic waste or misallocation of social resources, primarily human labour power, it would die out as any other human society caught in such a predicament.

### **The commodification of labour power and globalisation**

Marx’s *Capital* offers a basic theory of what capital in its most fundamental incarnation *is*. It is this ‘definition’ of capital that acts as the touchstone for distinguishing the capitalist from non-capitalist in the rough and tumble empirical world. Arguably, therefore, there exists no ‘classic’ model of capitalist development. Each actual historical experience of capitalist development across states has unique empirical features. In drawing above upon the British example (as did Marx) of the real subsumption of the labour and production process by capital the intention was not to suggest that it constitutes a metric for capitalist development per se. Rather it was to

highlight in the historical context of the initial geospatial locus of capitalist development the fact of the commodification of labour power as the *sine qua non* of capitalism.

Restating the foregoing in somewhat different terms there is no 'pure' capitalist society in history. But, that capitalism as a determinate *kind* of historical society did come into existence is widely accepted as fact amongst Marxists. Nevertheless, Marxist debate cutting across diverse fields continues to rage over its beginnings and defining features. While reviewing the meandering debate on characterising capitalism by far outstrips the bounds of this article, for heuristic purposes it is possible to reduce it to two broad strands.

The first, found in its most sophisticated version in writing of Robert Brenner, begins from Marx's understanding adverted to above of the existence of commodity forms in precapitalist economies. The capitalist substance of forms such as money, trade, commodities and so forth, according to Brenner, 'depends on the class structure of production with which they are associated [and where they]...perform indispensable functions in production and reproduction' (Brenner 1977: 83). And, when a capitalist 'class structure' is in place, the commodity forms factor into its dynamic of revolutionising the forces of production under the impetus of profit maximisation from which all the historically progressive features and ills of capitalism flow.

The second position, which Brenner disparages as 'neo-Smithian' Marxism, is reflected in an array of perspectives we may place under the umbrella term, world systems/dependency theory. These shift the 'unit' of analysis of capitalism from the context of the bourgeois state container in which capitalism developed in Western Europe, to the world economy as a whole. Arguing somewhat tautologically, world systems/dependency approaches start with the identification in world history of commodity forms noted above, particularly the incidence of production for profit, to claim that with the emergence of such production in Western Europe the international trade based division of labour spawned thereby constituted a capitalist 'world system'. The 'dependency' aspect derives from the way the 'periphery' of this capitalist 'world system' is purportedly co-opted by the 'core' of more advanced capitalist economies to the advantage of the latter. The latest version of this view is advanced by David Harvey. His key observation is that given how capitalism developed 'unevenly' across the global economy the crises tendencies that mark accumulation in its more advanced core potentially find a 'spatial fix' in relations with its periphery or 'outside', this latter tendency 'necessary' for the stability of capitalism itself (Harvey 2003: 141).

What both overarching positions in the debate occlude, however, is discussion of how, at minimum, as a byproduct of those economic tendencies they identify as idiosyncratic of capitalism (along with the ills of these), capital is nevertheless able to meet general norms of human material life to exist as an historical society in the first place. And further, the specific role the commodification of labour power plays in the capitalist 'operating system' as such.

Brenner's work, which is largely upheld as the 'winner' in debates over the rise of capitalism, miscarries on precisely this point. It is not just a question of the trenchant though largely unheralded critique over the historical record levelled against Brenner by Albritton (1993). That is, as discussed above, while the peasantry were being increasingly enclosed out of from the land they held under feudal tenure by the 17<sup>th</sup> century, a significant quotient of precapitalist extra-economic compulsion remained in force, restricting the mobility of labour power. Remember, if labour power cannot be applied by capital across the social division of labour to production of *any* good according to shifting patterns of social demand and profit making, capitalist market operations cannot guarantee an allocation of social resources to materially reproduce a human society. Further, whether wages were paid in kind or money, a significant component of the product of the necessary labour of the direct producers was not obtained through activities that bear even a partial resemblance to capitalism. Leaving both these issues hanging carries the weightiest ramifications for our grasp of world historic processes euphemised as globalisation. This is because if capitalist principles of material reproduction have only a partial grip on the material reproduction of historical societies other principles filling the gap must be in evidence or the societies in question would soon perish.<sup>4</sup>

Indeed, quibbling over the historical record is not even the most important part of this question. Thinking about it logically 'agricultural capitalism' is a contradiction in terms. Marx could not have been clearer: landed private property in capitalist society is irrelevant to the production of commodities as *value*. On the other hand, land and its prime activity for human sustenance, agriculture, play an important role in production of commodities as *use values*. And land as means of production is a necessary component of the division of labour in capitalist economies. Yet, because agricultural production is contingent upon nature's haphazard forces, and its use values subject to great natural variance, agricultural goods are most unsuited to the commodity form. That is to say, capital flourishes where value augmentation is able to manifest the most extreme indifference to use value as is the case with production of standardised material goods the production inputs of which are also capitalistically produced standardised goods. Thus, historically, capitalism emerges hesitatingly in agriculture (Sekine 1997, 73). Only by mid-19<sup>th</sup> century in Britain, as the historical record confirms, was the peasant/small producer cohort supplanted by capitalist farming for market profit.

On the other hand, capitalist agriculture partaking in the division of labour in capitalist economies and producing its goods as commodities for sale on the capitalist market must strive to be as responsive to changing patterns of social demand in terms of maintaining capitalistically rational prices for its products as industry (entailing the seamless flow of commodified labour power in and out of its branches as with industry according to the changes). This holds in

particular for supply of basic agricultural goods. If such was not the case capitalism would be unable to meet the general norms of economic life to ensure its material reproducibility as a human society (Sekine 1997, 74). Nevertheless, given the specific use value nature of agricultural commodities, the ability of the capitalist market to set capitalistically rational production prices for them is far more tenuous than with industrial production. Governed by the process of value augmentation, prices in capitalist economies are particularly attuned to the measurement of *direct costs* of commodified labour power and standardised material, capitalistically produced inputs of production centred activities. It is these capitalist production centred activities around which capitalist accumulation ‘rhythms’ or business cycles oscillate.

The role the law of value plays in materially reproducing capitalist societies as a byproduct of value augmentation is open to subversion from many directions. From what has been discussed such would be the case if proto-capitalist type ‘sweatshop’ manufacturing with its ‘captive’ labour forces reappeared to any great degree; or if agriculture is marked by wide swaths of subsistence farming and significant rural populations bound to the latter. We may also add the point that if modern production centred activities are saddled disproportionately with *indirect costs* in pricing of goods through enlarged knowledge intensity of production, or if services emerged as a disproportionate part of total economic activity in society. Then pricing would be imbued with an increasing subjective dimension wrecking havoc upon the distributional principles of capitalism notwithstanding its social class relations of production. Recent study of the increasing proportions of indirect costs (also referred to as ‘intangible assets’) in current economic calculations, confirm the confounding of both corporate accounting and government national accounts by this trend (Seabrooke and Wigan 2014, 259).

It is instructive to examine the overarching employment profile of the most developed capitalist economies from the end of the 19<sup>th</sup> century to the close of the 20<sup>th</sup>. In a survey of 25 Organisation for Economic Cooperation and Development (OECD) economies it is shown that in 1900 agriculture employed an average of just above 40 percent of the labour force, though with wide variation between the more advanced of these, for example in Britain the figure is 10 percent, and 9 countries belatedly entering the capitalist era including, Poland, Japan and Hungary, where it is over 50 percent. The average in industry for his OECD 25 in 1900 is near 30 percent and services around 26 percent. Yet by 1950, the average percent of working populations employed in agriculture drops to below 30 percent across the OECD 25 while that in industry rises to near 35 percent. Though during the 1950s in Britain and Belgium employment in industry is 49.9 and 49 percent of working population respectively. While during the 1960s industry employment in the Netherlands and United States is at 41.1 and 36 percent respectively. By 1971 the OECD average in agriculture is just over 10 percent, industry near 40 percent (Germany comes in here at almost 50 percent) and services average around 50 percent. However,

at this juncture, growth in services is closely correlated with their support for industry. But by 1998 the employment landscape alters qualitatively with service sector employment among the OECD 25 hypertrophied at near 70 percent of total employment while industry average plummets to a level below that in 1900 and agriculture to around 6 percent (Feinstein 1999).

Again, there exists no ‘pure’ or ‘evenly developed’ (to paraphrase Harvey) *capitalist* economy in history. Nevertheless, from what Marxian economic theory teaches us about the capitalist ‘software’ in its fundamental incarnation, when we account for temporal development trajectories in this brief tour of employment structures evidence points to profiles which mark capitalism off as a production centred society. The concern in this article with the place of commodified labour power in meeting general norms of economic life to materially reproduce a human society sharpens our focus upon questions of potential deviation from this capitalist profile and the ramifications of this for economic reproduction in human societies.

Further, the ‘operating system’ of capital has never worked in the complete absence of extra-economic, extra-capitalist supports. In Britain during the late 19<sup>th</sup> century ‘liberal’ capitalist heyday, these were minimal. On the other hand, during the post WW2 ‘golden age’, state support for capital accumulation, for example, was considerable. As elaborated upon elsewhere, a significant social wage and countercyclical macroeconomic fiscal policy served to partially decommodify labour power (Westra 2009: 69ff.). Paradoxically, however, this was crucial for the maintenance of labour power as a commodity given the structure of accumulation based upon oligopolistic corporate production and mass consumption of expensive consumer durables. What we are interested in, hence, is not the simple fact of extra-capitalist supports for accumulation. But the sheer economic weight of these and the economic roles they play. Or whether an economy is marked by significant non-capitalist practices in material reproduction which leads us to question the extent to which it is capitalist. Indeed, argument has been made that while the ‘golden age’ economy certainly manifested an array of capitalist practices, it cannot be described as a capitalist economy in the most substantive sense given the sheer weight of non-capitalist practices which supported accumulation (Bell and Sekine 2001). Then there is the question of why, despite potentially manifesting elements of capitalism, extensive non-capitalist practices in an economy persist? What are the human impacts of such an assemblage? And so forth.

Finally, to deal with the ‘unit’ of analysis question, there is no *a priori* reason capital had to spawn within nation states. Nevertheless, the historical existence of these as ready-made containers for accumulation proved extremely convenient for capital. For the commodification of labour power to perform its role as the historically specific way capital manages the metabolic interchange between human beings and nature to materially reproduce a human society it must receive the product of its necessary labour through the impersonal cash nexus of the capitalist market. And social resources must be allocated across the division of labour in a way that

accommodates this. The capitalist ‘software’ here operates with a given monetary and banking system. And, even in the ‘liberal’ heyday, we need to hold implicit a minimal superstructure to support the foregoing. That capital is able to manage use value asymmetries to meet general norms of economic life and reproduce a human society as a byproduct of value augmentation in the geospatial context of nation states is already a herculean feat.

In the period preceding the industrial revolution in Western Europe the bulk of traded commodities were agricultural goods produced under conditions of persisting peasant production. The vagaries and instabilities of such production are accentuated when we bring into the picture traded commodities produced outside Western Europe under social class configurations of great variance. The rampant uncertainty merchant trade faces here is exacerbated when shifting political conditions are factored into the mix in a world where nation-state formation was at best in a process of gestation. As put tersely by Bayly (2004, 135): ‘Huge bottlenecks could emerge and then collapse, so that no one could be quite sure of profits, or even survival’. Even in the early 19<sup>th</sup> century, Bayly continues, much international trade was hardly driven by capitalist forces of supply and demand. Rather, it involved remittances of colonial military personnel and goods pillaged by colonial governments.

To claim that capitalism in its fundamental incarnation constitutes a ‘world system’, however that is defined, it would need to be demonstrated how according to those same specifically capitalist economic principles held by proponents, this ‘capitalist world system’ reproduced the material existence of human beings across the world as its byproduct. That, of course, is impossible. Not just due to the fact that the idea of ‘world system’ market prices bringing about an allocation of global resources that responds to changing patterns of demand for basic goods on the part of a ‘world system’ of direct producers is nonsensical. But because even during the post world war two period when ‘world systems’ theories first originated, the general norms of economic life for the bulk of humanity were guaranteed by principles of economy that have virtually nothing to do with what is historically distinct about capitalism.

On the other hand, from its inception, capitalism has had an international or global dimension. Yet, the degree with which capital has been international and the forms its global dimension have taken are subject to immense variation. However the historical specificity of capitalism as a human society is the bourgeois class projects of augmenting abstract mercantile wealth, based upon the commodification of human labour power, in production centred settings of historically constituted nation state containers. The latter are the base camps from which patterns of the international dimension of capital have been configured. As succinctly stated by Costas Lapavitsas, ‘the world market as a set of institutions, mechanisms, practices and customs is a creation of industrial, commercial and financial capitals which have become dominant in their respective national economies’ (Lapavitsas 2013, 19).

To sum up, to the extent historical circumstances arise where the idiosyncratic capitalist production centred activity of value augmentation predicated upon commodification of labour power is eclipsed by wealth extracting or expropriating activities Harvey refers to obliquely as ‘outside’ capital (with the ramifications this would carry for meeting the general norms of economic life), then such an assemblage would not be capitalism.

What is instructive about current world systemic processes euphemised as globalisation is that these have been compelled by advanced capitalist states that have in fact abdicated much of their capitalist production centred accoutrement. Employment profiles of advanced economies like the US are dominated by services, an activity in no way idiosyncratic to capitalism. And remnants of industry there have for some time been operated by the highly fragmented workforce departed manufacturing left in its wake (Letto-Gilles 2002: 118). The evidence is that erstwhile industrial economies have little need to maintain mass commodified labour forces with all that entails for materially reproducing lives of so many human beings in those societies. And much of the third world, with a manufacturing employment profile reminiscent of pre-modernity, is already experiencing ‘premature deindustrialisation’ (Dasgupta and Singh 2006). As summarised by Milberg and Winkler (2013, 13): ‘The new wave of globalization has altered the magnitude, structure and role of international trade. It has changed the nature of economic growth in the developing world and it has heightened insecurity in many industrialized countries’. Indeed, from a macro global perspective, 2006 initiated a trend where mass population shifts across the world as a whole are no longer from agriculture to industry as characterising the few centuries of capitalist development, but from agriculture into services (ILO 2008).

Production centred activities that once propelled whole economies to development have been disarticulated across the globe into what the specialised literature dubs global value chains (GVCs). Several key features of this process with impacts upon countries like China through which production and assembly operations are routed are the following: First, global trade is increasingly reconfigured around ‘intermediate goods’ or sub-products such that full-scale integrated industrial economies, and the mass commodified labour forces which worked these, are being relegated to the dustbin of history. Second, production centred activities are off-shored and outsourced to contract suppliers or non-equity modes (NEM) of control enabling major transnational corporations (TNCs) to morph into ‘brands’ that no longer make anything. Third, NEM operations more often than not are plied from special economic zone (SEZ) enclaves. SEZs tend to be delinked from host economies and offer scant spill-over effects for indigenous industry (Milberg and Winkler 2013, 45, 53). Fourth, the lowering of bottom line costs by TNCs in this process meant that businesses found themselves with bloating pools of cash in hand. With no demand for reinvesting these monies in profit making production centred activities which are transferred into NEM hands, TNCs utilize funds in ‘financialisation’ games buying and selling

their own stock to increase ‘shareholder value’. Hence a ‘downsize and distribute’ dynamic spread across TNCs world-wide. TNCs are encouraged to further pare down to their ‘core competencies’ in advanced economies generating less employment opportunities there. And the evidence indicates that those TNCs which applied growing proportions of their pooled funds to financialisation games to increase shareholder payouts were most notorious in ruthless cost cutting enforcements upon their global suppliers (Milberg and Winkler 2013, 220-34).

### **Commodification of labour power and China**

Historically, China ranks as one of the most rural societies of all time. When Mao and the communists marched into Beijing in 1949 they ascended to power in one of the poorest countries in the world. In the early 1950s, China sought to build up owner operated small peasant agriculture to support development of industry and an urban proletariat through a ‘mixed’ public and private ownership economy (Aglietta and Bai 2013: 75-8). Exigencies of the cold war and ultimate rift with the Soviets over development directions saw China increasingly press collectivisation in the countryside which led to construction of a network of Great Peoples’ Communes (GPCs) across its rural expanse by the mid-1960s. The last major policy initiative of the Mao era was the ‘Third Front’. Prior to the rapprochement with the US as the reality of the latter’s Vietnam debacle dawned, Mao advocated a build up of manufacturing processes as adjunct to GPCs so as to fortify defence capacities should China’s cities come under attack (Naughton 2007: 69-76).

With a brief interregnum following Mao’s passing, the acceding of Deng Xiaoping to China’s top leadership unleashed a dramatic ‘reform’ process from 1978. Arguably, the signature policy of the post 1978 reform era was the ‘household responsibility system’ that replaced the GPCs across China’s vast agricultural spaces. Put succinctly, the household responsibility system entailed mass de-collectivisation where all farmland in China operated by GPCs was divided on a per capita basis into allotments for individual households composed of extended families. Property entitlements were nebulous with ‘contracts’ initially set at two years ultimately revised up to fifty years. The purpose of the ‘contract’ was not a mere land transfer but an arrangement whereby basic agricultural goods of specified quantities were to be sold to the state. However, any produce beyond that would be available for household consumption or market sale (Nee and Opper 2012: 161).

The initial impacts of this were firstly increased productivity in agriculture where output of grains rose one third by 1984, offering China food security for virtually the first time in its history. Secondly, labour released due to rising productivity in agriculture provided a workforce for a congeries of new town and village enterprises (TVEs) which sprung up around remnants of Mao’s ‘Third Front’ rural industrialisation initiative. As semi-public ‘collective’ entities decentralised TVEs, constituting 26 percent of China’s GDP by 1996, particularly enthused

socialist observers of China around the world. Though the extent to which ‘unregulated’ TVE activities contributed to the break-up of state owned enterprises and planned economy with its state ‘regulated’ system of entitlements for workers was not readily appreciated (Westra 2012: 150-1).

It is the third impact of the household responsibility system, however, which is of greatest concern here. Given the nature of the new system land could not be sold by contracted households. Average size of ‘farms’ was proportionate to approximately two-thirds of a football field. Land allotment of that limited scale offered a guarantee of subsistence for much of China’s population. At the same time, the increase in agricultural productivity which released labour for off-farm work did so under conditions where the guarantee of subsistence for this burgeoning cohort predisposed it to part-time, irregular, and contingent employment. This was the case for both skilled and unskilled work. Further, a household registration and permit or *hukou* system, instituted in 1958 as part of communist efforts forestalling rural-urban migration, was maintained, persisting to this day in fact. While renowned Maoist social policies – employment security, education, health care and so forth – were as conspicuous features of rural GPCs as for urban workers, with de-collectivisation many social welfare entitlements vanished from rural China. Thus, as rural-urban migration ramped up during the reform era, *hukou* maintained a divide between urban workers in the state sector with entitlements and off-farm labourers responding to urban employment market pull without them. As legally it is *hukou* which determines eligibilities along with ultimate residence (Nee and Oppen 2012: 162-4).

Debates over agrarian change in the rise of capitalism which draw in China as a new laboratory for theory development revolve around the divergence of paths from the initial British case and the experience of ‘later’ developers including East Asian economies of South Korea and Taiwan. One important point on the historical record adduced in this regard is that the transition to the capitalist form of landed property treated by Marx is precisely reproduced in only one other case (Bernstein 2015, 456-7). As we note above, however, *Capital* is not a genetic theory of capitalist development. Rather, Marx assumes the historical existence of a capitalist economy on the basis of which theory is tasked with logical elaboration of categories of capital in its most fundamental incarnation. When Marx turns in *Capital* Volume Three to production relations in agriculture his primary interest resides in developing the category of ‘rent’ (Marx 1959, 600-3). Marx highlights the fact of modern landed property in Britain characterised by a *modus vivendi* between capital and the landlord class. With land ‘freed’ of all precapitalist tenure arrangements, and its erstwhile peasant inhabitants hurled into the proletariat, land is worked by wage labour under direction of capitalist farmers bent upon augmenting value or profit making with the same indifference to use value as the industrialist. But landed property itself remains an alien principle for capital because ownership titles of land are bound to murky inheritances of the past. This

form of ownership is distinctly different from the way titles to property in commodities circulate on the capitalist market. Commodities are bought and sold on the market based upon the fact that a capitalistically rational 'original' price has been paid for them. For capital to deal with land, Marx explains, it needs to create a *legal fiction*. The fiction is that land, bequeathed to humanity by nature, but at the dawn of the capitalist era found monopolised in the hands of a particular social class, is the legal entitlement of its current owners as is the case of all commodity owners in capitalist society. Land is thus integrated into the circulation of commodities as an 'asset' the ownership of which constitutes entitlement to the income stream of *rent* (Sekine 1997, 130-3).

While Marx discusses the mechanisms for calculating rent his signal point is that the rent flow from capitalist farmer and industrial capitalist 'dissolves the connection between landownership and land so thoroughly that the landowner may spend his whole life in Constantinople' (Marx 1959, 603). As such, what is more important for analysis of the role agrarian transformation plays in the commodification of labour power and capitalist development than the specific form of the formative British transition is the extirpating of precapitalist landlord tenant relations and the passing of land into the hands of independent farmers unencumbered by vestiges of extra-economic coercion.

When we take up the cases of South Korea and Taiwan, one neglected question in explanations of their meteoric rise to development from the post WW2 third world is the transformation in both of social relations in agriculture (Kay 2002, 1074). What marks processes of capitalist development in each is the institution of radical land reforms prior to their industrialization drives. In South Korea, compelled in part by demonstration effects of socialist actions in the North, then spurred by American Military Government policy in the South, land reform which eliminated landlords as a class quickly became a major success. Tenant owners were incentivised to dramatically increase efficiency of rice production which underpinned the massive exodus from rural areas to feed growing demand for proletarians in burgeoning urban labour intensive industries. Taiwan unfolded its land reform at a less intense pace given the need for the Kuomintang fleeing China to gain a measure of legitimacy over the ethnically distinct populace it sought to govern. Nevertheless, by 1956 owner operated farms amounted to 60 percent of agriculture with the remainder composed of combinations of owner operated farms and tenancy (Kay 2002, 1079-82).

A comparison of these East Asian cases with Latin America demonstrates that the divergence which stunted capitalist development in Latin America hinged upon the persistence of powerful landed classes well into the period of industrialisation. Even as control over Latin American states shifted from landed oligarchies of the 1930s with commitments to primary product export policies toward democratic governments oriented to inward industrialisation in the 1950s, powerful entrenched landlord classes thwarted land reform with adverse impacts upon

capitalist development (Kay 2002, 1086). The symmetry with the capitalist mode of agrarian transition in South Korea and Taiwan and rise of capitalism in Britain is the massive release of surplus populations from agriculture in tandem with rapid growth of industry. Only sustained productivity rises made by market oriented owner operated farming could support mass commodification of labour power while simultaneously keeping food costs low and thus industrial wages in check. Resultant industrial profit fed continuing capital accumulation and high rates of growth which sustained the virtuous circle of industrialization and development even as wages ultimately began to rise with absorption of populations jettisoned from agriculture (Kay 2002, 1095).

In the case of China, while the landlord class was eviscerated by socialist revolution the direct producing peasantry were never 'freed' from extra-economic relations of domination and subordination. As argued elsewhere, one of the peculiarities of the 'soviet style' of socialism China imbibed is that while labour power was decommodified it was subjected to extra-economic compulsions and social relations of subjection akin to that existing in precapitalist economies. This was one reason why that model more easily took root in societies with marginal experience with capitalism rather than the most advanced capitalist economies where the direct producers experienced 'freedom' of economic compulsion and viewed socialism as a regression from that (Westra 2011). Even de-collectivisation and break-up of GPCs did not yield owner operated agriculture. And extra-economic encumbrances with respect to land entitlements and rural-urban mobility persist to this day. This is China's toxic labour configuration. Let us turn to the intersection between such 'freezing' of agrarian relations around subsistence farming in China and the form industrialisation has assumed.

For this we need to factor the second major policy initiative of the Deng reform period into our analysis. China's opening to foreign capital was hesitating and initially barely registered on the political radar. As China's 'reform' architects peered across the region, they noticed how countries like Malaysia and Taiwan encouraged foreign capital to set up shop in SEZ enclaves producing for world markets and sought to emulate them. When China's first SEZs came into operation in 1980, 35 such enclaves already existed in East and Southeast Asia.

During early 'golden age' years internationalisation of production largely took the form of 'tariff jumping' to create economies of scope which supplemented domestic production and sales of TNCs. But, from the mid 1960s, beginning in the US and somewhat later in other advanced economies, relocation of productive capacity to SEZ 'export platforms' by TNCs producing for world markets began to supplant TNC production in their domiciles. Particularly from the 1970s, as economic travails hit the advanced economies, capital outflows spurred the relocation of productive capacity to the benefit of economies such as South Korea and Taiwan the internal transformations of which made them good hosts for this newer wave of

internationalised production (Webber and Rigby 2001, 259-60). However, as set out above, ramping up in closing decade of the 20<sup>th</sup> century and proceeding apace in the 21<sup>st</sup>, wholly different processes euphemised as globalisation engulfed the world economy. Advanced economy TNCs disinternalised their production centred activities, disarticulating them across the globe. As treated in detail elsewhere (Westra 2012: 75ff; Hart-Landsberg 2013: Part I), East and Southeast Asia, to a large extent as an outcome of anticommunist ‘showcase’ alliances forged among its economies under US auspices, played a major role in this newest modality of internationalised TNC production.

So enamoured by perceived benefits of early SEZs, Deng opened them en masse up and down China’s coast in major cities. To be sure, the initial combined social wealth impacts of the household responsibility system, TVEs and the formative opening of SEZ’s to foreign investment in largely joint ventures, were positive. China had commenced its ‘reform’ in 1978 with a heavy industry structure and thus bucked the trend of developing country import substitution industrialisation by moving away from heavy to light, more labour intensive industry directed towards consumption goods. Income distribution overall was relatively egalitarian into the early 1990s. Yet, from 1985, the ‘dual track’ pricing system, intended to spur entrepreneurial initiative outside the planned economy, enabled those with well oiled connections to the party-state apparatus, along with military and provincial elites, to abundantly accumulate private wealth holdings as well as covet vast tracts of land at bargain prices. By 1992 what remained of socialist planning was essentially vitiated. This was officially endorsed during that years’ party congress with proclamation that China was a ‘socialist market economy’. Whatever the latter meant, the decade that followed saw increased central government macroeconomic control over the economy and a spate of investment led growth in producer and infrastructure industries yielding the sort of patterning mainstream economists had castigated as ‘crony capitalism’ at the time of the 1997-98 Asian Crisis (Westra 2012: 151-4).

For China, however, the shift toward import substitution industrialisation, superintended by state macroeconomic management and instituted by remaining state owned enterprises, did prove successful at the outset. Bolstered by China’s toxic labour configuration, financial repression induced low borrowing costs, and a spate of residential building in coastal cities catering to new wealth accumulation there, China developed globally competitive domestic capacity in steel, cement and machinery equipment heavy industries (Aglietta and Bai 2013: 142). But China’s real wealth source was the inflow of foreign capital into the SEZ economy and resultant massive trade surplus that financed the import substitution. From 1993 through 2008 as the global meltdown struck China was the largest recipient of foreign direct investment (FDI) among developing countries (and, in select years, among all countries in the world), with FDI growing at an annual average of 20.1 percent (well over annual GDP growth). Over 70 percent of

this by 2004 went to 100 percent foreign owned subsidiaries. Thus, in 2006, foreign capital effectively controlled 21 of 28 leading sectors in China. Beginning with clothing, footwear, furniture and toys China moved rapidly into export of manufactured goods. By 2007 manufactures composed a whopping 94.9 percent of China's exports (Westra 2012: 155-6). China was soon exporting over two-thirds of all microwaves, TVs, DVDs and computers in the world. Yet 80 percent of export of technology products derives from foreign subsidiaries. Thus China's technology export profile is largely confined to middle and low tech grades. While the imported components which enter its assembly mills are high value added China has not climbed the technology ladder (Aglietta and Bai 2013: 137-8).

However, there is a bigger point to be made here. As observed by Naughton (2007: 142-3), in *all* recorded world history, per capita GDP growth over 6 percent for an extended period has occurred only *three* times with each episode taking place in post WW2 East Asia. Japan's spurt, averaging over 8 percent annually from 1955 to 1973, is the first. Second, South Korea and Taiwan's growth in GDP per capita in the period 1982-1996, averaged 7.4 percent and 7.1 percent respectively. Third, there is China's post 1978 continuing trajectory averaging near 7 percent GDP growth per capita which is the longest. But make no mistake about it. In the previous instances growth translated into development and full scale capitalist industrialisation. South Korea is a case in point where, despite its renowned export prowess, domestic demand and mass consumption of consumer durables played a major role in its development (Westra 2006). The paradox of China's growth spurt is the fact that as it turned outwards to the world it did so as part of a 'miracle' growth pole initially erected to contain it. Yet in its opening to the world economy China was confronted with a very different international environment of trade and investment than that facing most certainly Japan, though also South Korea and Taiwan. True, China's GDP growth spurt in per capita terms began at rock bottom. Yet, depending on the Index (World Bank, IMF and so forth) China currently finds itself in comparative GDP per capita company of Montenegro, Peru and Saint Vincent and the Grenadines. More significantly, China's export dependence as a percent of GDP is much greater than ever reached by Japan, South Korea and Taiwan. And, while the share of consumption in GDP of Japan, South Korea and Taiwan ranged from between 50 to 60 percent during their growth spurts, China's plummeted from 50 percent in 1990 to a nadir of around 30 percent in 2004 (Westra 2012: 155). In short, in China, growth has been radically decoupled from development as unfolded in advanced economies and the developed economies of East Asia.

It is instructive that when we look at China's sectoral employment, the primary or agricultural sector continued to employ over 50 percent of China's workforce to 2002. It remained around 40 percent up to 2008 as the global meltdown struck. Secondary sector employment including manufacturing and construction in 2002 constituted a meagre 21.4 percent

of the workforce and was already outstripped by services at 28.6 percent. In 2008 secondary and service sector employment came in at 27.2 and 33.2 percent respectively. Even in 2010, secondary sector employment in China is still below the 1900 average of OECD economies studied by Feinstein (above), with agricultural employment remaining 36.7 percent while the service sector rises to 34.6 percent of employment. It has to be added here as well that the service sector did not grow in tandem with industry and remains highly underdeveloped in China compared to countries at a similar levels of development. For example, there exists no country-wide retail distribution network in China for consumer goods and what consumer distribution logistics do exist were emplaced in major urban centres by foreign retail chains such as Wall Mart and McDonalds catering to new found urban wealth (Aglietta and Bai 2013, 224-6).

To be sure, understanding China's current configuring of social relations of production demands that account be taken of the fact that these emerged from dismantling of an ostensibly socialist planned economy rather than from a precapitalist landlord peasant structure as the case with Britain. Here, as collectivisation was replaced by the household responsibility system of smallholder farming and initial impacts of rising agricultural productivity reverberated across China, the state looked away. As underscored in Alexander Day's study, 'rural public society was not rebuilt...[T]he state largely divested itself of rural public works and social welfare: collectively owned irrigation, public medical care,[...] and schooling fell into disrepair and often local government took on a predatory relationship to the local population'(Day 2013, 165). On the other hand, as collectivist structures dissolved, capitalist social relations of production did not take their place.

Firstly, what was identified above as synonymous with the capitalist era, the rapid diminution in population tied to agriculture alongside absorption of workers in industry and ultimate mechanising of agriculture, never occurs. Nebulous land rights in rural China forestalled a potential amalgamation of holdings by enterprising dedicated farmers which in turn might have spawned mechanisation. State owned enterprises were themselves jettisoning workers, 36 million to be precise between 1996 and 2001, and could not play a part in absorbing surplus agricultural labour (Westra 2012: 153-4). By the mid 1990s, even the once vibrant TVE 'collectives' increasingly faced forces of privatisation, as that sector also began shedding workers and opportunities for productive rural off-farm work. Chinese agricultural specialist Wen Tiejun, who in disagreement with state policy left his government position, argued that by the late 1990s China's agriculture could be efficiently operated at its then current level of output by 100 million farmers. Yet the rural labouring population at that juncture was approximately 600 million. Of those over 100 million constituted the urban migrant or 'floating' population while up to 200 million laboured in non-urban secondary and tertiary industries. Under such conditions, Wen maintained, it is nonsensical to conceive of labour power as a commodity given the fact that

there simply exists no possibility for urban industry to absorb such a gargantuan peasant multitude. There is no way to support this population through the market system, he concludes (Day 2013: 105-7).

China's workforce was drawn to the SEZ economy dominated largely by foreign owned enterprises serving as cogs in global 'value chains' but from which titanic wealth gains accrued to China's ruling party connected elites. By 2003 well over 100 SEZs had been established including Hainan Island in its entirety and the giant Pudong Development Zone linked to Shanghai. The labour force that drives this engine of China's growth is the burgeoning migrant floating population (defined legally as those living for at least 6 months somewhere other than their *hukou* mandated residence). By 2000 it constituted 12 percent of China's total population or 144 million workers. In 2009 the floating population numbered 211 million migrants and estimates in China have the floating population growing to 350 million by 2050 (Westra 2012, 152, 160). Yet, do not expect manufacturing to absorb China's rural labour force in a capitalist industrial revolution scenario. In the decade and a half following early 1990s proclamation of China as a 'socialist market economy', there was no increase in the total number of manufacturing jobs (Day 2013: 190).

Secondly, in terms of the meeting of general norms of economic life where commodified labour power receives the product of its necessary labour through the production and circulation processes of capital, China's labour configuration reveals disturbing parallels with the early putting-out system and formal subsumption of the labour and production process. The long term consequences of China's de-collectivisation into the household responsibility system were the anchoring of material reproduction of much of China's working population in subsistence agriculture and predisposing of this working population to casual, irregular and contingent off-farm labour. As hundreds of millions of workers from this population 'floated' into China's growth engine of SEZ manufacturing employment, wages fell significantly below what was necessary and sufficient for workers to gain access to the product of their necessary labour. There is therefore no reproduction of these hundreds of millions of workers as a *class* through the wage form as raising their families, care for the elderly, and so forth, is subsidised by subsistence farming (Day 2013, 188).

Superimposed on this is the authoritarian *hukou* system which ensures that at the behest of the state, workers may be dispatched back to their rural residences at the crack of a whip. And this is essentially what occurred as the 2008 meltdown struck. Waves of 'ragged clothed' migrants were observed flooding out of cities clutching their meagre belongings and beddings. When we factor into the mix abundant evidence of serial non-payment of migrant workers wages by companies, often prison-like conditions of work with debilitating fifteen hour days and prohibitions on leaving and entering production compounds where migrants are crammed by the

dozen into squalid living quarters. And even the scourge of child labour. It is evident that except for Marx's criterion on enterprise size China's labour configuration shows little evidence of the real subsumption of the labour and production process by capital. Nor the commodification of labour power with the historically specific way commodification manages the metabolic interchange between human beings and nature to materially reproduce a human society (Westra 2012, 162-3).

Further, the absence of capitalistically rational pricing for labour power coupled with ambiguous entitlements for land and an authoritarian state fomented a chronic misallocation of social resources across China's economy. Predatory local state officials 'grabbed' land from farmers at extremely low prices and either sold the land at astronomically high prices to real estate developers or at very low prices for the industrial parks (over 80 percent of all land transfers) that accommodate the economy of state owned enterprises and SEZs. The former mode of rent seeking contributed to a festering real estate bubble. The latter to lucrative income flows from taxes on industrial uses of land 10 times higher than agriculture. Access to vast tracts of undervalued land also fed tendencies toward large scale investment projects in energy and resource-intensive heavy industries. Therefore, though the 2010 census pegged China's working age population around 70 percent, even should wages rise from its continued absorption, this is hardly sufficient to undo China's toxic social relations of production and misallocation of social resources (Aglietta and Bai 2013: 213-18).

International analysts like Guy Standing recognise how the low wage structure of China's labour configuration has been perpetuated by the sheer scale of the floating population phenomenon. And that the continued existence of this toxic labour configuration given China's key positioning in global value chains bodes ill for workers of the world (Standing 2011, 106-8). However, the remedy offered of 'full labour commodification' along with achievement of related 'rights' reveals an inadequate understanding of what is really at stake (Standing 2011: 161ff). The fact is, as touched on above, tendencies obviating the need for maintaining commodified labour forces have been driven by advanced economy TNCs, commencing in their own domiciles, from the 1990s. The disinternalising of production centred activities leading to precipitous declines in manufacturing employment is compounded by recent process innovations where disarticulated production has reset global trade largely around 'intermediate goods' or sub-products as we note. While non-developed so-called middle income countries in Asia in particular, including China here, of course, are coveting an increasing share of world manufacturing capacity and exports, they are doing so by imbibing the full suite of pathologies TNC capital has saddled the process with (Hart-Landsberg 2013:18-20, 31-6). China itself, opened its economy into this maelstrom, doing so with a healthy, disciplined labour force, imbued with manufacturing skills and marked by high levels of literacy for a country at its then

per capita income level (Naughton 2007: 81-2). And China became the assembly lynchpin in a regional production network already dominated by TNC capital. Indeed, as the mouthpiece for TNC capital the World Bank by 2008 already had no illusions about what was really going on. As it shamelessly peddled as ‘development’ policy the template of non-developed country off-farm labourers streaming into contingent work in urban construction or sweatshops while maintaining their ‘footholds’ in subsistence farming (World Bank 2008: 216).

In advanced economies themselves the abdicating by TNCs of the business of making things for financial gamesmanship and rents from ownership of ‘intangible assets’ has left the material reproduction of the livelihoods of mass populaces not to precapitalist subsistence agriculture but principles of state ‘redistribution’ running the gamut from food stamps to few remaining social welfare systems. US food stamp recipients, for example, number near 50 million, a figure exceeding the total population of such countries as Kenya, Ukraine and Argentina (Meyer 2015).

For China, the end of its development road has been reached. An estimated \$7 trillion has been poured into its economy since the onset of the 2008 economic crisis manifesting itself in a landscape littered with ‘ghost’ cities and infrastructure (Anderlini 2014). But there has been little significant movement out of its social relations of production with vast swathes of peasant farming and a swelling floating population with no possibility of ever becoming commodified with all that entails for material reproduction of a human society. Nor will commodification of mass labour forces return to advanced economies. The world has reached the point where the material conditions for any kind of capitalism with its production centred accoutrement have been outstripped by historical transformation. Marx conceptualised the global roadblock humanity faces in terms of the forces of production outpacing relations of production demanding revolutionary change for society to move forward.

---

Notes:

<sup>1</sup> For the specialised debate over commodity *forms* see Sekine (2009).

<sup>2</sup> The earliest elaboration upon Marx’s study of the capitalist economy in *Capital* confirming the existence of ‘general norms of economic life’ was made by Japanese Marxian economist Kozo Uno (1980).

<sup>3</sup> For an article length argument on the operation of the law of value in *Capital* and the specific contribution of all three volumes of *Capital* to demonstrating how capital reproduces the economic life of a human society as a byproduct of value augmentation, see Westra (2012/13).

---

<sup>4</sup> On questions of non-capitalist ‘principles of economy’ and their material reproductive features see Westra (2014: 138-48).

## References:

- Albritton, R. 1991. *A Japanese Approach to Stages of Capitalist Development*. Basingstoke: Macmillan.
- Albritton, R. 1993. ‘Did agrarian capitalism exist?’ *Journal of Peasant Studies*, 20(3), 419-441.
- Aglietta, M. and Bai, G. 2013. *China’s Development: Capitalism and empire*. London: Routledge.
- Bayly, C. A. 2004. *The Birth of the Modern World 1780-1914*. Malden, MA: Blackwell.
- Bell, J. 2009. *Capitalism and the Dialectic: The Uno-Sekine Approach to Marxian Political Economy*. London: Pluto.
- Bell, J. and Sekine, T. 2001. ‘The Disintegration of Capitalism: A Phase of Ex-Capitalist Transition’ in Albritton, R., Itoh, M., Westra, R and Zuege, A. eds. *Phases of Capitalist Development: Booms, Crises and Globalizations*. Basingstoke: Palgrave/Macmillan.
- Bernstein, H. 2015. ‘Some Reflections on Agrarian Change in China’. *Journal of Agrarian Change*. 15, 3 pp. 454-477.
- Brass, T. 2010. ‘Unfree labour as primitive accumulation?’ *Capital & Class*. 35, (1) 23-38.
- Brenner, R. 1977. ‘The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism’. *New Left Review* I, 104.
- Dasgupta, S. and Singh, A. 2006. ‘Manufacturing, Services and Premature De-industrialization in Developing Countries: A Kaldorian Empirical Analysis’, Center for Business Research, University of Cambridge Working Paper no. 327, accessed on line March 20 2013, <http://www.cbr.cam.ac.uk/pdf/WP327.pdf>.
- Day, A. 2013. *The Peasant in Postsocialist China*. Cambridge UK: Cambridge University Press.
- Engels, F. 1954. *Anti-Dühring*. Moscow: Foreign Languages Publishing House.
- Feinstein, C. 1999. ‘Structural Change in the Developed Countries during the Twentieth Century’, *Oxford Review of Economic Policy*, 15, 4.
- Hart-Landsberg, M. 2013. *Capitalist Globalization: Consequences, Resistance, and Alternatives*. New York: Monthly Review Press.
- Harvey, D. 2003. *The New Imperialism*. Oxford: Oxford University Press.
- Hill, C. 1969. *Reformation to Industrial Revolution*. Harmondsworth: Penguin Books.

- 
- Ietto-Gilles, G. 2002. *Transnational Corporations: Fragmentation amidst integration*. London: Routledge.
- Jones, E. L. 1974. *Agriculture and the Industrial Revolution*. Oxford: Basil Blackwell.
- Lapavitsas, C. 2013. *Profiting Without Production: How Finance Exploits Us All*. London: Verso.
- ILO. 2008. *Global Employment Trends*. International Labor Office: Geneva.
- Kay, C. 2002. 'Why East Asia overtook Latin America: agrarian reform, industrialization and development'. *Third World Quarterly*, 23, 6.
- Marx, K. 1959. *Capital* Volume Three. Moscow: Foreign Languages Publishing House.
- Marx, K. 1977. *Capital* Volume One. Translation by Ben Fowkes. New York: Vintage Books.
- Meyer, A. 2015. 'Food Stamp Beneficiaries Exceed 46,000,000 for 38 Straight Months', CNS News, January 13 2015, <http://www.cnsnews.com/news/article/ali-meyer/food-stamp-beneficiaries-exceed-46000000-38-straight-months>.
- Milberg, W. and Winkler, D. 2013. *Outsourcing Economics: Global Value Chains in Capitalist Development*. Cambridge: Cambridge University Press.
- Naughton, B. 2007. *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press.
- Polanyi, K. 1957. *The Great Transformation*. Boston: Beacon Press.
- Seabrooke, L. and Wigan, D. 2014. 'Global wealth chains in the international political economy'. *Review of International Political Economy*, 21, 1.
- Sekine, T. 1997. *An Outline of the Dialectic of Capital* V II. Basingstoke: Macmillan.
- Sekine, T. 2009. Arthur on money and exchange. *Capital & Class*, 33 (3), 35-57.
- Standing, G. 2011. *The Precariat: The New Dangerous Class*. New York: Bloomsbury Academic.
- Uno, K. 1980. *Principles of Political Economy*. Sussex: Harvester Press.
- Webber, M. and Rigby, D. 2001. 'Growth and Change in the World Economy Since 1950', in Albritton, R., Itoh, M, Westra, R and Zuege A. eds. *Phases of Capitalist Development: Booms, Crises and Globalizations*. Basingstoke: Palgrave/Macmillan.
- Westra, R. 2006. 'The Capitalist Stage of Consumerism and South Korean Development', *Journal of Contemporary Asia*, 36, 1.
- Westra, R. 2009. *Political Economy and Globalization: Frontiers of Political Economy Series*. London: Routledge.
- Westra, R. 2011. 'Renewing Socialist Development in the Third World', *Journal of Contemporary Asia*, 41, 4, pp. 519-43.
- Westra, R. 2012. *The Evil Axis of Finance: The US-Japan-China Stranglehold on the Global Future*. Atlanta, GA: Clarity Press.

---

Westra, R. 2012/13. 'Capital as Dialectical Economic Theory'. *Journal of Australian Political Economy*, Special Issue on *Capital* against Capitalism: New Research in Marxist Political Economy, 70.

Westra, R. 2014. *Exit from Globalization*: Frontiers of Political Economy Series. London: Routledge.

World Bank. 2008. *World Development Report 2008*. Accessed on line March 20 2013.  
[http://siteresources.worldbank.org/INTWDR2008/Resources/WDR\\_00\\_book.pdf](http://siteresources.worldbank.org/INTWDR2008/Resources/WDR_00_book.pdf).