

The new Cold War against China, Part 2

written by Fred Goldstein
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Peng Xinhua, professor of Physical Sciences at the University of Science and Technology of China, does research in quantum physics, atomic, molecular and optical physics, and experimental physics, and holds the world record for the maximum number of the quantum factoring algorithm. [hainei.org]

China's planning and state enterprises overcame 2007-2009 world capitalist crisis

Without state planning in the economy, China might have been dragged down by the 2007-2009 economic crisis. In June 2013, this author wrote an article entitled, "Marxism and the Social Character of China." Here are some excerpts:

"More than 20 million Chinese workers lost their jobs in a very short time. So what did the Chinese government do?"

The article quoted Nicholas Lardy, a bourgeois China expert from the prestigious Peterson Institute for International Economics and no friend of China. (The full article by Lardy can be found in "Sustaining China's Economic Growth after the Global Financial Crisis," Kindle Locations 664-666, Peterson Institute for International Economics.)

Lardy described how "**consumption in China actually grew during the crisis of 2008-09, wages went up, and the government created enough jobs to compensate for the layoffs caused by the global crisis,**" this author's emphasis.

Lardy continued: "In a year in which GDP expansion [in China] was the slowest in almost a decade, how could consumption growth in 2009 have been so strong in relative terms? How could this happen at a time when employment in export-oriented industries was collapsing, with a survey conducted by the Ministry of Agriculture reporting the loss of 20 million jobs in export manufacturing centers along the southeast coast, notably in Guangdong Province? The relatively strong growth of consumption in 2009 is explained by several factors.

“First, the boom in investment, particularly in construction activities, appears to have generated additional employment sufficient to offset a very large portion of the job losses in the export sector. For the year as a whole the Chinese economy created 11.02 million jobs in urban areas, very nearly matching the 11.13 million urban jobs created in 2008.

“Second, while the growth of employment slowed slightly, wages continued to rise. In nominal terms wages in the formal sector rose 12 percent, a few percentage points below the average of the previous five years (National Bureau of Statistics of China 2010f, 131). In real terms the increase was almost 13 percent.

“Third, the government continued its programs of increasing payments to those drawing pensions and raising transfer payments to China’s lowest-income residents. Monthly pension payments for enterprise retirees increased by RMB120, or 10 percent, in January 2009, substantially more than the 5.9 percent increase in consumer prices in 2008. This raised the total payments to retirees by about RMB75 billion. The Ministry of Civil Affairs raised transfer payments to about 70 million of China’s lowest-income citizens by a third, for an increase of RMB20 billion in 2009 (Ministry of Civil Affairs 2010).”

Lardy further explained that the Ministry of Railroads introduced eight specific plans, to be completed in 2020, to be implemented in the crisis.

According to Lardy, the World Bank called it “perhaps the biggest single planned program of passenger rail investment there has ever been in one country.” In addition, ultrahigh-voltage grid projects were undertaken, among other advances.

Socialist structures reversed collapse

So income went up, consumption went up and unemployment was overcome in China — all while the capitalist world was still mired in mass unemployment,

austerity, recession, stagnation, slow growth and increasing poverty, and still is to a large extent.

The reversal of the effects of the crisis in China is the direct result of national planning, state-owned enterprises, state-owned banking and the policy decisions of the Chinese Communist Party.

There was a crisis in China, and it was caused by the world capitalist crisis. The question was which principle would prevail in the face of mass unemployment — the rational, humane principle of planning or the ruthless capitalist market. In China, the planning principle, the conscious element, took precedence over the anarchy of production brought about by the laws of the market and the law of labor value in the capitalist countries.

Socialism and China's standing in the world

China has lifted hundreds of millions of people out of poverty. According to a United Nations report, China alone is responsible for the global decline in poverty. China's universities have graduated millions of engineers, scientists, technicians and have allowed millions of peasants to enter the modern world.

Made in China 2025

In 2015, Xi Jinping and the Chinese CP leadership laid out the equivalent of a ten-year plan to take China to a higher level of technology and productivity in the struggle to modernize the country.

Xi announced a long-range industrial policy backed by hundreds of billions of dollars in both state and private investment to revitalize China. It is named "Made in China 2025" or "MIC25." It is an ambitious project requiring local, regional and national coordination and participation.

The Mercator Institute for Economics (MERICS) is one of the most authoritative German think tanks on China. It wrote a major report on MIC25 on Feb. 7, 2019. According to MERICS, “The MIC25 program is here to stay and, just like the GDP targets of the past, represents the CCP’s official marching orders for an ambitious industrial upgrading. Capitalist economies around the globe will have to face this strategic offensive.

“The tables have already started to turn: Today, China is setting the pace in many emerging technologies — and watches as the world tries to keep pace.”

The MERICS report continues, “China has forged ahead in fields such as next-generation IT (companies like Huawei and ZTE are set to gain global dominance in the rollout of 5G networks), high-speed railways and ultra-high voltage electricity transmissions. More than 530 smart manufacturing industrial parks have popped up in China. Many focus on big data (21 percent), new materials (17 percent) and cloud computing (13 percent). Recently, green manufacturing and the creation of an “Industrial Internet” were given special emphasis in policy documents, underpinning President Xi Jinping’s vision of creating an ‘ecological civilization’ that thrives on sustainable development.

“China has also secured a strong position in areas such as Artificial Intelligence (AI), new energy and intelligent connected vehicles. ...

“Chinese state-owned enterprises (SOEs) continue to play a critical role for the development of strategic industries and high-tech equipment associated with MIC25. In so-called key industries like telecommunications, ship building, aviation and high-speed railways, SOEs still have a revenue share of around 83 percent. In what the Chinese government has identified as pillar industries (for instance electronics, equipment manufacturing, or automotive) it amounts to 45 percent.”

Breakup of U.S.-China relationship inevitable

The tariff war between the U.S. and China has been going back and forth. It may or may not be resolved for now or may end up in a compromise. The Pentagon's provocations in the South China Sea and the Pacific are unlikely to subside. The witch hunt against Chinese scientists is gaining momentum.

The U.S. has just appropriated \$2.2 billion for arms to Taiwan. National Security Adviser and war hawk John Bolton recently made a trip to Taiwan. The president of Taiwan, Tsai Ing-wen, made a recent stopover in the U.S. on the way to the Caribbean and is scheduled to make another one on the way back.

All these measures indicate the end of rapprochement between Beijing and Washington. This breakup between the two powers is not just the doing of Donald Trump. It flows from the growing fear of the predominant sections of the U.S. ruling class that the gamble they took in trying to overthrow Chinese socialism from within has failed, just as the previous military aggression from 1949 to 1975 also failed.

High technology is the key to the future

Since as far back as the end of the 18th century, the U.S. capitalist class has always coveted the Chinese market. The giant capitalist monopolies went charging in to get joint agreements, low wages, cheap exports and big superprofits when China "opened up" at the end of the 1970s.

But the stronger the socialist core of the PRC becomes, the more weight it carries in the world and, above all, the stronger China becomes technologically the more Wall Street fears for its economic dominance and the more the Pentagon fears for its military dominance.

The example of the stifling of international collaboration on cancer research is a demonstration of how global cooperation is essential not only to curing disease, but also to the development of society as a whole. International cooperation is needed to

reverse the climate disaster wrought by private property — none of this can be carried out within the framework of private property and the profit system. Only the destruction of capitalism can bring about the liberation of humanity.

Marxism asserts that society advances through the development of the productive forces from primary communism, to slavery, feudalism and capitalism. Marx wrote: “The hand-mill gives you society with the feudal lord; the steam-mill society with the industrial capitalist.” (“The Poverty of Philosophy,” 1847) And now the revolution in high technology lays the basis for international socialism.

The bourgeoisie knows that the society that can advance technology to the highest degree will be triumphant in shaping the future. This is why imperialism, headed by the U.S., imposed the strictest blockade of the flow of technology to the Soviet Union, as well as the Eastern Bloc and China. This was done by COCOM, an informal organization of all the imperialist countries, which was created in 1949 and headquartered in Paris.

The main targets were the USSR and the more industrialized socialist countries, such as the German Democratic Republic, the Czech Republic, etc. Detailed lists were drawn up of some 1,500 technological items that were forbidden to export to these countries.

Marx explained that developed socialist relations depend upon a high degree of the productivity of labor and the resulting abundance available to the population ([“Critique of the Gotha Program,”](#) 1875).

However, as Lenin noted, the chain of imperialism broke at its weakest link in Russia — that is, the revolution was successful in the poorest, most backward capitalist country. The result was that an advanced social system was established on an insufficient material foundation. This gave rise to many, many contradictions. The countries that revolutionaries correctly called socialist, were in fact really aspiring

to socialism. Their revolutions laid the foundations for socialism. But imperialist blockade, war and subversion never allowed them to freely develop their social systems.

The great leap forward in technology in China today has the potential of raising the productivity of labor and strengthening the socialist foundations. It is this great leap forward that is fueling the “new cold war” with China and the real threat of hot war.

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- [The new Cold War against China, Part 1](#)

