ACCUMULATION BY DISPOSSESSION OR ACCUMULATION OF CAPITAL? THE CASE OF CHINA

Bill Dunn

There is an important debate about the sources of growth in contemporary capitalism. The controversy revolves around whether previously predominant processes of capital accumulation have been superseded. In particular, the long post-war boom involved intensive, productivity-increasing accumulation. Now, according to David Harvey (2003), ‘accumulation by dispossession’ becomes the central mechanism. This is based primarily on the appropriation and marketisation of hitherto uncommodified realms. Capitalism’s growth is weaker than before. Moreover, while the market veiled exploitative relations in production, accumulation by dispossession relies on a more overt use of force. Thus it is political power, rather than any strictly economic logic, which dominates and which needs to be understood and challenged.

After a brief exposition of this argument, this article examines the case of the People’s Republic of China, a major pole of growth in the world economy since the 1980s. For Harvey (2003, 2005), China has also been an exemplar of neo-liberalism and of accumulation by dispossession. It has been the site of massive social transformation, of vast proletarianisation and of commodification of formerly public or collective activities. However, even the limited data discussed here suggest that, quantitatively at least, China’s recent growth has depended overwhelmingly on productivity-raising capital accumulation. In this instance, claims of a radically new dynamic seem to be misplaced.

Accumulation by Dispossession or the Accumulation of Capital?

For Harvey (2005), accumulation by dispossession is a politically driven process which occurs simultaneously with capital accumulation. It works in a variety of ways from the subtle commodification of once communal property to outright theft. It is essentially contingent and *ad hoc*, whereas capital accumulation is systematic. It was necessary in the initial foundation of capitalism but since the end of the long post-war boom has again come to the fore as the main driver of economic growth.

Harvey (2003) uses the term ‘accumulation by dispossession’ as an alternative to Marx’s ‘primitive accumulation’. Not consigned to some original state, predation remains an enduringly important feature of the capitalist economy. Harvey draws on Rosa Luxemburg’s identification of the dual character of accumulation. This posits a distinction between value production, ‘in the factory, the mine, the agricultural estate’ where economic processes conceal exploitation and the open ‘force, fraud, oppression, looting’ which occurs between capitalist and non-capitalist modes of production (2003:137). Harvey replaces Luxemburg’s ‘underconsumptionist’ analysis of imperialism with one based on ‘overproduction’. There are similarities but the latter identifies how capital too can and must consume. It implies additional potential sources of dislocation and disequilibrium, which may be less susceptible to Keynesian demand management. Conversely, it also means that capital accumulation may remain possible in the absence of consumer demand, for example if cheaper inputs can be appropriated. The rationale for forcing open new territories thus lies not only in their markets but also in the search for sites of investment.

Harvey’s concept of accumulation by dispossession takes seriously Luxemburg’s idea that the ‘outside’ remains vital to capitalism (2003:138-140). He insists that the inside and outside are intimately, indeed dialectically, related. Not only do they occur simultaneously but capitalism continually creates its own ‘outside’ (2003:141). It does this most clearly in producing a reserve army of labour. Unemployed workers are not only recruited from non-capitalist surrounds but also spat out of production by technological innovation. Harvey sees an exact analogy between this process and that of financial crisis, which devalues vital assets later to be seized by surplus capital (2003:151). Something similar also appears to happen with processes of nationalisation and privatisation, with the selling of formerly state owned assets often being a key component of contemporary accumulation by dispossession, alongside the appropriation of once communal or collective property (2005:159).

The importance of this 'other' touches on a longstanding argument about whether, or to what extent, capitalism succeeds through its own dynamism or through processes of exploitation and appropriation of non-capitalist systems. Marx wrote:

> Direct slavery is just as much the pivot of bourgeois industry as machinery, credits, etc. Without slavery you have no cotton; without cotton you have no modern industry. It is slavery that has given the colonies their value; it is the colonies that have created world trade, and it is world trade that is the pre-condition of large-scale industry. Thus slavery is an economic category of the greatest importance (1978:105).
>
> In fact the veiled slavery of the wage-labourers in Europe needed the unqualified slavery of the New World as its pedestal (1976:925).

Later writers have argued that slavery was not only qualitatively but quantitatively vital to capitalism's success. The slave trade and slavery effectively paid for Britain's industrialisation (Williams 1964; Solow 1987; Blackburn 1997). An influential school of dependency theory, much of it more or less Marxist, has also understood subsequent international economic relations as not merely impoverishing the underdeveloped nations of the 'south' but providing the essential motors of northern enrichment (Emmanuel 1972; Wallerstein 1974).

The view that capitalist economy needs external resources is, of course, not confined to Marxism. Harvey (2003, 2005) draws explicitly on the work of Hannah Arendt and Karl Polanyi. The latter's (2001) 'politicist' critique of Marxism has for other scholars too become a crucial text. Its interpretation of the original 'Great Transformation' in Britain finds numerous contemporary resonances both in the centrality it gives to political appropriation and in the need for states to sustain market processes: see, for example, Joseph Stiglitz's foreword to the latest edition of Polanyi's work (2001). In particular, such perspectives emphasise that the state creates and sustains a labour market.

However, at least since the *Communist Manifesto*, Marxists (and others) have also emphasised the unique dynamism of capitalism. Its intrinsic processes of exploitation and competitive accumulation have enabled it to achieve unprecedented material advances - as well as establishing hitherto unimagined social divisions. However contingent and opportune the processes through which capital first stumbled to its feet, it then bestrode the world with self-possession. This should not imply that Marx's descriptions of the logic of capital accumulation ever completely captured its historical concreteness. For example, the great traditions of robber barons and black market petty bourgeois, as well as colonial plunder, are hard to systematise but have never been absent nor unimportant. However, even at the apogee of imperial expansion, the principal sources of investment may have been domestic (O'Brien 2007). Theories of unequal exchange also rely, at least implicitly, on the *prior* industrialisation and enrichment of the rich countries. Harvey himself has provided a powerful characterisation of expanded reproduction during the long 'Fordist' post-war boom (1990). However, he suggests this has been substantially superseded.

Capital's internal dynamism faltered and the boom ended. Come the crisis, labour failed to establish anything better and capital reasserted itself politically. Driven by financialisation, the geographical mobility of capital, the 'Wall St.-IMF-Treasury complex' and free-market ideology, neoliberalism involved the '*restoration* or *creation de novo* of class power' (Harvey 2005:104). The neo-liberal state form enabled capital to exploit new, or sometimes old, sources of wealth through accumulation by dispossession. This is a multifaceted process involving, amongst other things:

> (1) the commodification and privatization of land and the forceful expulsion of peasant populations…(2) conversion of various forms of property rights (common, collective, state, etc.) into exclusively private property rights; (3) suppression of rights to the commons; (4) commodification of labor power and the

> suppression of alternative (indigenous) forms of production and consumption; (5) colonial, neo-colonial, and imperial processes of appropriation of assets (including natural resources); (6) monetization of exchange and taxation, particularly of land; (7) the slave trade (which continues, particularly in the sex industry); and (8) usury, the national debt, and most devastating of all, the use of the credit system as radical means of primitive accumulation (Harvey 2007b:34-5).

The range and difference of the various elements also highlights 'the contingency of it all' (Harvey 2003:152-6); the lengths and depths to which capitalism will resort to sustain itself. It involved an extensive appropriation as opposed to the previously dominant methods of intensive accumulation. It tended to redistribute rather than generate wealth and global growth rates fell in each of the last four decades of the 20th century (Harvey 2005:155).

Harvey states the case for transformation with some caution. As noted above, he sees the dual processes of accumulation as ever present within capitalism. Moreover, a logic of territorial power predates capitalist imperatives and cannot be reduced to them, even conditionally (2003:30). Thus, for example, although it remains a key feature of contemporary neo-liberalism, 'the extraction of tribute via financial mechanisms is an old imperial practice' (2005:74). Harvey also warns against associating contemporary transformation with homogenisation and the pro-business agenda of globalisation, which proscribes alternatives (2000:13). There are thus strong elements of continuity. Nevertheless, he insists there has been a qualitative shift (2003:7; see also Harvey 2000).

This is politically as well as theoretically significant. As Harvey writes:

> The forms of left-wing political organization established in the period 1945-73, when expanded reproduction was in the ascendant, were inappropriate to the post-1973 world, where accumulation by dispossession moved to the fore as the primary contradiction within the imperialist organisation of capital accumulation (2003:172).

Exploitation at work is less important to capital than hitherto with a commensurate diminution of workers' collective strength. 'Dispossession...is fragmented and particular - a privatization here, an environmental degradation there, a financial crisis of indebtedness somewhere else' (Harvey 2005:178). Opposition accordingly becomes more disparate. Harvey is at pains to seek strategies which can unify these resistances, with labour still important amongst them. However, according to this scenario, workers have lost their former centrality. Therefore, while it should not forget struggles in the field of expanded reproduction 'the anti- and alternative globalization movement must acknowledge accumulation by dispossession as the primary contradiction to be confronted' (2003:177). The reality of the concrete forms of commodification and expropriation Harvey describes, and the significance of the protest they provoke, seem clear.

However, there are some problems with Harvey's analysis and, correspondingly, reasons to question the appropriateness of these conclusions. Disentangling what are contemporaneous and often interconnected processes and evaluating the extent or significance of any such shift may be difficult. Company accounts and national statistics do not provide a ready empirical basis for distinguishing separate modes of exploitation. Moreover, even sympathetic commentators contest elements of the conceptual distinction. Some criticise Harvey for including more processes than did Marx within 'accumulation by dispossession'. Privatisation, financialisation and even the worst excesses of an Enron model of capitalism could be seen as more or less 'normal' processes of struggle and exploitation under capitalism (Brenner 2006; Fine 2006; Ashman and Callinicos 2006). Capital has also long employed the twin mechanisms of squeezing absolute and relative surplus value from labour. Wage cuts and longer hours associated with the former have been particularly characteristic of the US economy and in geographical relocations of production in the last quarter of a century. They undoubtedly matter to the workers concerned, contrasting with increases in relative surplus value affected through productivity rises compatible with real, if lower, wage rises. The switch between modes of exploitation perhaps shades into what Harvey sees as different about neo-liberalism, but both are familiar processes of capital accumulation.

Any difficulties notwithstanding, it would seem worth attempting to gain some idea of the relative significance of the two forms of accumulation.[1] There do appear to be grounds to question claims of a qualitative shift. Rates of capital formation in the US, Japan and Germany of 19, 23 and 17 percent respectively in 2005 (calculated from OECD 2007), although certainly significantly lower than during the long boom, still represented substantial sums. Overall growth rates also undoubtedly fell from those of the remarkable post-war decades, but alternative accounts suggest that across the rich countries the increase in GDP *per capita* in the 1990s and first half of the 2000s compared favourably to any previous period of capitalism's history (Maddison 2003, UN 2006). Such bald statements only pose rather than answer questions of the origins of wealth; of the relation of exploitation in production against the multiple examples of force, fraud, oppression and looting that characterise contemporary political economy. However, they suggest the purported shift should be investigated rather than assumed.

If this suggests a case for emphasising the continued importance of capital accumulation in the core rich country economies, the Chinese experience may be yet clearer cut. Harvey (2003, 2005) sees it as a prime instance of accumulation by dispossession. While he again identifies a range of processes, in this case he accepts direct parallels with the earlier experiences of western capitalism which Marx described as 'primitive accumulation'. Indeed, he suggests, 'it may be perfectly reasonable to use the term in the case of contemporary China' (2007a:158). The contrast between this and capital accumulation based on increased productivity within Chinese industry seems relatively unambiguous.

The following section of this article therefore attempts to evaluate the dual processes of accumulation in China's rapid recent rise. It is clearly an important example, the major site of growth in the world's economy. Here, an extraordinary if contradictory expansion is evident. The empirical evidence, based on numerical data derived from Chinese state

1 Harvey himself avoids becoming bogged down in a descriptive sociology of interdependence. For example in the case of Indonesia, he posits that growth during the 1980s and 1990s was attributable to 'the import and insertion of capital accumulation through expanded reproduction' (2003:164). Accumulation by dispossession after the crisis of 1997 is understood to have totally disrupted that process.

agencies, should be treated with caution. Nevertheless, the estimates suggest that, despite the massive scale of accumulation by dispossession, this has not constituted the principal basis of China's recent growth.

The Case of China

For Harvey (2005), China provides an important example of the shift to neo-liberalism, albeit with unique Chinese characteristics, and of accumulation by dispossession. The equation with primitive accumulation has also been made by Chinese Communists. Party General Secretary Zhao Ziyang said in 1987:

> China must go through an extremely long primary stage so that it can achieve the industrialisation and the commercialization, socialization and modernization of production that other countries have secured through capitalistic means (cited in Breslin 2006:6).

Both in its contradictory dynamism and in the key role of the state, China has reproduced many of the experiences of early industrialisation in Europe. Similar economic successes and social horrors are apparent, albeit often in concentrated form.

By whatever means, China became the clearest locus of capitalist growth in the last thirty years. Data from Heston *et al*. (2006) suggest that (in constant 2000 $US and on a purchasing power parity basis), China's GDP rose from $640b to $6,906b between 1978 and 2004. This implies an average annual growth rate of 9.5 percent. China's population increased from 959 million to 1,295 million or by 35 percent, suggesting an average annual *per capita* rise in income of 8.3 percent. Even allowing for some exaggeration, a healthy scepticism towards the official statistics and the inherent biases towards marketised activities in wealth measurement, this indicates remarkable growth. Even a more conservative estimate puts annual *per capita* growth at seven percent (Naughton 2006). China's exports, whose measurement does not rely on local sources, increased from $18b to $761b; from about 1% to 7.5% of the total world trade in the quarter century to 2005 (WTO 2006), remarkable in itself and confirming the rapid economic growth.

For orthodox economists, China's expansion confirms the triumph of the market. As it embraced capitalism and abandoned state socialism so it grew (Hu and Khan 1997; Wolf 2004). As with Europe's early industrialisation, such a perspective is misleading. Firstly, the dramatic processes of change cannot adequately be described as liberalisation, having been directed throughout by the Chinese state, albeit sometimes in an *ad hoc* rather than coherently orchestrated fashion.

Secondly, China's economic growth is in many respects deeply contradictory. Internationally, while China's trade surpluses accumulated vast dollar reserves, the same imbalance suggests the relationship may not be indefinitely sustainable. Contrary to theories which see international trade as inevitably leading to the prosperity of all parties, even on the most impeccably orthodox economic assumptions, the possibility of self-immiseration through cheapening prices is a real possibility for a supplier country the size of China (Samuelson 2004). Internally, there are significant economic problems, including a massive accumulation of bad debts amongst banks, huge divergences in geographical and sectoral economic performance and volatile inflation. China's industrial revolution has also involved profound social upheaval, dislocation and the abandonment of previous social security policies, particularly in rural areas. Low rates of private business taxation left a shrinking state sector less able to pay for an ever greater share of government revenue (Hart-Landsberg and Burkett 2004a, 2004b). Mass unemployment and repression co-exist with uncoordinated but widespread signs of revolt.

Recent attempts to understand this contradictory growth have reasonably focussed on China's remarkable transformation since 1978 (see *e.g.* Hart-Landsberg and Burkett 2004a, 2004b, 2004c). However, there is an important sense in which this was built on achievements of the earlier period. The traumas of Chinese Communism under Mao are now well known. It did nevertheless create an industrial sector of 69 million people, which contributed almost half of the country's GDP by 1978 (see table 1). Heavy industry expanded particularly rapidly, with producer goods industries growing by a factor of 24 between 1952 and 1971. They accounted for only 28 percent of manufactured output in 1949 but about 80 percent by the early 1970s. Outputs of steel, coal and oil all rose particularly quickly (Harris 1978). China's *per capita* economic level in 1979 was still low but in absolute terms the country already had substantial industrial capacity. It was able to avoid the import dependence of many other late developing countries.

There would therefore also seem to have been a significant element of primitive accumulation in this earlier period. This perhaps raises questions of Harvey's apparent equation of state with public and of privatisation with accumulation by dispossession. The sharpness of the state-market distinction has been questioned both by Marxist and institutional economists (see *e.g.* Kidron 1974 and Simon 1991). It may be possible for state owned enterprises to accumulate capital in similar ways to private firms. Similarly, the privatisations of state owned enterprises in China has been an incomplete process, with the Communist Party often retaining substantial, if sometimes obscure, elements of control. It remains a 'state-manipulated market economy' (Harvey 2005:122). The distinction may be similarly blurred in terms of industrial relations. For example, it is entirely possible to have tenured employment within capitalist firms. Conversely, state owned enterprises can dismiss workers arbitrarily and in China since 1986 they have been openly abandoning life-long employment (Sargeson 1999:22, 38).

However, if changes of ownership have sometimes been of a rather formal character, there have been some fundamental transformations. At the forefront of these are:

> The massive proletarianisation of China's workforce, the breaking of the 'iron rice bowl', the evisceration of social protections, the imposition of user fees, the creation of a flexible labour market regime, and the privatisation of assets formerly held in common (Harvey 2005:150).

The first of these seems particularly important in extending primitive accumulation on a massive scale. It shifted labour-power from more or less collective and self-sufficient to marketised activities and from low to somewhat higher productivity sectors. Accordingly this sectoral change underpinned the overall improvements in economic performance (see also Lardy 1998). In particular, a largely self-sufficient peasantry has been driven off the land to be exploited as 'the whole of China was opened up...to market forces and foreign capital' (Harvey 2005:125). This was proletarianisation on a grand scale. The rural population fell from 82% to 58% of the total between 1978 and 2004, the urban population rising from 18% to 42% (NBSC 2005). Moreover, within the countryside there was also an approximately fourfold increase to 128 million people in employment within Township and Village Enterprises (TVEs) between 1980 and 2000, only about 2% of which was in agriculture (OECD 2002). The massive urban migration thus reflects but understates a movement from agriculture to industry and services. With this emphasis on broadening rather than deepening China's industrialisation, other authorities stress the limited extent of innovation (see *e.g.* Hutton 2006:142-70).

Official figures (NBSC 2005) also suggest an increase in employment from 41.9 to 58.1 percent of the population over this period. Discontinuity in the figures implies they somewhat overstate the change. They may also reflect demographic shifts, which increased the number of people of working age. The effects of fewer children in the population were only partially offset by longer times spent in education (OECD 2005). Therefore this extra 16.2 percent or 210 million people in employment might be seen as something of an upper limit to the numbers of those who have entered paid work. Nevertheless, it represents a huge shift out of various subsistence activities into the monetised economy. This proletarianisation lies at the heart of the expansion of secondary and tertiary sector employment, which more than tripled. Overall, industry and services gained 100 million and 181 million workers respectively, 76 million and 164 million more than would have been expected simply on the basis of population increase.

While subsistence forms declined, paid agricultural employment also increased. However, the rise from 283 million to 353 million was slower than that of the overall population. We might impute a fall, relative to the rise in population, of 29 million in agricultural employment. To characterise this movement into industry and services as 'primitive accumulation' stretches the meaning a little further. Nevertheless, such a shift repeats the historical process by which industrial proletariats were formed in Europe. Moreover, there is a sense in which the question this article is attempting to evaluate can be framed precisely as one of whether Chinese growth is predicated upon the increasing size of the already more productive sectors or on their increasing productivity.

Of course, the numerical increase in employed workers is only part of the story of primitive accumulation and those not in paid work can also play a vital role; in particular the armies of unemployed help keep wages low. Their experience underlines that this has been a harrowing process. It has been one of periods of accelerated reform and conservative consolidation. Nevertheless, for Chinese capitalism as a whole, it is a one-off process. This new proletariat is only created once. Although huge, the peasantry is exhaustible. The 58% of the Chinese population in employment is now close to the world's highest (ILO 2005). The very old and very young, particularly as educational requirements increase, cannot be so easily or effectively employed. It is unclear how much room there is for further primitive accumulation along similar lines to enable further expansions in the scope of industry and services. Millions of unemployed can still be put to work, but doing so might threaten the low-wage route of international competitiveness.

China will probably also continue to transfer resources from less efficient but now commodified agricultural sectors to industry and services. However, this involves significant, and possibly increasing, risks. Both economically and socially, agricultural privatisation was primary to China's reform process. Unsurprisingly, however, agricultural output has subsequently lagged and dependence on food imports grown. While vast trade surpluses suggest there is no imminent economic danger, China becomes more vulnerable to the vagaries of the international market. Indeed, it has already been suggested that its opening to the WTO and freer competition threatens large parts of China's agriculture (OECD 2002; Chang 2002). The US continues to seek currency revaluation, which would exacerbate this (Hutton 2006). Rural crisis might further increase the supply of labour-power to industry and services but carries a high social cost with unpredictable political consequences.

Nevertheless, these difficulties might not mean the beginning of the end of Chinese growth. Sam Ashman and Alex Callinicos argue 'The enclosure of the commons underway there is helping to create the conditions of, rather than constituting, the accumulation process in China' (2006:126). Harvey (2003:154) acknowledges that accumulation by dispossession is not the whole story and also writes of it as a 'necessary cost' of breaking through to successful capitalist development. However, while there remain many obstacles and success within capitalism is always contested and relative, there are reasons to believe capital accumulation replaced primitive accumulation as the most important driver of Chinese growth some considerable time ago. Investment has increased capital's scope but also its productivity in terms of output per worker, albeit unevenly across and within economic sectors.

Harvey sees the two processes of accumulation by dispossession and of capital accumulation as simultaneous and interconnected. Nevertheless, in this case it now seems reasonably straightforward to distinguish them analytically and to evaluate their relative significance. The addition of 76 million industrial and 164m service workers, even at 1978 levels of productivity, would have added $338b and $508b respectively to GDP in these sectors (see table 1). Such gains can be offset against a loss of $18b from agricultural production. This suggests an overall contribution to the growth of GDP of $828b. This 229 percent increase over the 1978 - 2004 period represents a substantial contribution. However, as noted above, total GDP increased more than tenfold, by $6,505b, over the same period. Quantitatively, this indicates that primitive accumulation was responsible for something around 13 percent, or one eighth, of Chinese growth.

This, of course, does not say why industrial productivity rose so fast. The intensification of exploitation, or increased 'market efficiency' (Hu and Khan 1997), is perhaps compatible with a broad reading of Harvey's notion of accumulation by dispossession. However, others emphasise increasing physical and human capital and rising total factor productivity which includes (even if it cannot be reduced to) technological innovation (Wang and Yao 2003). Figures from the OECD broadly confirm this latter perspective. They suggest that 'capital per employed person grew at around 7½ percent annually and has accounted for over half of the growth of income per head since 1988' (OECD 2005:32). Sectoral change and increased employment, by contrast, contributed a small and declining proportion of the output growth (see Table 2).

Table 1: Changes in Productivity and Sectoral Distribution of Work in China, 1978-2004

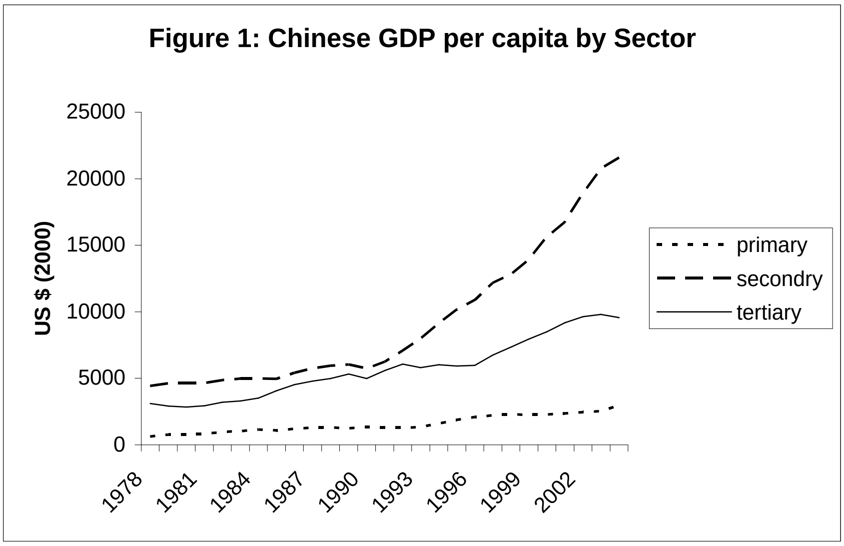
	Agriculture	Industry	Services	Total
1978				
employment (m)	283	69	49	401
contribution to GDP ($b) (2000)	180	309	152	640
GDP per employee	635	4443	3098	1595
2004				
employment (m)	353	169	230	752
contribution to GDP ($b) (2000)	1049	3653	2203	6906
GDP per employee	2976	21591	9574	9183
1978-2000				
annual average growth in GDP per employee	3.5	3.7	1.9	4.4
'effective' change in employment (m)	-29	76	164	211
'effective' contribution to change in GDP ($b) (2000)	-18	338	508	828

Source: calculated from Heston *et al*. (2006), NBSC (2005)

Table 2: Contributions to China's Output Growth 1983-2003

	1983-88	1988-1993	1993-1998	1998-2003
output growth	12.1	8.9	9.8	8.0
of which:				
employment	1.5	1.0	0.3	0.3
sectoral change	2.2	0.8	-0.3	0.5
capital	5.0	4.5	5.5	4.9
others	3.4	2.6	4.3	4.9

Source: OECD (2005)



Source: calculated from Heston *et al*. (2006), NBSC (2005)

Accumulation by dispossession, and the sectoral changes attendant upon it, may also have been more important in the early years. Figure 1 shows that productivity rises were modest until the early 1990s. However, it would appear that industrial productivity, in particular, then accelerated rapidly. Industrial employment actually decreased from the mid-1990s. Tertiary employment continued to rise but that sector's productivity gains were relatively small. These simple calculations indicate that, quantitatively, changes in relative output were more important than primitive accumulation, particularly since the mid-1990s.

The discussion here of proletarianisation only engages directly with the first and fourth elements of Harvey's eight point list. Many of the others features were also present and together have contributed to sharply rising inequality. One estimate suggests that the Gini Coefficient of income inequality almost doubled in twenty years from 1981, from 0.29 to 0.56 (Breslin 2003); a rise probably more rapid than anywhere else on earth. Such numbers cover an array of social horrors; gender and geographical, as well as class based, inequalities. However, if this meant that the share of the poor in the national income roughly halved it was, to repeat, a share of an income roughly ten times greater. Indices of human development in China based on life expectancy and education as well as average wealth show persistent improvements (UN 2006). Overall labour's share of national income remained steady from 1978 to 1999 but was markedly higher than during the pre-reform period (Wang and Yao 2003). Many people have become desperately poor, have lost rather than gained from China's transformation. However, even while there may have been a multifaceted transfer of wealth from poor to rich, there would appear, at least in crude economic terms, to have been an even greater increase in overall wealth.

Thus, the concept of accumulation by dispossession does not appear to provide a sufficient explanation of China's success nor a basis for anticipating its limits. Qualitatively it may nevertheless have been essential. Primitive accumulation provided the workers who could then be exploited more intensely. The breakdown of the sectoral growth rates shown in Table 1 and Figure 1 might also qualify some of the hyperbole around Chinese growth. Even in industry, average growth per employee was slow until the early 1990s and 'only' 6.3 percent per employee per year over the whole period. This is still remarkable but perhaps appears less miraculous than the headline figures of growth and finds precedents in other East Asian economies (if not of this size). However, while the sources of primitive accumulation appear to have diminished, manufacturing productivity, in particular, continued to rise. There might yet be potential for further increases. In 2004 industrial GDP per capita in China was still less than a quarter of the US rate of $98,687 (in 2000 dollars) (Census 2007). China may pay more than other countries, in terms of the required investment, to achieve its productivity growth (Hutton 2006:162-3). However, empirically China's ability to sustain investments and maintain growth showed little sign of diminution.

The bulk of this investment has been internally generated. This is despite policies repeatedly prioritising Foreign Direct Investment (FDI) (Hart-Landsberg and Burkett 2004a) and the perceptions of some foreign commentators. For Harvey, a 'heavy reliance upon foreign direct investment...has kept the power of the capitalist class offshore'

(2005:123). Foreign investment did shoot up but from a very low base. The most recent available figures suggest that it amounted to 9.2 percent of gross fixed capital formation (GFCF) and 3.2 percent of GDP in 2005 (UNCTAD 2007). This is a significant contribution, roughly twice the relative rate of foreign capital flows into the US for example. However, FDI figures do not distinguish new (capital forming) investment from take-over activity or shorter term shareholding investments. Furthermore, the single largest source of 'foreign' direct investment, accounting for about a sixth of the total was Hong Kong (OECD 2005), at least some of this recycled from the mainland. Chinese firms have also moved offshore then re-invested to take advantage of incentives offered to foreigners (Sargeson 1999:28). Some estimates put the foreign share much higher, especially in export oriented industries (Hart-Landsberg and Burkett 2006). However, these numbers would imply that investment was more than 90 per cent Chinese.

It is the ability to sustain investments, through domestic processes of saving and borrowing, that has been particularly remarkable. The domestic savings rate increased from 29 per cent in 1970 to 43 per cent in 1995, declining somewhat over the next few years as FDI rose (Heston *et al*. 2002). This broadly matched the rate of gross fixed capital formation, which varied around 30 percent of national income from 1978 until the 1990s, then increased to 40 percent in 2005 (Naughton 2006). With this level of investment, roughly double that cited above for the richest countries, rapid growth is hardly surprising.

Greater problems might be anticipated in maintaining sufficient demand, with evidence already of excess capacity (Harvey 2005:194). Trade has been of considerable and increasing importance and China's export growth has contributed substantially to widening US current account deficits, which presumably cannot be sustained indefinitely. A major contraction of the US market would have serious implications for the global, but perhaps particularly Chinese, economy. Similarly, China's exports also face both high-productivity and low-wage competitors. Since the classic analyses of 19^{th} and early 20^{th} century imperialism, many scholars have identified the need to find markets beyond national borders as a recurring problem of capitalist development (see *e.g.* Luxemburg 1963).

The subsequent expansion of domestic markets in rich countries, ‘the Fordist moment’, may have been more forced upon capital than a chosen strategy. China too may reasonably be expected to encounter obstacles on any ‘high road’ to development. Evidence of increasing internal inequality highlights likely domestic difficulties (Hart-Landsberg and Burkett 2004b). The enduringly vast but poorly productive agricultural sectors limit consumption. Social and economic change is also provoking resistance, which may raise wage rates and increase markets but has the potential to disrupt China’s advance (Hart-Landsberg and Burkett 2004b, 2006; Davidson 2006). Low wages remain a key requirement for capital in general and export sectors in particular, which feel threatened by potential increases in employment rights and union influence (*Financial Times* 3/5/7). The retreat of public social welfare also encourages saving (and investment) rather than consumption (Hutton 2006:167).

However, there may be some danger of overstating China’s export dependency. Domestic markets have grown enormously, including substantial moves towards mass consumption. For example, according to the OECD (2005), 94 per cent of households have colour TVs, 59 per cent washing machines, 46 per cent refrigerators and 28 per cent air conditioning. The huge increases in auto production have been overwhelmingly aimed at local markets. Thus China’s accumulated domestic wealth and the size of its domestically oriented economy is substantial and growing. As with Harvey’s overproductionist critique of Luxemburg, this can be read as qualifying the importance of foreign consumer markets but also as identifying a wider range of potential pitfalls, in sustaining consumption at home and abroad, in sustaining investment and in sustaining the conjuncture between the two.

The severity and contingency of the politically driven processes that Harvey identifies also highlights numerous potential sources of social conflict and dislocation. However, evaluating the likelihood of different possible futures would appear to mean acknowledging the centrality of capital accumulation and grappling with its contradictory dynamism, its successes as well as failures, its creation of wealth as well as redistribution effected through accumulation by dispossession.

Conclusion

For Harvey, neoliberalism has been characterised by declining growth rates; the failures of capital accumulation only partly compensated by its renewed drive to seize resources from a disparate range of hitherto uncommodified realms. On a global scale capital has failed to reproduce the processes of accumulation which fuelled the long boom of the fifties and sixties. However, there would appear to be a danger of critical accounts like Harvey's seeing all contradiction and losing sight of capital's success.

This article has argued that China's phenomenal growth may have depended on, but has moved beyond, the utilisation of previously unexploited labour-power. All of the elements of Harvey's description of accumulation by dispossession are present in China, many of them on a massive scale. State and collective enterprises have been privatised, social securities scrapped, foreign capital and market forces unleashed. Above all, a vast new army of 'free labour' has been created. However, there is little evidence that accumulation by dispossession has replaced the accumulation of capital as the central dynamic. Indeed, the importance of the latter appears to have increased. Of course, capital accumulation, even with Chinese characteristics, is deeply contradictory and faces many potential problems. Nonetheless, it has hitherto sustained remarkable growth, with widespread and dynamic innovation. At the time of writing, the trajectory remains sharply upwards.

The relationship between the accumulation of capital and accumulation by dispossession has implications not only for how we read the prospects of capitalism's future but also of those for effective resistance. For Harvey, in the fifties and sixties opposition was characterised by trade unions and working-class parties. The shift to primitive accumulation means they lost their centrality and opposition became more disparate. It is this priority appears questionable. In China the fragmentary and piecemeal co-exists with the systematic - capital and working class formation on a huge scale. Characterisations of class dispersal sit in some tension with this, and Harvey himself acknowledges a working class of 350 million, 'not uncommon' factories of 40,000 (2005:138) and that potential for labour unrest 'is immense though unpredictable' (Harvey

2007b:39). In China the number of strikes and of strikers documented by *official* statistics jumped more than tenfold between 1994 and 2003 (Hutton 2006:30). The workplace would appear to remain at least one important site of social and economic transformation and of contest.

This might also give pause in rich countries. Here too capital has conducted an extraordinary range of attacks and achieved a significant re-concentration of wealth. This has also provoked protest and struggle all down the line and contributed to the emergence of an ‘anti-globalisation’ or even ‘anti-capitalist’ movement of renewed vitality. The focus of this has seldom been on struggles between labour and capital at the point of production. However, it is less clear that this is the necessary result of transformed bases of accumulation. While this has only been discussed summarily here and different sources permit different measures, many rich countries have experienced periods of real growth; periods of wealth creation not simply redistribution. It seems far from self-evident that accumulation by dispossession has become the whole, or even principal, story. Right wing governments and employers organisations remain pre-occupied with industrial relations ‘reform’ and weakening labour organisation - suggesting the latter’s retreat remains politically driven and not simply economically given. The left, then, might be wary of resignation to contemporary realities; accepting the decline of trade unions and working class based parties as inevitably inscribed by structural transformation.

As has been argued here in the case of China, a careful and critical evaluation of claims of radical disjuncture should precede any concession of the diminishing importance of exploitation of workers *as* workers and this as a potentially crucial site of resistance. The attacks have been diverse and opposition fragmented. The practical tasks of linking them are immense. However, as Harvey elsewhere insists, ‘the mass of the population has either to resign itself to the historical and geographical trajectory defined by this overwhelming class power or respond to it in class terms’ (2007b:41).

Bill Dunn is a Lecturer in Political Economy at the University of Sydney

b.dunn@econ.usyd.edu.au

The author thanks Carmen Couceiro Vicos, the journal editor and the anonymous referees for their helpful comments on earlier drafts of this article.

References

Ashman, S. and Callinicos, A. (2006) 'Capital accumulation and the state system: assessing David Harvey's *The New Imperialism*', *Historical Materialism*, 14(4).

Blackburn, R. (1997) *The Making of New World Slavery*, Verso, London.

Brenner, R. (2006) 'What is, and what is not, imperialism?' *Historical Materialism*, 14(4).

Breslin, S. (2003) 'Growth without development', IPEG papers in Global Political Economy, 6.

Breslin, S. (2004) 'Capitalism with Chinese Characteristics: the Public, the Private and the International', Working Paper No. 104, Murdoch University, Perth.

Chang, G.G. (2002) *The Coming Collapse of China,* Arrow, London.

Census (2007) *Statistical Abstract of the United States*, US Census Bureau, available at <http://www.census.gov/statab/> on 27/03/2007.

Emmanual, A. (1972) *Unequal Exchange: A Study of the Imperialism of Trade*, New Left Books, London.

Davidson, N. (2006) 'China: Unevenness, Combination, Revolution?', in Dunn, B. and Radice, H. eds, *100 Years of Permanent Revolution,* Pluto, London.

Fine, B. (2006) 'Debating the "new" imperialism', *Historical Materialism*, 14(4).

Hart-Landsberg, M. and Burkett, P. (2004a) 'China's Economic Transformation', *Monthly Review*, 56(3).

Hart-Landsberg, M. and Burkett, P. (2004b) 'Contradictions of China's Transformation: Domestic', *Monthly Review*, 56(3).

Hart-Landsberg, M. and Burkett, P. (2004c) 'Contradictions of China's Transformation: International', *Monthly Review*, 56(3).

Hart-Landsberg, M. and Burkett, P. (2006) 'China and the Dynamics of Transnational Accumulation: Causes and Consequences of Global Restructuring', *Historical Materialism*, 14(3).

Harris, N. (1978) *The Mandate of Heaven: Marx and Mao in Modern China*, Quartet, London.

Harvey, D. (1990) *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*, Blackwell, Oxford.

Harvey, D. (2000) *Spaces of Hope*, Edinburgh University Press, Edinburgh.

Harvey, D. (2003) *The New Imperialism*, OUP, Oxford.

Harvey, D. (2005) *A Brief History of Neoliberalism*, OUP, Oxford.

Harvey, D. (2007a) 'Comment on Commentaries', *Historical Materialism*, 14(4).

Harvey, D. (2007b) 'Neoliberalism as Creative Destruction', *The Annals of the American Academy of Political and Social Science*, 610.

Heston, A. Summers, R. and Aten, B. (2002) Penn World Table Version 6.1, Center for International Comparisons at the University of Pennsylvania (CICUP), October 2002.

Heston, A., Summers, R. and Aten, B. (2006) Penn World Table Version 6.2, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September, available at <http://pwt.econ.upenn.edu/> on 31/01/07.

Hu, Z. and Khan, M.S. (1997) 'Why is China Growing So Fast?', Economic Issues 8, International Monetary Fund, Washington D.C.

Hutton, W. (2006) *The Writing on the Wall: China and the West in the 21st Century*, Little, Brown, London.

ILO (2005) *Yearbook of Labour Statistics 2005*, ILO, Geneva.

Kidron, M. (1974) *Capitalism and Theory*, Pluto, London.

Lardy, N.R. (1998) *China's Unfinished Economic Revolution*, Brookings Institution, Washington.

Luxemburg, R. (1963) *The Accumulation of Capital*, Routledge, London.

Maddison, A. (2003) *The World Economy: Historical Statistics*, OECD Development Centre Studies, Paris.

Marx, K. (1976) *Capital, Volume I*, Harmondsworth, Penguin.

Marx, K. (1978) *The Poverty of Philosophy*, Foreign Languages Press, Peking.

Naughton, B. (2006) *The Chinese Economy: Transitions and Growth*, The MIT Press, Cambridge MA.

NBSC (2005) National Bureau of Statistics of China available at <www.stats.gov.cn> on 09/02/2007.

O'Brien, P.K. (2007) 'Global Economic History as the Accumulation of Capital through a Process of Combined and Uneven Development', *Historical Materialism* 15(1).

OECD (2002) *China in the World Economy*, OECD, Paris.

OECD (2005) *OECD Economic Surveys: China*, OECD, Paris.

OECD (2007) National Accounts Statistics, available at <oecd.org/statisticdata/> on 14/06/07.

Polanyi, K (2001) *The Great Transformation. The Political and Economic Origins of Our Time*, Beacon Press, Boston.

Samuelson, P.A. (2004) 'Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization', *Journal of Economic Perspectives*, 18(3).

Sargeson, S. (1999) *Reworking China's Proletariat*, MacMillan, Basingstoke.

Simon, H.A. (1991) 'Organizations and Markets', *Journal of Economic Perspectives*, 5(2).

Solow, B. (1987) 'Capitalism and Slavery in the Exceedingly Long Run', *Journal of Interdisciplinary History*, 17.

UN (2006) *United Nations Human Development Report, 2006*, available at <hdr.undp.org/hdr2006/> on 11/09/07.

UNCTAD (2005) *World Investment Report 2005*, United Nations, New York and Geneva.

UNCTAD (2007) FDI Country Profiles available at <http://www.unctad.org> on 30/03/2007.

Wallerstein, I. (1974) *The Modern World-System*, Academic Press, New York.

Wade, R.H. (2005) 'Globalization, poverty, and inequality', in Ravenhill, J. ed. *Global Political Economy*, OUP, Oxford.

Wang, Y. and Yao, Y. (2003) 'Sources of China's economic growth 1952-1999: Incorporating human capital accumulation', *China Economic Review*, 14(1).

Williams, E. (1964) *Capitalism and Slavery*, Deutsch, London.

Wolf, M. (2004) *Why Globalization Works*, Yale Nota Bene, New Haven.

WTO (2006) *International Trade Statistics 2006*, World Trade Organisation, available at <wto.org> on 01/12/2006.