China: Making the World Safe for Capitalism

written by Peter Ranis | August 17, 2022

Since the accession to power of Xi Jinping, general secretary of the Chinese Communist Party (CCP), China has demonstrated how to augment its domestic political state centralization while dramatically escalating its clout throughout the global economy. Since November 2021, the putative Chinese "president for life" has presented a seductive persona that has made China an increasingly self-confident nation state that, by way of its economic prowess, can bargain its way through the world's corridors of power.

What makes China a far better model than the United States for capitalist development worldwide is its insistence that capital must conform to the ideological and political demands of the government. This aligns more clearly with the development dictates of the growing number of neo-populist, authoritarian third-world states, many of them, ironically, allies of Washington.

At a November 2021 closed meeting of the CCP, top party officials made it clear that Xi now stands along with Mao and Deng Xiaoping as one of China's historical giants. The Stalinesque cult of personality has arrived, and no doubt Xi will be re-elected for a third time as party chair, with no one in the wings. In 2018, Xi eliminated the two-term limit on being chair of the CCP. Xi has behind him the powerful Communist Party, a true political and economic elite made up of 95 million members, less than 7 percent of China's population. A single woman sits on its centralized 25-member Politburo.

As Marx predicted of European economic domination in the nineteenth century, it is now China that is promoting capitalism abroad as the preferred mode of economic development in the global South and is outcompeting the postindustrial West. As England once immiserated its textile workers—men, women and children—in the industrial mills of London and Manchester,[1] so China exploits its own workers with its 996 regime of labor exploitation (working hours of 9 a.m. to 9 p.m., six days a week) at $1.50 an hour (600 million Chinese live on $154 per month). And China super-exploits African workers, with local governmental support, as human commodities in the China-controlled coal, oil, natural gas, iron ore, cobalt, bauxite, nickel, lithium, and uranium mines. Internationally, Chinese state capital has the deep pockets and ability to invest instantaneously to monopolize key minerals in the new race for electric car production, namely cobalt in the Democratic Republic of Congo.[2]

Domestically the CCP enjoys a nepotistic relationship with corporate capital, with state interventions when capital exceeds its financial redoubts and threatens to convulse the national economy. It maintains its fiscal controls, avoiding extremes in supply and demands. In fact, most large companies must share extensive information about their operations with the government. And all but the smallest enterprises must contain Communist Party cadre cells on their boards as watchdogs. The collusion between China's big capital and the state is demonstrated by their interlocking directorates. Companies with large government investment offer their directors advantages for joining the Chinese Politburo. A favored Chinese gigantic firm, the principal real estate builder Evergrande, a huge contributor to China's economy, has recently come close to bankruptcy by

overbuilding and overinvesting in uncompleted housing across the country. Part of its monopolistic overreach stemmed from its expansion in areas with which it had no experience, namely electric automobiles, pig farming, bottled water, and professional sports.[3]

Chinese state capitalism departs from traditional capitalism in its awareness that to produce and reproduce its system, it needs to rein in capitalist excesses to continue to make it acceptable as the global economic system. The Chinese government has shown that capitalism cannot be left solely in the hands of the capitalist class, as the state can at any time swoop in to sanction mega-corporations with heavy fines at least and imprisonment at worst. Nor can capitalist interests determine the essential infrastructure, military, and land-ownership decisions, which remain the prerogatives of the state.

Nevertheless, just because capital doesn't control state policies does not at all diminish the fact of the essentially capitalist nature of the economy. In fact, in income distribution China is on a par with the United States, with the bottom 50 percent earning 15 percent of total national income as compared to the United States, in which the bottom 50 percent earn 12 percent.[4] China has more billionaires than any other country in the world, and most higher-ups in the CCP have gone into successful capitalist enterprises, making state-enterprise collusion more pronounced than anywhere else worldwide. Frankly, one could call China a neoliberal capitalist economy with Chinese characteristics.

In this regard, China is also well aware that when the country's economy sneezes, the rest of the world's capitalist economies catch cold. As its interlinkages with world capital deepen, it must make adjustments so that its special approach to legitimizing capitalism presents a model of responsible capitalism. The Chinese state makes clear that its giant firms respond responsibly to its obligations to foreign creditors. The government often steps in to rescue its giant corporations whose default would endanger China's image as a reliable capitalist partner. As we saw in October 2021, the potential of its giant Evergrande real estate firm to default sent shivers throughout the world's bondholders and financial markets.

In fact, global, and particularly U.S., capital is enmeshed with China's state-driven market economy and its growth potential and sees no disadvantages for the U.S. investor class in strengthening its ties to China. Goldman Sachs, JPMorgan, Citigroup, Bridgewater, BlackRock, and other large firms are leading a corporate acknowledgement of the importance of China's capital growth for the U.S. economy, despite China being the United States' leading global competitor—a clear sign of the predominance of financial capital interests wedded to state political priorities. In China, with its different form of capitalism, the government may at any time interfere with foreign capital or the financial status of the local Chinese investor class if its economic social priorities change. Domestically, we have seen China crack down on several powerful tech companies, such as Alibaba (e-commerce), Tencent (internet), and Didi (ride sharing). It is also clear that the Chinese government, if need be, will use its antitrust regulatory powers in ways that keep its capitalism competitive. In this regard, the Chinese government manages with aplomb to balance the needs of foreign and domestic capital and the CCP so as to serve Chinese societal priorities. For example, in August 2021, China launched a policy of "common prosperity," encouraging high-income individuals and businesses to "give back more to society," though it made clear this was not some form of extreme egalitarianism!

Internationally, China's Belt and Road Initiative has been promoted with focused energy under Xi since 2017. It is without doubt the most powerful international capitalist engine yet conceived by any industrial nation. It far surpasses the West's colonial and neocolonial third-world penetration by multiple factors. It constitutes what can only be described as an imperial extension of a Greater China sphere of influence. It is a network of Chinese investments in infrastructure, deep-water ports,

and railway connections within Asia and extending to Africa, Central and Eastern Europe, and Latin America.

China's state-promoted capitalism wisely thinks in long-run terms, developing credit lines as it forges domestic state and capitalist "comprador" coalitions. The Belt and Road Initiative now covers 68 countries, with 65 percent of the world's population and 40 percent of global gross domestic product.[5] Its intentions are to create credit dependency while giving China monopoly access to scarce mineral and raw material resources as well as a generous supply of cheap human labor. At the same time, it provides China with limitless demands for its industrial and technological exports.

To defend its unique domestic and foreign state-capitalist formation, the CCP has gone to greater lengths than any previous capitalist country to define the limits of permissible opposition. Contemporary China has increasingly diminished the role of civil society and ended politics as an arena of contestation. Its use of labor and the diminishment of worker rights and worker autonomy are a far cry from its socialist rhetoric. There is only a single Chinese state-sponsored trade union confederation, the All-China Federation of Trade Unions. Worker protests may occasionally occur, but they lack the legitimacy of formally recognized strikes.

From its repression of the democratic and civil rights of Hong Kong, to its Uighur "re-education camps" and its defense of the military regime of Myanmar, calling the coup "a major cabinet reshuffle," China demonstrates its total indifference to an ethical conception of human rights. It is estimated that more than one million Uighurs are confined in camps in an attempt to ethnically cleanse a Muslim minority. The Han Chinese have gone so far as to establish a sterilization program that caused the number of Uighur births in the last several years to plummet, while the Han Chinese are urged to have three children after years of a one- or two-child policy.[6] Uighurs are obligated to work in cotton and tomato fields for subminimum wages, and their children are sent to be indoctrinated in boarding schools. Even overseas, Uighurs are being surveilled and targeted. Many have no idea whether their families and friends are interned or even whether they are dead or alive.

Domestically, human rights in China are clearly subordinated to the oligarchic and plutocratic power structure of the CCP. Allegations of sexual predation by Communist leaders are immediately removed from the government-controlled Internet. While in the West sexual harassment and coercion against women are increasingly not tolerated and are investigated, in China harassment runs rampant and often the female accuser is put on the defensive. In fact, the CCP has intervened to rein in public protests over women's rights. A notorious case in point is the disappearance in November 2021 of Peng Shuai, a Chinese professional tennis star, after she accused a former politburo member of sexual harassment.[7] Her reappearance at the Beijing Olympics in February did not convince the world of her wellbeing. The case also demonstrates, once again, China's effort to control adverse news by surveillance, negation, and threats of economic reprisal against individuals and companies that seek to mention human rights abuses.

In addition, there is significant gender bias rampant in China, including in its universities. For example, there are male-female quotas in various fields of study. In many technical programs, women must score significantly higher than men to be accepted. In 86 academic majors at 18 prestigious universities, gender-based admissions requirements exist.[8]

The case of Hong Kong, a formerly democratic region combined with an autonomous democratic capitalist system, was seen as a gigantic threat by the mainland CCP. In Hong Kong, with the infamous National Security Law of June 2020, China has shown how dangerous it is to a free society. The law targeted terrorism, subversion, secession, and collusion with foreign forces. The language is so broad that it has snuffed out the autonomy of Hong Kong's legislative and judicial powers. Beyond political suppression, in June 2021 one of the city's major daily newspapers, the *Apple Daily*, was

forced to close when the government froze its bank accounts and its editors were arrested under the National Security Law.

The degree to which China has snuffed out freedom in every arena of Hong Kong's civil society is devastating and sorrowful. It is a sad illustration of how an autocratic political system confronts and emaciates civil liberties and representative democracy step by step. In July 2021, a protestor was sentenced to nine years in prison for terrorism and inciting secession when he accidentally crashed his motorcycle into police officers.[9] In November 2021, an activist was sentenced to prison for simply shouting a pro-independence slogan. People are now charged simply for their speech and signs, without accompanying physical actions. Dozens of leading activists have been convicted of illegal assembly. Most onerous is that the jailed democracy protestors have now been remanded to Hong Kong's highest court, after months of detention. It is now possible that these prisoners will be charged with "conspiracy to subversion," a crime that carries a maximum punishment of life in prison.[10]

Even abstract and modern art have been victimized. A major Hong Kong art exhibit, M+, opened in November 2021 as one of the most imposing collections in the world, has been subject to governmental veto of controversial photos and paintings. In November 2021, a 93-year-old public broadcaster, Radio Television Hong Kong, was severely muzzled, now reduced to resembling mainland China's monitored Chinese Central Television. News, drama, and public-interest shows have been summarily abrogated, and two major university student unions, two of Hong Kong's last vestiges of independent presentations and discussions of culture and information, have been disbanded.[11]

The ultimate degradation was that school children's classes had to contain lessons on how to love China, and kindergarten children needed to learn the list of offenses against the security law, while secondary schools had to implement "patriotic education" that would be included even in subjects like geography and biology! By the fall of 2021, the political interventions in all spheres of societal life had resulted in a mass exodus of Hong Kong people who were able to leave. The population decline of 89,000 in a city of 7.5 million, or 1.2 percent, was the highest in Hong Kong's recorded history.[12]

Taiwan sees its own autonomy under threat as it observes what has happened in one brief year to Hong Kong. As Xi said in October 2021, "Nobody should underestimate the staunch determination, firm will, and powerful ability of the Chinese people to defend national sovereignty and territorial integrity." Taiwan, however, also legitimately known as the "Republic of China," initiated its rights as a sovereign nation more than 70 years ago, following the Chinese civil war, since which time it has not been ruled from Beijing.

China continues to see Taiwan as a breakaway province despite Taiwan's historical development as an authentic, highly evolved, democratic capitalist country with a history of populist-based reforms.

The military harassment of Taiwan goes on almost weekly, as China's armed forces and naval capabilities, in terms of number of cruisers and land-based ballistic and cruise missiles, have already surpassed those of the United States. And China has promised they would have 1,000 nuclear warheads within ten years. China continues to probe Taiwan's sovereign airspace to determine its defenses should China take the dangerous step of invading. China continues to send ships and conduct aircraft drills near Taiwan and islands claimed by Japan.[13] China's increasing assertiveness has impacted European countries as well as the United States, which are concerned not only about China's South China Sea policy but increasingly its Hong Kong repression and its human rights violations against the Uighurs.

The alliance of Japan, Australia, and India with the United States cannot be dismissed as simply encircling China but rather as responding to a fear of its growing and visible economic, political, and military power in Southeast Asia. China's increasingly aggressive foreign policy stance is exemplified by its retaliation against Australia in April 2021. At that time, the Australian foreign minister called for an independent commission to investigate the origins of the Coronavirus epidemic. China immediately slashed its imports of Australian beef, barley, wine, and coal. This type of immediate reprisal within the global economy is a unique form of national capitalist bullying at the very least.[14]

Sectors of the radical left in the United States, while correctly criticizing multiple authoritarian governments around the world, remain silent on China. As sectors of the democratic left criticize China, it is not Sino-phobia but a recognition that the Han Chinese treatment of the Uighur Muslim minority is simply a form of terror capitalism that amounts to internal colonialism. The "war on terror," as applied to the Uighurs, is bogus and should be compared to the historical territorial pacification of U.S. indigenous peoples and Western European colonial exploitation in Africa and Asia. Moreover, there has been, especially since Xi's accession to power, a Greater Han claim of sovereignty over non-Han peoples of Tibet, Hong Kong, Xinjiang, and Taiwan. It literally constitutes a Han empire.

The U.S. radical left's criticism of China-bashing and its claims of "Yellow Peril" sentiments running amok are often smokescreens for the severe ethnic cleansing of the Xinjiang Uighurs and the human-rights violations in Hong Kong. Thousands of Chinese college students and graduate students flock to the United States to pursue studies in open classrooms on Marxism, worker unionization, and class struggle, subjects that are severely restricted in Chinese universities, which focus instead on mandated literature and the Communist doctrinal catechism. Questioning students are often profiled and ousted from their academic careers.[15]

The Chinese surveillance state, applying the contemporary explosion of available technology, has become the preeminent controlled society on the planet and can only be compared to, and far surpasses, the historical iterations of Stalinism and Nazism.

Environmentally, China's state capitalism has not compromised in response to the imminent danger of the globe's warming apocalypse. China, as the world's foremost factory, produces a third of all manufactured goods. This drives its energy needs for producing the steel and cement needed for the construction of apartment towers, subways, bullet trains, and other large infrastructure projects. Xi, before the UN General Assembly in 2021, pledged to stop building coal-burning power plants overseas as part of its global and massive Belt and Road Initiative. Those already under construction will no doubt be built. However, domestically, China is constructing the world's largest fleet of coal-fired power plants. Each year China burns more coal than the rest of the world combined. In 2020, China built more than three times more new coal power capacity than all other countries in the world combined, one large coal plant per week! China will see another substantial increase in coal production and consumption in 2022. And in terms of carbon emissions, China has not agreed to the goal of arresting the world's warming trend to 1.5 degrees Celsius. China is responsible for 31 percent of the world's carbon dioxide emissions, which are 5.4 percent above its 2019 levels due to its surge in coal production.[16]

The following exchange reveals the degree to which the CCP is willing to ensure and expand its form of state capitalism. Chinese Foreign Minister Wang Li met with U.S. Deputy Secretary of State Wendy Sherman in China on July 26, 2021. The meeting was an attempt to achieve a stable relationship between the two countries. Wang Li made clear that China required that Washington understand and accept the following conditions. First, that the United States refrain from challenging the Chinese system of "socialism with Chinese characteristics." Second, the United

States must not obstruct or even interrupt China's development process and should remove all unilateral sanctions, high tariffs, long-arm jurisdiction, and technology blockades. Third, the United States must not infringe upon China's state sovereignty or damage China's territorial integrity, especially with regard to Tibet, Hong Kong, and the Uighurs in Xinjiang. Wang Li further said the issues regarding these territories have never been about "human rights" or "democracy" but about its national sovereignty being compromised. Moreover, the United States must acknowledge that Taiwan is part of China and that Beijing has every right to use force to prevent efforts by the Taiwanese to seek full independence from the mainland, without U.S. interference.[17]

In September 2021, before the critical Glasgow Climate Conference, Chinese Foreign Minister Wang Yi, in his conversation with U.S. Climate Envoy John Kerry, made the exact same demands of Washington before China would commit to an agreement on climate change. Kerry had said that it was important to put aside other areas of disagreement and mutual concerns in the face of the dangers of the warming planet. It was clear that these demands were made to resist accepting responsibility for China's gigantic expansion of coal-powered generating plants.[18]

The close collusion between the Chinese state and its capitalist class reminds one of Marx's view that "the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie."[19] Somewhat paraphrasing Lenin's Soviet dictum, "China represents the CCP and electrification."[20] Or more recently, China suggests a hyper-modern version of C. Wright Mills' "The Power Elite,"' made up of powerful capital, the state, and the military cohorts.[21] The alliance between Chinese capital and the state has kept the working class obedient and productive as capital extracts surplus value to reinvest in further production in the economy. The U.S. approach to giant industry and banks as "too big to fail" is even more appropriate for the Chinese-governing CCP, but with built-in safeguards that its capitalists don't run amok. The Chinese political economy is in many ways truly capitalism with Chinese characteristics. What seems clear is that it sits between vibrant venture capitalism and an interventionist Communist Party dominance. It is this balanced public policy that makes China such a formidable global state capitalist system.

In that system, the working class is seen in reductionist terms whose essence denies the values of autonomy and freedom. The Chinese working class seems far removed from having even a minimum influence over the means of production. It is seen as a productivist agent, and worker control as the societal end is invisible. Socialization of production at times available among Western and Southern countries' experiments with worker cooperatives (for instance in Spain, Italy, Quebec-Canada, Britain, the United States, France, Argentina, or Venezuela) and worker involvement in corporate decision-making (for instance in Nordic countries and Germany) are curiously absent in a country claiming to be communist. China's diminishment of countervailing ideologies, movements, and spirited civil dialogue cannot, by all accounts, be considered a humane socialist society.

Notes

1. Karl Marx, *Capital*, Vol. 1 (Penguin Books, 1976), 353ff.

2. Eric Lipton, et al., "How the US Lost Ground to China for Clean Energy," *New York Times*, Nov. 21, 2021.

3. Alexander Stevenson, et al., "Evergrande, A Company Symbolizing China's Rise, Is Facing a Fall," *New York Times*, Sept. 29, 2021.

4. Thomas Piketty, Li Yang, and Gabriel Zucman, "Capital Accumulation, Private Property, and Rising Inequality in China, 1978-2015," *American Economic Review* (Vol. 109, No. 7, 2019), 2471.

5. Belt and Road Initiative, The World Bank, March 29, 2018.

6. Amy Qin, "China Targets Muslim Women in Push to Suppress Births in Xinjiang," *New York Times*, Sept. 23, 2021.

7. Leta Hong Fincher, "Why Peng Shuai Has China's Leaders Spooked," *New York Times*, Dec. 2021.

8. Joy Dong, "As Chinese Women Seek to Crack Male Professions, Schools Stand in the Way," *New York Times*, Oct. 21, 2021.

9. Austin Ramzy, "Hong Kong Protester Is Sentenced to 9 Years in First Security Law Case," *New York Times*, July 31, 2021.

10. "Hong Kong Activists Face Life Terms as Security Trial Proceeds," Al Jazeera, June 7, 2022.

11. *Hong Kong Eyes Significant Overhaul of Public Broadcaster RTHK,"* Al Jazeera, Feb. 19, 2021.

12. Vivian Wang, "This Drop Came So Quickly: Shrinking Schools Add to Hong Kong Exodus," *New York Times*, Oct. 11, 2021.

13. Austin Ramzy, "Chinese Pilots Send a Message: American Allies Said They Went Too Far," *New York Times*, June 9, 2022.

14. Damien Cave and Isabella Kwai, "China I*s* Defensive. The U.S. Is Absent. Can the Rest of the World Fill the Void?" *New York Times*, Nov. 7, 2020.

15. Via email communications with Eli Friedman, sociologist and Chinese migrant workers and urbanization scholar who led Cornell University's International Labor Relations student exchange program with Renmin University. The exchange program was terminated in 2018 because of gross violations of Chinese student academic freedom and thought. See Elizabeth Redden, "Cornell Ends a Partnership with Renmin University of China, Citing Academic Freedom Concerns," *Inside Higher Ed*, Oct. 29, 2018.

16. Brad Plumer, *"Carbon Dioxide Emissions Rebounded Sharply After Pandemic Dip," New York Times*, Nov. 3, 2021.

17. Embassy of the People's Republic of China in the United States of America, "Wang Yi Meets with U.S. Deputy Secretary of State Wendy Sherman."

18. "China Tells US Envoy John Kerry It Will Follow Its Own Climate Road Map," *South China Morning Post*, Sept. 3, 2021; and Embassy of the People's Republic of China, "Wang Yi Meets with U.S. Special Presidential Envoy."

19. Karl Marx and Friedrich Engels, *The Communist Manifesto* (Penguin Books, 1967), 221.

20. Vladimir Lenin, *Communism Is Soviet Power+Electrification of the Whole Country, Report on the Work of the Council of People's Commissars* (Dec. 22, 1920).

21. C. Wright Mills, *The Power Elite* (Oxford University Press, 1959).