

China Can't Save Capitalism From Environmental Destruction

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A year ago at the World Economic Forum, China's president, Xi Jinping, won plaudits from Davos elites for his commitment to open trade. Of course, because China's economy is heavily dependent on exports, so-called "free trade" is in its interest, so President Xi's stand was no surprise.

What has drawn less attention are President Xi's statements on the environment, something the elites of capitalism find rather less convenient. This past October, at the 19th Chinese Communist Party Congress, for example, he delivered this statement: "Man and nature form a community of life; we, as human beings, must respect nature, follow its ways, and protect it. Only by observing the laws of nature can mankind avoid costly blunders in its exploitation. Any harm we inflict on nature will eventually return to haunt us. This is a reality we have to face." He set a goal of "restor[ing] the serenity, harmony, and beauty of nature" and elevated the environmental-protection agency to the level of a ministry.

Given China's huge contribution to global warming and the heavy pollution it suffers from, such statements are welcome. But does this truly mean that China will now become a country that puts the environment first and, perhaps, save capitalism from its excesses? That is very unlikely, given Beijing's integration into the world capitalist system and the dynamics of capitalism, in which all incentives are for more growth — a system that *requires* growth.



Air Pollution in Hong Kong (photo by Yym1997)

In addition to the basic laws of capitalism, an interesting paper by Richard Smith, an economic historian who frequently writes on the impossibility of “green capitalism,” argues that the nature of China’s system is a further barrier to any turn toward environmental primacy. In his paper, “China’s drivers and planetary ecological collapse,” Dr. Smith argues that despite the power that President Xi has seemingly gathered into his hands, changing the country’s economic incentives are far beyond his capability. Dr. Smith writes:

“Xi Jinping cannot lead the fight against global warming because he runs a political-economic system characterised by systemic growth drivers — the need to maximise growth beyond any market rationality, the need to maximise employment, and the need to maximise consumerism — which are, if anything, even more powerful and even more eco-suicidal than those of ‘normal’ capitalism in the West, but which Xi is powerless to alter. These drivers are responsible for China’s irrational ‘blind growth,’ ‘blind production’ and out-of-control pollution, what Xi himself describes as ‘meaningless development at the cost of the environment.’ ” [pages 4-5]

Three factors drive Chinese growth, Dr. Smith writes: import-substitution industrialization (the need to compete successfully as a national economy against the U.S. and other leading capitalist countries); employment generation (the main reason for Chinese authorities to not allow companies to go out of business); and consumerism. In his paper, he argues that, for all the market reforms introduced in recent decades, China’s state-owned enterprises don’t operate by the rules of the market. He writes:

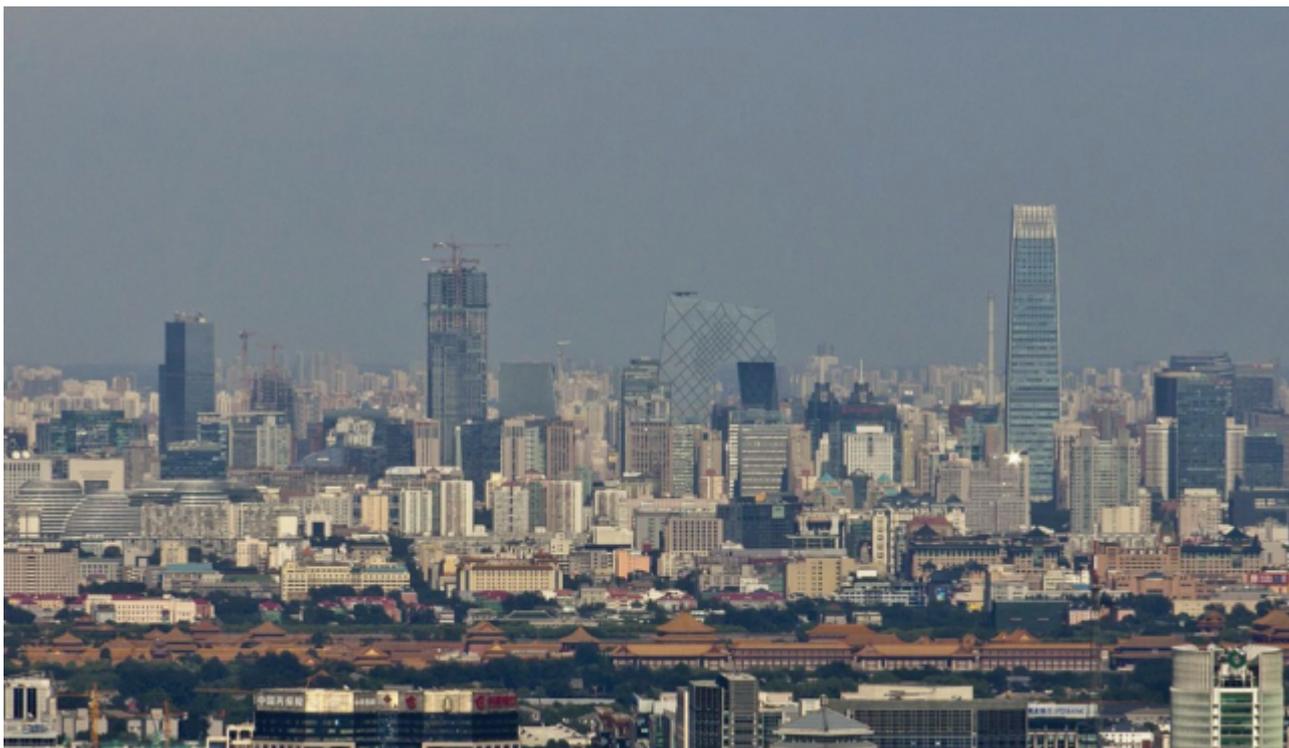
“For all the market reforms since 1978, the government has not allowed a single major SOE to fail and go bankrupt, no matter how inefficient, no matter how indebted, because those industries serve a different purpose. They do not exist just to make money. They exist to fulfil the wishes of China’s Communist Party rulers, especially as they contribute to import substitution and national industrialisation.” [page 6]

Tens of millions laid off from state enterprises

Ensuring social stability is unarguably a goal of Chinese leaders, but Dr. Smith appears to underestimate the extent of ordinary capitalist behavior of Chinese state-owned enterprises (SOEs). A 2006 paper published by the China Labour Bulletin, “Swimming Against the Tide,” notes not only the continuing consolidation of SOEs, but the resulting mass loss of jobs resulting from those restructurings. The report says:

“In the late 1990s, however, the government massively intensified the restructuring of SOEs. This process disenfranchised and marginalized tens of millions of workers, while at the same time creating a new class of powerful capitalists with close and highly influential links to local government. Crucially, at this time, the central government seemed to abandon any thoughts of additional remedial measures and basically gave local government officials and SOE managers free rein to carve up the state’s assets between them.

From 1995 to 2002, SOEs cumulatively laid off as many as 30 million workers. ... Meanwhile, SOE managers used their power and connections with local governments to work behind the scenes to secure enterprise assets at ridiculously low prices, elevating themselves from being mere managers to actual owners of the enterprise. According to one survey, over 20 percent of the private enterprises created in the first half of 2006 emerged from the restructuring of state-owned and collective enterprises.”



Beijing (photo by ahenobarbus)

Minqi Li, in his book, *The Rise of China and the Demise of the Capitalist World Economy*, in examining the development of the Chinese economy, pulled no punches in describing the lack of concern for working people:

“Throughout the 1990s, most of the state and collective-owned enterprises were privatized. Tens of millions of workers were laid off. The urban working class was deprived of their remaining socialist rights. Moreover, the dismantling of the rural collective economy and basic public services had forced hundreds of millions of peasants into the cities where they became ‘migrant workers,’ that is, an enormous, cheap labor force that would work for transnational corporations and Chinese capitalists for the lowest possible wages under the most demanding conditions. The massive influx of foreign capital contributed to a huge export boom.” [pages 64-65]

By July 2017, SOEs accounted for just 16 per cent of China’s jobs and less than a third of industrial output, according to an HSBC report.

Capitalist dynamics are firmly in place in China’s economy, a development that will only intensify, given the Communist Party leadership switching the role of the market from “basic” to “decisive” in 2013 at a key Central Committee plenum, and the continuity with this course that was laid down by the party at the October 2017 party congress, again stressing the “decisive role” of the market.

Waste, planned obsolescence add to consumerism

Nonetheless, Dr. Smith is correct in noting that there is more state guidance of the economy than in ordinary capitalist economies. China is by far the biggest consumer of industrial raw materials, a function of the country’s frenzied pace of investment. Wastefulness extends to consumer items as well, he writes. Planned obsolescence is out of control. Because of the incentives to produce beyond any rational demand, unnecessary infrastructure, to the point of “ghost cities,” is built; buildings are demolished after a couple of decades; and large appliances, such as refrigerators, are designed to break down within only a few years to spur more consumption.

He argues that the introduction of market reforms has amplified, instead of reducing, tendencies in the old bureaucratic economy toward redundant investment. Provincial and local officials seek to build their own industrial bases, which discourages cooperation and efficiency. Although the Communist Party can remove millions of people to clear the path for construction projects, it can’t enforce dictates on the environment or excess development. There are too many interests, according to Dr. Smith:

“[M]inisterial officials, provincial governors, local officials, and SOE bosses mostly need not worry. Why is that? How is it that a highly centralised neo-totalitarian police state cannot force its own subordinate officials to obey its own orders, laws, rules, and regulations? This is a most interesting question. The answer, I suggest, is to be found in the collective nature of China’s ruling class. Beijing can’t systematically enforce its writ against resistance from below because it can’t systematically fire subordinates for insubordination: they’re not just employees, as in capitalism. They’re Communist Party members, members of the same ruling class as the leaders in Beijing.

If you're head of a ministry or an SOE, especially a big 'national champion' SOE that Beijing wants to forge into a world-beating industrial competitor, then Beijing is willing to overlook your pollution. ... China's coal and oil ministries and its giant SOEs are very powerful and profitable, with millions of party bureaucrats and employees. Heads of large SOEs have ministerial rank. Of the 120 SOEs directly managed by the central government, fully fifty-four heads of those firms enjoy ministerial rank. They like things the way they are and they intend to keep them that way." [page 16]

China's de-centralized administration leaves each province striving to achieve as high a measure of self-sufficiency as possible. This includes energy, meaning that energy is produced for local consumption, and not necessarily in an economically rational manner:

"In 2015, China spent a record \$102 billion on wind, solar, geothermal, and other low- or no-carbon renewable energy. Yet in 2016 wind turbines produced just 4 percent of China's electricity generation, and solar barely reached 1 percent. By comparison, the US invested just \$44 billion in 2015 but in 2016 wind produced 6.9 percent of its electric generation — nearly double China's production with less than half the investment. The reason China produces so little renewable energy despite all the investment is that so much of its renewable energy is 'curtailed' (wasted). Nationally, the government concedes that about 21 percent of wind energy is curtailed, as much as 40 percent in some provinces and even more than 60 percent in Xinjiang (ironically, the province with the most installed wind power)." [page 22]

Enough housing for half the world's population

That investment will continue at a breakneck pace is exemplified by news that when all the plans for new housing are added up, there will be enough housing in China for 3.4 billion people by 2030, which an article reporting this in *Shanghaist* dryly notes "seems a tad excessive." The source of this overdevelopment, *Shanghaist* reports, is "more than 3,500 county-level new urban areas planned by local governments."

Just one project, the Xiongan New Area, will cover an area three times the size of New York City, *The Guardian* reports. This planned city, near Beijing, set off a real estate frenzy so intense that it was said to create gridlock on roads leading to the area, and land prices were reported to have doubled in hours after the government announced its plans. And of course Chinese investment is not limited to within its borders. *People's Daily Online* estimates that as of 2016, approximately 30,000 Chinese companies had invested \$1.2 trillion in China's "One Belt, One Road" infrastructure initiative.



People's Grand Hall in Chongqing (photo by Chen Hualin)

Private profit, and all the problems that revolve around that, has become the driving force of the Chinese economy. Timothy Kerswell and Jake Lin, in their recent *Socialism and Democracy* article, "Capitalism Denied with Chinese Characteristics," noted that SOEs operate like private firms and are controlled by "a handful of wealthy businessmen and executives, who mostly are the [party] princelings and their families." By the early 21st century, they wrote:

"Urban China had gone from a highly protected 'iron rice bowl' system that guaranteed state workers' permanent jobs, cradle-to-grave benefits — and a relatively high degree of equality — to a market-determined contract-based employment system at its core, and massive informal and unprotected sectors at its periphery." [page 45]

Land speculation on the part of local governments is rapidly paving over farmlands, another contributor to global warming. Land sold to commercial interests can be 40 times higher than what is paid to farmers, Dr. Kerswell and Dr. Lin write:

"In many respects, urbanization in China can be understood as the process of local government driving farmers into buildings while grabbing their land. The pseudo-collective-ownership of rural land has also increasingly become a front for rural cadres' rampant corruption and cronyism in pursuit of personal interest in the process of transferring use rights. From 2005, surveys have indicated a steady increase in the number of forced land requisitions, and about 4 million farmers were losing their land annually." [page 39]

Incentives for more investment, more global warming

This is not a system that is going to give priority to the environment. And because so much of China's sweatshop-based economy is built on assembling parts made elsewhere into final products — first the parts are shipped from around the world and then the final product is sent elsewhere as well — the transport inherent in these global production chains hugely contributes to pollution and global warming. So however much we might quibble with Dr. Smith's characterization of SOEs, he is quite correct that all incentives are for China's contribution to global warming to continue to increase and thus Beijing can not contribute to reversing global warming and future environmental collapse.

There is no substitute to consuming less. Dr. Smith concludes his paper with these lines:

“[T]he only way to effectively meet the climate emergency we face is with an emergency shutdown of useless, superfluous, unnecessary and harmful industrial production around the world, but most particularly in China and the United States, the biggest polluters. ... If the Chinese don't organise a rationally managed retrenchment and shutdown of unsustainable industries, Mother Nature is going to shut those industries down for them and in a much less pleasant manner. There's no way around this very inconvenient truth: Making too much stuff has to stop.” [page 27]

Not that Beijing should be asked to shoulder all blame. Western multi-national corporations willingly moved their production to China, greatly adding to global warming. Nor should Western capital's role in facilitating Chinese projects be soft-pedaled. The World Bank provided loans for the Three Gorges Dam project that displaced 1.3 million people, and Canadian, French, German, Swiss, Swedish and Brazilian capital were also necessary to build the dam.

It's hard to avoid the argument that the Western peoples were allowed to enjoy highly consumptive lifestyles, and it would be unfair to force lower living standards on those in the global East or South. That is a reasonable argument. But we only have one Earth, and humanity is consuming resources far beyond sustainability — at the rate of 1.6 Earths. If the entire world consumed at the rate that the U.S. does, we'd need four Earths. (Kuwait is tops in this category, with a ratio of 5.1 Earths, followed by Australia at 4.8.)

Such consumption is quite impossible in the long run. Those living in the advanced capitalist countries are going to have to consume much less. Yet that is impossible in a global economic system that requires growth, and will not provide jobs for those dependent on polluting industries. Industrializing the solar system, even if that proves possible, would only delay the inevitable. We can have a sustainable future with production geared toward human need, or we can continue to produce for private profit until we find out the hard way that you can't eat money.

*Note: be sure to look out for Richard Smith's forthcoming book *China's Engine of Ecological Apocalypse* (Verso, 2018), in which he argues that built-in drivers and barriers of China's hybrid bureaucratic-collectivist capitalism severely limit President Xi Jinping's options, rendering his ambitions impossible and reinforcing China's role as the world's leading driver of global warming and thus planetary ecological collapse.*