

A working class perspective on China's tech regulations

written by Gregory E. Williams
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Meituan delivery drivers in Beijing.

Bourgeois pundits are alarmed by the Chinese government's latest regulatory changes. A Wall Street Journal headline is typical: "China's corporate crackdown is just getting started. Signs point to more tumult ahead."

The apocalyptic language may be warranted for certain wealthy investors. But what might these changes mean for the deeply intertwined working classes of China and the U.S.?

There's no indication of a radical change in direction in the official pronouncements, which say that the Communist Party of China (CPC) is leading the country's development and won't allow the billionaires to control the economy. The state can intervene to address problems like inequality and to prevent the economic chaos tolerated by capitalist leaders.

Recent changes are understandable if the socialist foundations of the economy remain intact. Socialist transition is still underway, though threatened from all sides.

Furthermore, China is integrated into the global capitalist economy, the crises of which are themselves exerting pressure on Chinese leaders to shore up the basic socialist framework. That's how China rebounded from the [2007-2009 financial crisis](#) and how it's tackling COVID-19.

Because U.S. and Chinese workers are on the same side of the global class barricades, in mortal combat with the capitalist class, we must oppose [Washington's maneuvers](#) to destroy China's socialist system. If the country's socialist foundations are undermined further, this will strengthen the hand of capitalists (particularly in the U.S.), and hurt the workers' struggle everywhere; consider, for example, China's critical partnerships with sanctioned countries like [Iran](#) and [Cuba](#).

Insights from a capitalist

Ray Dalio chairs the world's largest hedge fund, Bridgewater Associates, and has operated in China for 36 years. His view is guarded and sober. [He said](#): "The [Chinese] state runs capitalism to serve the interests of most people and ... policymakers won't let the sensitivities of those in the capital markets and rich capitalists stand in the way of doing what they believe is best for the most people of the country. Rather, those in the capital markets and capitalists have to understand their subordinate places in the system or they will suffer the consequences of their mistakes. For example, they need to not mistake their having riches for having power for determining how things will go."

He's offering advice to concerned investors. But more to the point, his observation lines up with what the CPC says it's doing, that is, trying to build a more prosperous and equal society.

Social problems prompt policy changes

The foundations of socialism were laid in the Mao period, through various development campaigns — based on politically conscious mass mobilization — and consolidated by the Cultural Revolution. Since 1981, Chinese socialism has brought 853 million people out of poverty. Nevertheless, integration into the global capitalist economy has generated social problems such as rising inequality, jeopardizing all revolutionary gains. Workers' struggles have prompted the new regulations, particularly in three important areas:

Gig economy

Globally, the gig economy has emerged as a model for corporations seeking to avoid unions and paying for benefits. As elsewhere, Chinese workers have been impacted.

In March, the CPC-affiliated All-China Federation of Trade Unions proposed new

protections for the country's 200 million gig workers, while announcing a gig worker unionization drive.

In July, the State Administration for Market Regulation and other administrative departments announced new rules for food delivery app companies like Meituan and Alibaba's Ele.me., requiring the platforms to provide insurance, guarantee riders' income above minimum pay and relax delivery deadlines.

Private tutoring

New regulations on the \$120 billion private tutoring industry can be seen in a similar light. Now, all organizations offering tutoring on the core school curriculum must register as nonprofits. New licenses will not be issued. In 2016, more than 75% of students ages 6-18 were receiving these services. The regulations are meant to help financially burdened families, while lowering student stress by prohibiting tutoring on weekends and school holidays.

From cryptocurrency to state-run e-currency

The Communist Party of China decided decades ago to allow some capitalism to function as a stimulus to its economic development. But the party's control over the basic underpinnings of the economy including the financial banking system has allowed development to proceed for the most part in a planned socialist way. Crucially, state control of finance is also a pillar of China's sovereignty, to be contrasted, for example, with the subordinate status of Greece, which the EU forced to accept devastating austerity measures.

But, again, there are tremendous pressures on China to privatize its financial system. This comes from its own bourgeoisie as well as from without.

The rise of cryptocurrencies has undermined state control, promoting dangerous speculation, tax evasion and money laundering. The National Internet Finance

Association of China, the China Banking Association and the Payment and Clearing Association of China, issued a joint statement, saying cryptocurrencies are “seriously infringing on the safety of people’s property and disrupting the normal economic and financial order.” Hence the new rules prohibiting banks and payment firms from offering cryptocurrency services. The Ministry of Public Security has also increased efforts to stop money laundering.

Meanwhile, China is leading the way in digital currency. The Central Bank launched the electronic yuan in four cities as part of a pilot program in 2020. The electronic Yuan is legal tender, with the same standing as paper money. Since 2020, testing has expanded in many areas, the hope being that the electronic currency will give the government better control over the financial system.

