

ON THE RISE OF CHINA, THE RECONFIGURATION OF GLOBAL POWER,
AND THE COLLAPSE OF THE MODERN LIBERAL ORDER

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Introduction

This paper intends to explore the origins and global effects of China's capitalist boom, as well as the limits of that boom. Surveys that fail to account for China's history or the nature of the world it re-entered will provide only partial images of either realm. Without these snapshots, these accounts fail to provide a full panorama of capitalist development in China or its relation with and importance to the reproduction of capitalism worldwide. In success, China's industrialization since the 1980s spawned an enthusiastic and large base of supporters around the world that suggest China's development represents both a new model for success in poverty stricken countries. It has also lent to the belief that China represents a major challenge to the liberal political and economic order physically crafted by the United States after the 1940s.

Due to past success, China's continued rise will, these sources suggest, produce a successfully ascendant, high-income China; a state of far greater size, power, and sophistication than the United States that would stand as a contender of far deeper importance than a simple short-term military or economic nuisance to the presiding hegemon. This new challenger would therefore be capable of undermining or recreating the military, economic, political, and scientific order crafted by the United States. With that success – and any possible defeat of the United States and its satellites – the world order would fundamentally change and herald deep changes to not only global production and power, but also the global ruling ideology. A major shift of the global center of power toward China would provide it the opportunity to generate a new cultural hegemony with which it would inform the new economic, military, geopolitical and, ideological arrangements for the *Estado Novo*, now formally anti-democratic, openly elitist, anti-populist, and perpetually absolutist – in keeping with the best of China's neo-Confucian thinking.

For many reasons, these notions rest upon quicksand. The scope and nature of China's rise from relative poverty under Mao and the Chinese Communist Party's continued success since the 1980s both rest largely as a consequence of their long isolation from and sudden integration within reformed global markets. The Party became flush with cash as it managed business illicitly and crafted a fertile cradle for capital injections from investors around the world. As a result, China for much of the last 30 years has not set the rules of the game or been in a position to potentially influence them as they do today. Instead, China has been both the recipient and the exploited; rich countries have grown richer as their industries dumped the traditional (and expensive) labor forces in their own countries to take advantage of China's poverty. China, as a massive assembly plant, however, receives only a minor cut on the deal.

Fundamentally, then, China and the CCP have served as an appendage to the liberal economic order's circulations and expansions, and it has not provided a new model for development as earlier revolutionary Communist movements sought in the past. As a result, the People's Republic of China cannot circumstantially alter the arrangement without critically harming itself. China's particular circumstances differ from the region's, but it has broadly followed much of East Asia's recent path to wealth by export – a path admittedly pursued by many other states around the world, though with none of the substantial privileges bestowed upon East Asia by the United States. Global capital, disciplined primarily by the United States, thus reproduces itself and expands, adapting crucially to each region and circumstance as it arises. Alongside various strains of realist theory describing the relatively medium-term balance of power and its immediate implications for world governments, the fifty-year-old school of thought known as world-systems theory, advanced primarily by the American scholar Immanuel Wallerstein, will help to inform much of the latter segment of the paper, as well as the bulk of my estimations for the world's possible trajectories.

For the United States, Western Europe, and East Asia, global capitalism, like the Chinese imperial system of old, is a historical phenomenon that represents the present relationships between human society, wealth, and power. Capitalism's modern dynamics and structural contradictions arise from the gradual reconfiguration of power and wealth since the end of World War II. The eventual collapse of the Soviet Union, coupled with the concentration and relocation of money and production, created a situation in which China was enticed to join hands with longtime enemies in the Western world for survival and prosperity. This change, however, did not arrive at the expense of independence. The consequences of China's longstanding political independence from the primary drivers of the liberal order – particularly if China is to seek parity with the United States – conflict with the increasingly erratic and unpredictable role played by the order's major actor, the United States, and rest beside the morbidity and nearness of global climate change. Together, they will define the next century of global events and, likely as not, the future of human civilization.

The following pages seek to provide an exposition of China's development since its exit from the global economy during the 1950s as well as a survey of China's modern politics – including its major political factions, their bases of support, and their potential influence in the future. To countenance for China's future and the world's, further pages detail not only the CCP's plans for adaptations but also the larger global picture. Regardless of developments beyond the 2008 financial crash, the world – especially the rich countries – must confront the titanic roots and consequences of issues such as global climate change, global inequality, resurgent, organized nationalism, the attendant specter of large-scale war, and the growing possibility of human extinction.

Should China successfully become a high-income society, these global issues will be amplified and reflect China's massive size, output, and population – and the global stresses that accompany them. Without full consideration for many of the world's major moving parts, China's issues – along

with the present form of economic exchange globally – will not receive proper context or serious and realistic contemplation. Without proper context, the longevity and vitality of either China or global capitalism remain prone to severe overestimations. This is a contribution toward correction.

Chapter 1: History

In the context of world history, China's 1949 Communist revolution represented a variety of accomplishments and aspirations both global and national scale. For the oppressed and exploited colonial subjects of European imperialism in Africa, the Americas, and Asia, China's 1949 rebellion became a beacon to oppressed peoples around the world. The Chinese Communist Party's (CCP's) revolution wiped away the legacies and direct impact of foreign influence by physically removing the corrupt Qing Dynasty's heir from mainland China. Closer to home, the rebellion sought to rectify the inequities of the past through the establishment of a socialist political economy.

In a socialist system, working classes directly control the means of production and arrive at decisions regarding work, the production process, and its surpluses on both a local and societal level collectively and directly – without an exploitative and intervening governing and interventionist class. In contrast to the slow moving, reformist, and politically weak government of the Nationalist Kuomintang, the Chinese revolution granted a powerful new political class command of state power. The downside, particularly for the revolution's glow at home, was the erosion and tension of the revolution's stated aims against China's adapted Stalinist mechanisms over time. This contradiction between the Party's rhetoric and their commitment to totalitarian politics accelerated the popular disillusionment spurned by glaring administrative failures and the escalatory logic driving Chinese and Western foreign and economic policies.

China's rebellion against the global system failed politically and economically: the following seeks to describe the context surrounding China's measures to prolong its revolutionary independence after its leader, Mao Zedong, died. The CCP's bid for self-preservation thereafter during the 1980s arrived at a time of international political and economic pressure and domestic turmoil. With the capitulation of the Chinese Communist Party to international capitalism after Mao, the political and

economic failure of Chinese communism eliminated alternatives to the presiding system of today, while throwing the Party's long-term vitality, credibility, and sustainability into question. As a result, the following will attempt to stitch together the events that led to the CCP's eventual re-integration with the global system it abandoned during the 1950s while also illustrating both the structural bonds that tie the Party to the new capitalist normal, as well as its ongoing commitment to Leninist organizational prerogatives, though without Maoist ideology.

China and the Communist Party

The Chinese Communist Party formally established the People's Republic of China (PRC) in 1949 following a calamitous civil war (1946-1949) that resumed only after a Japanese invasion that lasted the entire length of World War II (1937-1946). With revolution, Communist victory concluded the century-long subordination of China to Western powers and Japan and snapped the fatigue and infighting that plagued Chinese leadership for over a century. Thanks to the CCP's realignment of Chinese leadership and its forceful jettison of foreign financial and political influence after gaining power, China became free to determine its own of affairs.

The big change in the political character of average Chinese definitively arrived in 1937 with the invasion of mainland China by Japanese forces. This invasion, precluded by the conquest and subordination of Manchuria six years before, spurned the political development of a national Chinese identity. Prior to mainland China's invasion, "[p]rewar pressures in the peasantry – such as economic exploitation, Communist ideology, warlord wars, and natural calamities – had never been sufficiently intense to give rise to a peasant-based mass movement." Instead, battles remained local. Isolated, the peasantry "collaborated half-heartedly with the Communists" in their struggles against their millennial mandarin despots.¹ Nationally speaking, talk of class warfare and international socialism was

¹ Chalmers Johnson, *Peasant Nationalism and Communist Power*, Stanford: Stanford University Press, 1962, 4.

deadening talk, and it only appealed to various groups of peasants at different times, as many simply wished to liberate their village from predatory warlords.

Following the 1937 invasion, the CCP eschewed their old slogans of class warfare and violent redistribution of property and concentrated solely upon national salvation.² In many ways, this rapid conversion of CCP attitude reflected the severity of China's situation. By the next year in Nanking, China's historic 'southern capital,' famously non-isolated Japanese atrocities laid waste to at least 300,000 and as many as a half million Chinese within a city of approximately 600,000-700,000 people. To the north, in Suzhou, the relative domination was even more acute, with the city of 350,000 reportedly dropping to less than 500.³

At the same time, Japanese atrocities never limited themselves simply to larger cities. Instead, Japanese forces mopped up the remnants of China's provincial forces or militarized political groups, namely Communists, while methodically seizing local grain stores. With no food, the semi-feudal and largely apolitical Chinese peasantry aligned with the cosmopolitan liberals whom they had generally ignored for the last forty years against the Japanese. Together, they eagerly adopted any organization that would help to provide them political and military organization and support in civil defense against the Japanese. The popular support for those organizations usually proved heavily contingent upon their ability to provide defense. The threat of terror and devastation, then, played an important early role in rural China's political organization and education. For modern China, then, "the actual source of the Communist Party's authority in China today dates from the wartime period when it led the mobilized masses of previously non-Communist areas in their struggles with the Japanese Army."⁴

² Ibid.

³; Iris Chang, *The Rape of Nanking: The Forgotten Holocaust of World War II*, New York: Basic Books, 1997, 104; "U.S. Archives Reveal War Massacre of 500,000 Chinese by Japanese Army," *Xinhua*, 12 December 2007; Chang, 100; Ibid., 38.

⁴ Johnson 1962, 49.

By the end of Japanese occupation in 1945 and the resumption of the Chinese civil war in earnest, the CCP had completed much of the heavy lifting needed to win over the country. The CCP gained legitimacy for its successes protecting and organizing the Chinese public while also bleeding their torturers and assailants. As testimony to the Party's success, one fifth of China lived in the CCP's "guerilla bases" seeking sanctuary by the end of major fighting, far beyond what was dreamed possible by Communist leaders at the time.⁵

Upon achieving sovereignty over China, the CCP immediately embarked upon land, health, and welfare reforms, industrialization campaigns, as well as the Stalinist nationalization of all industry and commerce. In exchange for absolute subservience to the Party's developmental program, some basic social guarantees were meted out, frequently benefiting Party cadres incommensurately with reliable, socially elevated employment.⁶ With the end of colonialism and civil war, simple developments in food distribution during the early 1950s permitted intense mortality reductions for adults and children relative to others in Asia. The redistribution of agricultural lands and the gradual nationalization of businesses and commercial assets worked together to diminish the most egregious divides in public wealth. While per capita incomes and wealth were not much higher nearly a full decade after the CCP's success in China, the national wealth was distributed far more evenly than ever before, which permitted to even the poorest Chinese a bare modicum of social safety.⁷

By the 1970s, the Party's egalitarian drive displayed its success within China's basic social metrics: after the Cultural Revolution, the CCP deployed the famous 'barefoot doctors' throughout

⁵ Ibid, 1.

⁶ Leadership and authority positions at middle and lower levels were in many cases established for former capitalists and managers already receiving compensation for their requisitioned property by the state, only now with "unimpeachable political authority over the rank and file [worker]." Jackie Sheehan, *Chinese Workers: A New History*, London: Routledge University Press, 1998, 53-54.

⁷ Robert Weil, *Red Cat, White Cat: China and the Contradictions of "Market Socialism,"* New York: Monthly Review Press, 1996, 237; Judith Banister, *China's Changing Population*, Stanford: Stanford University Press, 1987, 83-84.

the country to even its most rural locations. They provided a wide variety of basic medical skills (pulling teeth, treating infections, assisting in childbirths, etc.) that required little high-end equipment or cost and provided the foundations for unprecedented longevity. By the 1980s and early 1990s, the results of comparable programs made life expectancies of Shanghai citizens (75.5) comparable to those in New York City, oftentimes beating them by sizeable margins when accounting for differences between races.⁸

These social benefits, while remarkable, must be acknowledged cautiously. The first of many indications that socialism following the Chinese Revolution would not be conducted on a democratic basis arrived as a consequence of early privileges granted to the new CCP managerial class, namely via the major riots and labor disturbances of the early 1950s. After the Seventh National Congress in 1953 Chinese workers and peasants' sole vehicle for influence within the new Communist system – labor unions – “lost their guts” as the Party centralized its authority within all of China by purging its institutions of leaders sympathetic to public demands.⁹ With union positions in each shop acting as dual representatives for workers and the Party, the loss of the previous support and commitment to new precedent drained labor unions' militancy and activism dramatically, leaving “the unions cowed and reluctant to be outspoken in defence of workers' rights when such statements could easily be construed by party authorities as further outbreaks of economism and syndicalism.”¹⁰ As the lowliest-ranked positions on a factory floor – beneath the Party-appointed factory manager, such positions frequently became stepping stones on the road to Party membership and its subsequent privileges. Consequently, “spoiling relations” with the more important factory leadership became harmful to

⁸ Age 73 was the average life expectancy for whites New Yorkers; 70 for non-whites. Weil, 238, 241.

⁹ Sheehan, 63.

¹⁰ Ibid.

one's career and a powerful disincentive to fairly or consistently represent labor's demands against factory management.¹¹

While industrial management for the CCP became easier and clearer, workers described union and administrative leadership as lacking “understanding, concern and support” for activists from the union and administrative leadership.¹² The extreme circumstances that arose from these disputes eventually found their fusion and endorsement during the late-1956 Hundred Flowers Campaign and the Eighth Party Congress of the same year, where, finally, concessions according with workers' demands were reached. Mainly, these concessions permitted the creation of directly elected workers' congresses to manage the workspace, a right long demanded by Chinese workers.

The problem by this point, however, was much greater:

In promoting wider democratization as an antidote to workers' growing discontent, the CCP did in fact reach the heart of the matter, for it was not primarily the fact that China was a relatively poor and under-developed country which provoked so much unrest among the working class, but issues of democracy and equality... In short, the state and party bureaucracy, right down to the level of enterprise management and including the official unions, had control over virtually all important aspects of workers' lives, including the organizations and institutions through which they were supposed to participate in decision-making and act as the 'masters'. This left workers with no option but to resort to illegal or semi-legal methods to have any influence on the most fundamental issues affecting their lives.¹³

By 1957 industrial unrest from the previous year coalesced with the Hundred Flowers Campaign. Autonomous, independent unions formed and coordinated with workers employed by state-owned enterprises (SOE), intellectuals, and the public, which together began to critique the CCP's authoritarianism en-masse. With public criticism rising and independent organization occurring regularly, Mao joined “Party leaders in turning in those critics that had taken up his invitation to

¹¹ Ibid.

¹² Ibid, 67.

¹³ Ibid, 72.

‘bloom and contend.’”¹⁴ With the reversal of previous concessions permitting the creation and autonomy of worker congresses by late 1957 and the widespread purging of 550,000 officials and critics by a panel controlled by Deng Xiaoping, few options for labor existed within the PRC.¹⁵ For China’s base number of peasants and workers, the PRC’s only recognized union, the All-China Federation of Trade Unions, soon became perceived as a machine that existed solely to observe and subvert the labor movements independent of the Party that tried to circumvent its authority for its betrayal of previous guarantees with swarms of undercover cells. Essentially, by the mid-1950s, the official mechanisms available to channel labor’s demands became generally useless.¹⁶

The fear, paranoia, and conformity generated by the Anti-Rightist Campaigns allowed the Party afterward to decentralize and delegate authority to provincial governments and to local Party organizations.¹⁷ The Great Leap Forward would follow the 1958 purge and persist until 1961. Originally intended as an intense modernization program, the Great Leap was organized upon the back of the Party’s purging and new unity and dogmatism.¹⁸ Mao’s heightened authority brought over from the continuous purge of dissidents generated pervasive fear amidst unrealistic demands. During the Leap, rural commune organization drove much of the development and gains for the period. The infamous “backyard furnaces,” while general failures, did serve as early laboratories for light industry, and helped lay the groundwork for Deng’s later experiments in light industry known as town and village enterprises. During the Leap, close contact with CCP agents, propaganda, and the authoritarian

¹⁴ Maurice Meisner, *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978-1994*, New York: Hill and Wang, 1996, 39.

¹⁵ David Bandurski and Qian Gang, “Uneasy silences punctuate 60th anniversary coverage,” *China Media Project*, 10 Sep 2009; Meisner, 41; Ezra Vogel, *Deng Xiaoping and The Transformation of China*, Cambridge: Belknap Press, 2011, 207.

¹⁶ Paul Burkett and Martin Hart-Landsberg, *China and Socialism: Market Reforms and Class Struggle*, New York: Monthly Review, 2005, 37.

¹⁷ Carl Riskin, *China’s Political Economy: The Quest for Development since 1949*, New York: Oxford University Press, 1987, 81-113.

¹⁸ The 1959 Lushan Incident, in which a deposed high Party official critiqued Mao’s policies, equated future criticism of Party policy with Mao. Incentives for fear and dogmatism led to exaggeration of achievements and creation of personality cult.

powers of commune managers plagued these organizations until the end as they attempted to provide basic civil services.¹⁹

The Great Leap otherwise proved catastrophic. Still in its youth during the Great Leap Forward, the PRC lacked “an all-seeing, all-knowing Soviet-style secret police.” Instead, it possessed only an authoritarian corps of cadres and goals to surpass the United Kingdom in wealth twenty years. Disaster, while thoroughly unintended, unfolded.²⁰ The resulting famine that ensued, a none-too-small blip in Mao’s development drive, forced the Leap to end after approximately 32.5 million people succumbed to starvation.²¹ Recent Chinese history could attest to other sizeable famines of grievous magnitude, and their desperate struggles did not go isolated in the region: India’s circumstances at the time, while unblemished by famine, proved dire, with over 100 million deaths accountable to weak social institutions and protections by 1979 alone.²² Nonetheless, the PRC’s failure led Mao to recede from active command of the Party. Deng Xiaoping and Liu Shaoqi assumed control of the state during Mao’s stead and together reinforced Party discipline and direction, revived a coordinated central planning platform, while also allowing greater economic flexibility among the provinces.²³

Under Deng and Liu, there was an additional though much less bloody cost to the post-Leap recovery. The much-loathed cadres that gained so greatly after the Anti-Rightist Campaign and ruled

¹⁹ Weil, 231, 233

²⁰ Cormac Ó Gráda, “Great Leap into Famine: A Review Essay*” *Population and Development Review*, Volume 37, No. 1, 2011, 200.

²¹ Ibid, 195.

²² One scholar during the mid-1920s, Walter Mallory, went so far as to dub China the ‘land of famine.’ See Ibid, 192-194; “But there is little doubt that as far as morbidity, mortality and longevity are concerned, China has a large and decisive lead over India. The extra mortality in India... implies that every eight years or so more people die in India because of its higher regular death rate than died in China in the gigantic famine of 1958-61. India seems to manage to fill its cupboard with more skeletons every eight years than China put there in its years of shame,” with over 100 million deaths during 1947-1979, and tens of millions more since. See Jean Drèze and Amartya Sen, *Hunger and Public Action*, New York: Clarendon Press, 1989, 204-225, esp.205, 214-215.

²³ Meisner,. 47-48.

over average Chinese swelled in number. Consequently, cadres' "growing social and intellectual elitism, increasing economic inequalities, the erosion of ideological commitment, and a further confusion of the means and ends of socialism"²⁴ produced much more visible and combustible images of CCP authority figures to average Chinese, as resources were continuously stolen outright or wasted on industries already overrun by state investment, such as heavy industry. Importantly, Bertrand Russell's 1920 trip to the Soviet Union led him to a related observation of a similar system under equally dire pressure, "[i]t is a gross libel to say that the Communists... live luxurious lives according to our standards; but it is a fact that they are not exposed, like their subjects, to acute hunger and the weakening of energy that accompanies it."²⁵ For the CCP bureaucracy as a whole, this detachment from the working public's experience of poverty produced a troubling reappearance of the system they labored to eliminate. Bertrand Russell noted further of the Russian case,

In a capitalist state, the Government and the capitalists on the whole hang together, and form one class; in Soviet Russia, the Government has absorbed the capitalist mentality together with the governmental, and the fusion has given increased strength to the upper class. But I see no reason whatever to expect equality or freedom to result from such a system, except reasons derived from a false psychology and a mistaken analysis of the sources of political power.²⁶

For China, Deng and Liu's actions reinforced "the consolidation of a Party and state system of such a level of integration that it would become an organization communicating largely within itself, responsive to its increasingly institutionalized procedures and interests rather than to the people who supported the movement in its struggle for power – or to the leader who directed the struggle."²⁷ The free-flowing criticism unleashed by the Hundred Flowers Campaign permitted too much popular power within the Chinese communist system and threatened to place the CCP's entire project at risk. The fusion of state and political power, as well as widespread corruption, emitted great passion from

²⁴ Ibid, 48.

²⁵ Bertrand Russell, *The Practice and Theory of Bolshevism*, George Allen & Unwin Ltd., 1920, 107.

²⁶ Ibid, 117.

²⁷ Soloman, 70.

the public. The same cyclical pattern was much the case with the Cultural Revolution, which would begin only five years after China's famine and Great Leap in 1966 and lasted until 1976.

The Cultural Revolution was an attempt to shake up the system by strengthening collective organization within the public and increasing cadres' public accountability, but mass terror campaigns committed by rivalling factions in Chinese society and the Party bureaucracy definitively broke any major gains that may have been accomplished.²⁸ Despite the sweeping platitudes spoken of the Chinese people's transformative powers and of their centrality to Chinese socialism, "there were in fact no significant changes in the relations and organization of production in either the town or countryside."²⁹

Early within the Cultural Revolution, the Party recanted its commitment to public self-scrutiny, since Party organization fundamentally relied upon its cadres' empowerment: "Whereas the Cultural Revolution began with a Maoist-inspired attack on the Chinese Communist Party, it concluded with a Maoist drive to re-establish the authority of the Party – and the eliminate all mass organizations that were not under the control of the Leninist apparatus." One year after the beginning of the Cultural Revolution, in 1967, the substantial freedoms and powers granted to the masses were revoked and subsequently manipulated to prevent the tensions produced and pursued during the masses' "right to rebel" from blossoming into civil war. The publically proclaimed virtues of popular democracy quickly degenerated, but by the mid-1970s, "Chinese politics had degenerated to the point where political disputes were solved by military force."³⁰ In the process, Maoist attacks against leading bureaucrats of the post-Great Leap period (1961-1965) led to public takedowns of major officials of Deng Xiaoping's stature. While Deng was spared the horror that befell many other officials and

²⁸ Burkett and Hart-Landsberg, 39.

²⁹ Meisner, 53.

³⁰ Ibid, 68, 52.

many of his colleagues, others near to him would not fare well. Liu Shaoqi, Deng's partner during Mao's hiatus from leadership, was labelled "a criminal traitor, enemy agent and scab in the service of the imperialists, modern revisionists, and the Kuomintang reactionaries" during the Ninth Congress to serve as a "living target" of the Revolution.³¹ This official denunciation was the culmination of many public beatings and the denial of adequate medical attention. Liu would not survive the Cultural Revolution.

By the time of Mao's death in 1976, the popular democracy once promoted by the Party at the beginning of the Revolution was a vague memory, as was the dogmatism that accompanied Mao and his followers.³² Most immediately, the ejection of ultra-Maoist partisans arrived after an armed palace putsch thrust the politically militant and dogmatic Gang of Four, whose ranks included Mao's wife, from power. The new government, however, demanded a new core constituency that reiterated and enhanced the Party's powers, something found among the disbanded and exiled intellectuals of the Anti-Rightist Campaign.³³ The extreme social violence waged against CCP officials and 'capitalist roaders' denounced during the Anti-Rightist Campaign was not forgotten, and those survivors formed an invaluable clique during the formation of a post-Mao government that. CCP leadership, now split, patiently awaited the arrival of firm leadership in Deng Xiaoping for two years during the interim of Hua Guofeng.

Under Mao, China transformed from one of the most backward agrarian countries in the world with an industrial base smaller than that of Belgium's in the 1950s to the sixth largest industrial power by the mid-1970s. While extreme gains recorded in agriculture and light industry within the countryside during Deng's early rural reforms, this reflected the uneven development of the

³¹ Jung Chang, *Wild Swans: Three Daughters of China*. New York: Simon & Schuster, 1991, 391.

³² Vogel, 175-179.

³³ Ibid, 138; Meisner, 73

countryside in pursuit of rapid gains in heavy industry within the cities. Between 1952 and 1976, the gross value of total industrial output increased 12-fold, agricultural output increased only two-fold.³⁴ The economy at large shifted from one that was primarily focused upon agriculture to an industrial economy within thirty years, with industry growing from 36 percent of the gross value output in 1952, to 72 percent by 1975.³⁵ The heavy focus upon industry had its drawbacks. Due to the uneven cultivation of productive industry across the country social guarantees proved much weaker in areas with little industry than those of state workers in urban areas. Even so, without the industrial revolution that occurred during Mao's tenure, the reforms ushered forth under Deng would have had little to stand upon and would not have been as successful.

In short, China's adapted Stalinism industrialized the country, but its reliance upon developing heavy industry caused it to lose steam quickly in the face of administrative breakdown and social unrest. By the end of the Cultural Revolution, the 1976 April 5th incident in memoriam of the deceased Premier Zhou Enlai and the separate Democracy Wall movement (1979-1981) highlighted that Mao's terror and the Party's lawlessness were destroying the mandate of the CCP just as Deng was assuming control of the country.³⁶ Deng Xiaoping's calls for "socialist democracy," "socialist legality," and "political reform" after Mao's death, as well as his early endorsement of the Democracy Wall movement emboldened dissidents.³⁷ Their harsh repression, in the course of Deng's disproportionate purging of the country of popular activism and Maoists, eventually led Wei Jingsheng, the noted Democracy Wall dissident, to call Deng Xiaoping publically a "dictator" for both his failure to live up to early promises and treatment of dissidents.³⁸

³⁴ Ibid, 189, 235; Burkett and Hart-Landsberg, 37.

³⁵ Riskin, 270.

³⁶ Premier Zhou waged intensely to restrain the Cultural Revolution's excesses and the deaths it wrought; the Democracy Wall movement was a Beijing-based, leftist movement seeking the public sphere's opening, Vogel, 167.

³⁷ Meisner, 166; Vogel, 253.

³⁸ Wei, 208–10.

Of course, the Party's consistent position was eminently conservative. As Deng makes clear:

The purpose of reforming the system of Party and state leadership is precisely to maintain and further strengthen Party leadership and discipline, and not to weaken or relax them. In a big country like ours, it is inconceivable that unity of thinking could be achieved among our several hundred million people... in the absence of a Party whose members have a spirit of sacrifice and a high level of political awareness and discipline... Without such a Party, our country would split up and accomplish nothing.³⁹

While regaining stability proved among the greatest of Deng's concerns upon earning top leadership, the economy itself at large was far from disaster following Mao. The major gains of the entire Mao period were quite impressive; industrial output throughout the Mao period increased at an average rate of 11.2 percent annually, despite the massive interruptions posed by the Great Leap and complete isolation by both major world powers. Even with such constraints and threats, Chinese accomplishments were varied and impressive. By comparison with the post-1978 China, which also saw rapidly rising productivity and legitimized corruption, few benefits of industrialization were distributed to laborers, and Chinese living standards resultantly grew slowly during the final two decades of Mao – only 1 percent per annum.⁴⁰ The surpluses of Chinese labor ultimately fell into the hands of those commanding those particular industries, even with the conclusion of central planning.

Deng sought to revitalize the Party and its public perception. Leninist rejuvenation and rationalization of the Party meant undermining the positions of Maoists remaining in major positions, and those who had “helicoptered” up the CCP ranks under their sponsorship, like Hua Guofeng who had risen during the Cultural Revolution. Similarly, mandated retirement ages served as a useful method to force older Party conservatives from the Party non-violently. Simultaneously, rejuvenation

³⁹ Deng Xiaoping, “On the Reform of the System of Party and State Leadership,” *Selected Works of Deng Xiaoping (1975-1982)*, Beijing: Foreign Language Press, 1994.

⁴⁰ Burkett and Hart-Landsberg, 37; In this vein, extremes threatened the country from all corners. The Soviet Union was actively engaging in border conflicts with the Chinese to the north, while the United States was threatening the use of nuclear weapons as a response to the aid for the Vietcong. Additionally, the United States was busy engaging in the military and economic containment of East Asian revolutions. Vogel, 269; John Dower, et. al. “Asia and the Nixon Doctrine: The New Face of Empire,” in Noam Chomsky, ed., *Open Secret: The Kissinger-Nixon Doctrine in Asia*, New York: Harper & Row, 1972, 181; Meisner, 192.

required that induction to the CCP be arrived upon the basis of firm administrative abilities and technical expertise as opposed to ideological purity.⁴¹ Marginalization of opposing wings within China also helped the CCP to consolidate power internally and within society at large, namely via the prohibition of “factionalism” in pursuit “stability and unity” for China’s future development. Party mechanics would also be aided by reaffirming democratic centralism⁴² – with the addition of “collective leadership” in order to prevent Mao-like powers from re-surfacing among CCP leaders, even as Deng was accumulating comparable powers for himself.⁴³

For new recruits and new leadership, Deng sought to professionalize and regularize the Party at large. As stated frequently before, the Party required a severe public relations makeover, as well as operational changes. As per Deng, reform remained contingent upon the Party: “The first objective is to ensure the continuing vitality of the Party and the state... We must uphold leadership by the Party and never abandon it, but the Party should exercise its leadership effectively.”⁴⁴ Structural changes would not be pursued by a new base of cadres composed of Cultural Revolution-era ideologues. Instead, Party members filling important positions saw rapid emphasis placed upon education; in 1978, 6 percent of those Party members had collegiate degrees. By 1985, that number increased to 80 percent.⁴⁵ The post-Mao commitment to avoiding factionalism or ideological dogmatism witnessed the rise of a more technocratic system than its predecessor. For economic reform to occur, leadership moved to delegate decision making to regional and local authorities in recognition of China’s greater economic size and sophistication during the post-Mao era.

⁴¹ Meisner, 177.

⁴² Democratic centralism essentially represents a form of institutional solidarity after a decision’s passing.

⁴³ Ibid., 98.

⁴⁴ Deng Xiaoping, “On Reform of the Political Structure,” *Selected Works of Deng Xiaoping: Selected Works Vol. 3 (1982-1992)*, Beijing: Foreign Language Press, 1994.

⁴⁵ Meisner, 177, 179.

Market-based reforms announced at the conclusion of the Third Party Plenum in late December 1978 began initially by exposing China to international market forces. Domestically, market reform coupled with renewed investment in and reallocation of resources toward otherwise ignored sectors. The most important area to receive attention after Mao was the countryside and agricultural industry, which for many years suffered from general poverty. The grand majority of gains from rural reforms and development would drive most of Chinese development during the early 1980s, but remained limited to a six-year window (1978-1984), after which attention from Beijing toward rural development quickly dropped off.⁴⁶ The center of these reforms, however, could be found mainly in the new economic roles granted to local CCP officials, as well as those within the institutions they presided over. Communes established during the Great Leap some two decades earlier that provided marginal social benefits and brought the public close contact with the CCP's dictatorial attitude and policies proved to be of great importance for their organization of economic activity.

Reform and productive attention from Beijing was warmly accepted in the countryside. Economically parched following the rule of Mao, the countryside was willing to accept changes that might lead to their lives becoming relatively more free and prosperous. These reforms began during the spring of 1979 with the so-called 'dual-track' pricing system. In order to incentivize a capitalist mentality among officials and peasants, the dual-track system endeavored to create a profit-seeking behavior while retaining social necessities. After government quotas were reached for grain sales at a subsidized price, the surplus grain could be sold within the marketplace where prices stood 50 percent higher. This mixed system, along with changes to rural communes that enlarged private plots, increased spending upon rural products and had some limited success. While the system boosted the prices of agricultural deliveries by 20 percent, the bureaucratically led reforms also ensured first dibs

⁴⁶ Meisner, 235.

to Party members who could purchase state goods for a low cost, thanks to their offices, and then sell for a return within the market.⁴⁷

This system ultimately proved to be rather awkward to manage effectively due to its uneven and rampant abuse, and it was soon discarded.⁴⁸ However, the shifting class relations initiated by Deng were doubled down upon as market forces developed and profit-seeking behaviors were further institutionalized. The Party promoted the creation of ‘family responsibility systems’ composed of individual family plots that could expand with the hiring of other farmers. By 1983, 98 percent of all peasant households had adopted the system but they also dropped state support and produced widespread poverty.⁴⁹ These systems endorsed entrepreneurial initiative to drive economic growth and they relied upon family units for initial cohesion and hierarchy. The “personal responsibility” system was therefore a vehicle for the reintroduction of rural class distinctions.⁵⁰ With the limited restitution of contractual wage labor within these family holdings, the 1982 Constitution capitalist reforms by dissolving rural commune systems and outlawing the public’s right to strike by declaring the CCP’s existence and perseverance the ultimate representation of socialism and the interests of the workers.

The vast numbers released from the communes, as well as the power CCP bosses carried over them, helped the Party organize uncommitted labor and its local industrial assets into quasi-private organizations known as town and village enterprises (TVEs), which, with the CCP bosses’ previous connections, found easy access to materials, credit, and tax expediency. TVEs became a great success, as their number swelled from 1.5 million in 1987 to 25 million in 1993, while employing 123 million

⁴⁷ Burkett and Hart-Landsberg, 43; Meisner, 323.

⁴⁸ David Harvey, *A Brief History of Neoliberalism*, New York: Oxford University Press, 2005, 129.

⁴⁹ Hart and Landsberg, 44; Harvey, 125.

⁵⁰ Weil, 28-29

people.⁵¹ With the combination of steady investment and gains in rural agricultural employment, personal incomes grew quickly with new productivity gains. In the first years of reform (1978-1984), rural incomes grew 14 percent annually. It was not until after 1984 that the major benefits to the rural population began to drop off. Rural incomes stagnated, only rising from \$50 to \$300 per year between 1985 and 2004, or falling in all but a few select areas and industries, even as employment continued to rise.⁵²

Parallel to reforms in the countryside were analogous reforms within the cities, though they initially remained limited to specific locations as pilot programs. The Fujian and Guangdong provinces of southern China, directly adjacent to Hong Kong and conveniently far from the capital in Beijing, were the first regions to see the effects of Deng's urban reforms. Like the state sector within rural areas, SOEs similarly witnessed vast changes to their organization. The institution of contractual wage labor over state workers after 1983 – and renegotiated with pre-1983 workers in 1985 – along with the dissolution of Mao-era social guarantees, limited though they may have been, mirrored the loss of benefits and guarantees seen within the countryside.

Reforms of this nature would be undertaken in an effort to make SOEs more competitive and profitable. From the beginning, the state sector's efforts to liberalize were fundamentally limited due to the limited amount of resources domestically. This shortage of basic inputs and money hampered investment, a problem compounded further by domestic corps of managers largely unaccustomed to profit maximization or profit seeking. Rampant inefficiencies, therefore, contributed to substantial amounts of new debt as these firms sought nonetheless to maintain the pace of demand. Further trends deepening the growth of capitalism occurred throughout the rest of the decade. Early foreign

⁵¹ Burkett and Hart-Landsberg, 41-44; Ibid, Table 4.

⁵² Harvey, 125-126.

direct investment programs were unsuccessful because they limited the activities of foreign firms brought into the new trading areas, so stipulations regulating foreign capital were relaxed.⁵³ In Hong Kong, the situation turned toward China's favor: the city's previous trade policies produced reserves of surplus capital, but the city proved incapable of matching its swelling bank account with its limited size and population, so foreign firms moved investments inland through Hong Kong to employ that capital and take advantage of stressed, weakened labor.

Many foreign firms without personal connections with those in mainland China quickly failed since China lacked a formal legal system and had no measure to guarantee property rights or protection. As a result, intermediary deals and connections with overseas Chinese usually based in Hong Kong and Taiwan, became remarkably important, since they would organize more than two-thirds of foreign investment entering China during the 1990s.⁵⁴ As measures to promote foreign capital and development increased, measures to increase the efficiency and competitiveness of China's state sector became more frequent, and, with their social guarantees to labor shed, state-owned industries (SOEs) relied upon retained earnings after taxes, as well as bank loans.⁵⁵

The extent of China's liberalization witnessed two major junctures during the late 1980s before its total acceptance during the next decade. At the 1987 Thirteenth National Congress, Premier Zhao Ziyang declared that China needed to enter the international economic arena "boldly." This announcement solidified support for reforms and preference for an export-led growth model focused along China's urban coastline and fed by its Hong Kong and Taiwan financial contacts special state financial preference.⁵⁶ To reinforce this announcement, Zhao "began a new operation of offering foreign investors preferential conditions as part of the coastal development strategies." Reform

⁵³ Burkett and Hart-Landsberg, 42.

⁵⁴ Harvey, 130.

⁵⁵ Burkett and Hart-Landsberg, 46.

⁵⁶ Meisner, 373.

packages following 1987 intensified privatizations and business activity, as local governments began buying large amounts of local farmland for conversion to commercial and industrial property. Real-estate and industrial development within both rural and urban areas rapidly inflated prices and consumed large amounts of the state banks' credit. These activities generally left workers behind in the process, so the state was forced to raise salaries for the second time since reforms began in order to undermine opposition to reforms.⁵⁷

For China to shoulder this massive transition toward an externally driven export model the once self-sufficient state began undertaking sizable trade deficits to maintain its new development strategy; in 1985 and 1986, the state recorded \$14.9 billion and \$12 billion deficits respectively.⁵⁸ Because of the intense business activity, inflation also grew at 8 percent over the 1985-1987 period; during the 1988 and 1989, inflation would raise 18 percent annually. In larger cities, such as Beijing, inflation would climb even higher, by as much as 30 percent. The wages the government were subsequently forced to raise would push the country into the red for three years, all on record-setting levels: in 1986, the government budget deficit would be \$5.9 billion; in 1987, over \$6 billion; 1988, over \$9 billion.⁵⁹

Inflation here had auxiliary effects within the countryside and the cities. With rural industrial output gaining at a rate of 37.7 percent between 1984 and 1987 and rural farming income growing by 15 percent annually between 1978 and 1984 rural industries that had grown rapidly and fueled much of China's growth were now squeezed both by inflation and a new focus upon urban development.⁶⁰ Urban workers also suffered acutely because of the sheer instability brought on by reforms. In 1987, the government admitted that 20 percent of urban families suffered losses in living standards; in the

⁵⁷ Burkett and Hart-Landsberg, 48-49.

⁵⁸ *Ibid.*, 49.

⁵⁹ Meisner, 294-295.

⁶⁰ *Ibid.*, 241.

same year, the ACFTU stated in an unpublished report that the average real income had fallen 21 percent. By late 1988, across the board inflation within China prompted leadership to tighten lending policies to cool business activity and inflation. TVEs operations were reliant on bank funding, something that was already in jeopardy and after it fell away, many TVEs drowned. Rural unemployment spiked with the closures and slowed business activities, marking the beginning of rural peasants' mass migrations to the cities from the countryside.⁶¹

The reforms greatly liberated and improved the lives of millions of Chinese, but the alienation and uncertainty of the reforms, as well as the deep anxiety brought by the financial costs to the state and people, helped prompt mass social unrest in the liberated 1989 political environment. The June 4, 1989 massacre placed a definitive end to the debates surrounding the Party's future among would-be administrators, public intellectuals, and the Chinese public. Without support from higher in the Chinese administration, labor likewise faced severe threats of force and imprisonment for further organizing. With labor and the Chinese intelligentsia again disciplined, the Party retained its strong controls over dissent and market liberalizations during the final course of the 1990s, the main precursor to contemporary issues.⁶²

Predictably, the post-Tiananmen Square political scene proved highly uncertain. Hu Yaobang, China's General Secretary and a prominent liberal Party member, died prior to the finale of the Tiananmen protests, and Premier Zhao Ziyang, who walked with demonstrators, during the protests was forced into house arrest. To replace Zhao and reformist leaders, Deng – whose figure in Chinese politics had in no small fashion diminished – chose Shanghai's Party Chief, Jiang Zemin and Shanghai's mayor, Zhu Rongji, to respectively become China's new General Secretary and Premier to

⁶¹ Burkett and Hart-Landsberg, 51.

⁶² Zhao Ziyang and Pu Bao, *Prisoner of the State: The Secret Journal of Zhao Ziyang*, New York: Simon & Schuster, 2009, 269-272.

lead the country's economy. Premier Zhu guided China through the uncertainty of the 1990s by attempting to ameliorate the concerns of many Chinese with a lower emphasis on economic growth and the chaos of the marketplace, since many of 1989's concerns were a culmination of the public's anxiety over the pace of reforms and economic uncertainty.

During the 1990s, Zhu entrenched and stabilized capitalist reforms following Deng's 'southern tour' of 1992, in which he declared that, for China, "as long as it makes money, it's good for China."⁶³ Economic growth and political stability throughout the decade relied upon deepening China's liberalization, even as the Party itself struggled to retain control. To ensure and strengthen the Party's influence within the economy over the long-term, the Party's traditional presence within the economy was "decimated."

To ensure and strengthen the Party's influence within the economy over the long-term, the Party's traditional presence within the economy was "decimated" to 'grasp the big, and let go of the small.' The CCP placed many of China's smaller SOEs into the marketplace for privatization. Minority stakes of former state firms were sold internationally, while small and loss-making firms were reorganized for sale or left to city governments. At the same time, China's 1,000 largest SOEs in what were deemed strategic sectors of the economy were spared privatization by the central government and retooled toward profit maximization. Competitive development caused firms of all types affected by either corporatization ('the big') or privatization ('the small') to retroactively seek methods of profit maximization; these developments greatly damaged the remnants of the state sector's older models. To this end, the government laid off 50 million state workers during the 1990s. Only 18 million would be redeployed for employment by the government, though without positions that conferred the SOEs'

⁶³ Burkett and Hart-Landsberg, 51.

old social benefits. By 2003, employment by state enterprises had dropped from 76 million of just a decade prior, to 28 million.⁶⁴

Rapid real-estate and industrial development along China's coastline and major cities transformed small towns like Dongguan, just north of Hong Kong, into 7 million person metropolises in the space of two decades.⁶⁵ The general decentralization of the economy was now oriented toward flows of capital into and around the country. Consequently, foreign firms found China a freer investment climate, so foreign industry rapidly flooded the country, attracted by China's "seemingly endless pool of cheap manufacturing labor." Commercial interest in China has led to many Chinese following the money, so rural migration to cities is massive. Estimates place the scale of migration quite high, with 114 million permanent moves occurring by 2004 and the number expected to reach 300 million by 2020. This figure is expected to reach 500 million in the decades thereafter, as 18 million new workers enter the workforce every year.⁶⁶

The Chinese state's indirect managerial powers also increased during the 1990s. In spite of large increases to the national wealth since the 1980s, Beijing still lacked adequate taxation powers in a now highly decentralized economy. Tax reforms shifted power and revenues that had been allowed to reside within China's provinces (in 1993, local government revenues increased 35 percent) back to Beijing (whose resources had, in the same year, shrank by 6.3 percent); this development then starved local governments of funds and set them upon new paths to make up for those losses.⁶⁷ Not coincidentally, this loss of revenues played as an additional factor to the furious development between competing urban areas.

⁶⁴ Richard McGregor, *The Party: The Secret World of China's Communist Leaders*, New York: Harper, 2010, 44; Ibid, 43.

⁶⁵ Harvey, 130

⁶⁶ Ibid., 127; Karl Shmavonian, "Readers Say: A River Runs Deep," *Forbes*, 14 Oct 2002.

⁶⁷ Orville Schell and John Delury, *Wealth and Power: China's Long March to the Twenty-First Century*. New York: Random House, 2013, 337.

Chinese finance (owned solely by the state) was also a substantial cause for concern during the 1990s. China possessed a financial system in which executives responsible for branches outside of the central offices in Beijing were appointed by regional and local governments instead of the banks themselves “who then demand[ed] loans in return for their patronage.”⁶⁸ China’s economy had become far more lax during the 1980s, and China’s banks had proliferated along with the economy, with the number of branches reaching over 140,000 by 1993.⁶⁹ When combined with the chaotic nature of privatizations during the decade and the power of local officials over local state bank branches, liquidity and speculation was high. Financial regulatory powers, appointments, and planning were localized, and this left Beijing out of the mix. The fear caused by the 1997 Asian financial crisis allowed Zhu Rongji to strong-arm power away from local governments by threatening to fire the executives in banks and state enterprises or through the potential closure of regional branches. While Zhu acted without legal basis, the shock of the crisis proved useful to Chinese financial reform, as regional authority returned to Beijing and Chinese finance was recentralized.⁷⁰

In conjunction with strong financial reform, urbanization, and the economic rebalancing of SOEs and foreign investment, the CCP and China passed through the 1990s greatly strengthened. SOEs, once “written off as dinosaurs of a crumbling communist system,” were highly profitable by the early 2000s. Insolvent during the 1990s, SOEs collectively achieved \$140 billion in profits by 2007.⁷¹ Privatization of SOEs released thousands of firms into the private market where they would typically be purchased by the group of local cadres that operated it beforehand. During this phase, many businesses released by the state were then run aground through a process referred to as “asset-stripping,” wherein the new business owner, oftentimes the earlier enterprise manager, would strip

⁶⁸ McGregor, 45.

⁶⁹ Harvey, 133.

⁷⁰ McGregor, 44-46.

⁷¹ Ibid., 56.

the business of its useful or valuable properties, siphon its financial holdings elsewhere to a third account, and then allow that business to enter bankruptcy to avoid its debts. Relatively speaking, few former SOEs made it through this phase strengthened or promoted by their new owners.

Implications

The major point derived from this history exhibits that China endured two distinct periods in its quest toward modernization and that the CCP remained an ever-present figure throughout China's progression. Early on following the conclusion of the Chinese civil war and the expulsion of Japanese invaders, the CCP was the sole source of authority left within the Chinese mainland. The Kuomintang had been ejected to Taiwan, and the CCP reigned supreme in China. As stated previously, the CCP coalesced around Chairman Mao toward the end of the civil war. It was after this point that China adopted a Stalinist developmental program.

China's initial Maoist system was modeled upon Stalinist precepts and relied upon massive state terror campaigns to drive away social tensions and potential challengers. The repeated purging activity and dogmatism exemplified within Maoist China during its early Anti-Rightist movement, and its subsequent Great Leap and Cultural Revolution, showed the incessant omnipresence of the Party-state. Inherently, "[t]he Leninists rely on a penetrative, totalitarian organizational weapon, the Communist Party, to preempt, channel, or suppress unwanted developments in the society."⁷² China's derivative of Leninism was an effective social tool for the CCP to build a super-strong state, but the endeavors it embarked upon in order to build a solid industrial base made Maoism a highly inefficient developmental method, too reliant upon Party mechanisms and strong men for social or economic advancement, as well as repression. Ever-increasing bureaucratism and social repression proved

⁷² Chalmers Johnson, *Japan: Who Governs? The Rise of the Developmental State*, New York: W.W. Norton & Company, 1996, 46.

unsustainable together, as increasing tensions between social classes drove more conflict with little return gained for the mass of the Chinese people.

China's ideological rebellion against Leninism was blended with Deng's observations of the Soviet system following the denunciation of Stalin by Khrushchev; the political controls of the Leninist system at large had to be preserved but the Party needed to shed the ideological straightjacket of Mao in order to continue. It did so in large part by guaranteeing the safety of Party cadres against public exposure and violence while inviting previously purged Party members back into the orbit. The new logic of market socialism unveiled in 1978 guaranteed that the successful tactics of Deng Xiaoping and Liu Shaoqi pioneered during the prelude to the Cultural Revolution would be institutionalized. This meant that the CCP bureaucracy, which flourished massively under Deng, would receive both economic freedoms to pursue new development strategies and definite social guarantees against the masses, who responded aggressively to bureaucratic corruption throughout the Cultural Revolution and then in Tiananmen Square.

The 1980s and 1990s – decades which began and solidified China's liberal developmental regime – saw the gradual erosion of social guarantees and the dramatic reorganization of state enterprise, both rural and urban, into profit-making bodies at the expense of established communities and the traditional most of most Chinese. China's toiling masses would receive no democratic liberties in China's 'socialist' retooling. Those rebels at Beijing's Democracy Wall bared critiques of China's two titanic political figures. Mao (initially a welcomed target) and Deng (an unpermitted crossing of boundaries) corralled the mass of critiques. Lenin's *The State and Revolution* and Marx's *The Civil War in France* were prominent works wielded amidst China's latter-day rebels. Their eventual repression – followed swiftly by a mass opening of the public sphere – would spell the terms of the CCP's

continued dominance over China: liberalization and opening would be conducted on the Party's terms alone.

In no sense, then, would political and economic reform within Communist China break in favor of popular empowerment, or the much exalted Party objective, socialism.

Any real movement toward socialism, toward a society based on the political and economic 'self-government of the producers,' would have left little place for the Communist Party, and no place for a Leninist single-party system. And it also would have meant a decreasing role for the state bureaucracy and the myriad of social interests it had come to incorporate. Thus China's new leaders and their economic advisors considered only various forms of economic and administrative decentralization and the expansion of market relationships.⁷³

Correspondingly, the Party's moves toward capitalist reforms should in no fashion prove remarkably shocking. As a political organization, the measures taken by the CCP to remain an adaptive and relevant regime – and ultimately the dominant social group within China – instead allowed the CCP to demonstrate its versatility in the face of challenges. Much like the Soviet regime, little can be said on the part of the Chinese Communist Party possessing a genuine interest in socialism. China's ruling party, like the Soviets before them, "exploit[ed] the aura of socialist ideals and the respect that is rightly accorded them, to conceal their own ritual practice as they destroyed every vestige of socialism."⁷⁴

⁷³ Meisner, 208.

⁷⁴ Noam Chomsky, "The Soviet Union Versus Socialism," *Chomsky.info*, 1986.

Chapter 2: Contradictions

Early reforms within China after Deng's ascendance liberated vast sectors of the countryside from the distant plans of Beijing. The period which followed, while relatively prosperous for the countryside, led the cities generally to languish in the rampant inflation invited by their opening to foreign investors. Since opening caused prices to rise unexpectedly, the state soon became indebted while trying to sustain basic features of prior arrangements while the public's purchasing power entirely collapsed in light of higher costs. Soon after inflation finally struck the countryside in the late 1980s, the public anger exploded with the 1989 Tiananmen Square incident. The following years until 1991 cornered and eliminated the choice paths of both Deng's former chosen successor and lead liberal reformer, Zhao Ziyang, and China's the resurgence plans of China's old Stalinist planning conservatives.⁷⁵ Thereafter, the success of Deng's southern tour signaled to the world the CCP's intent to carry on with the country's previous liberalizations. But by turning south, Deng and China empowered the urban southern Party elites who benefited from the previous decade's exports and made investments funneled through Hong Kong and Taiwan possible, an approach which would color the Party's approach forever after.

Transition after the 1990s

The many incentives to growth in China during the 1980s were measures that allowed the bulk of Chinese, then still living in the countryside, to receive greater sponsorship and support from the central government than at any time in the past. Since much of Marxist theory before the Russian and Chinese revolutions basically assumed that most citizens would be workers living in cities rather than poor farming peasants, prior to the 1980s much of the emphasis in Stalinist development

⁷⁵ See Yasheng Huang, *Capitalism with Chinese Characteristics*, New York: Cambridge University Press, 2008, 104; 87-88; 92-93, for more details.

ultimately fell upon industrial development – something that could be coordinated simply within large cities. The powers driving the rural-urban divide, so deeply engrained within Communist China's history, suddenly weakened during the 1980s and prompted fast development within the Chinese countryside, as noted previously. But by the 1990s, the state policies allowing rural success reversed again in favor of urban industry and urban elites.⁷⁶ With state support for industries and sectors beyond simply the urban coastal centers gone, many Chinese migrated to the cities for work.

The extent of these migrants' accommodation, however, emphasizes which sectors benefitted from the peasants' newfound freedom. The targeted relaxation of *hukou* standards governing citizens' movement achieved during the 1980s took place to the benefit of millions of migrants. However, *hukou* standards also governed the location Chinese citizens' residency, as well as the types of social benefits they might receive, so when freedom of movement was established, it occurred without the generalization of those benefits to all. The structural attraction of tens of millions of Chinese to urban areas consequently ensued, but without equal access to social welfare services conferred to urban residents. In other words, new workers in an already unfamiliar setting experienced discrimination not only from employers and native residents, but also from the institutions that conferred benefits exclusively upon the migrants' urban counterparts. In this way, productive jobs could be dispersed to millions. However, these new workers never received the pay or social protections guaranteed under the older socialist system by employers or the government since they instead became compelled to take work in the private sector. Instead, the money saved from such costs represented concessions to profit goals and the structurally supportive government municipalities, ministries, and individual actors.

⁷⁶ Martin Hart-Landsberg and Paul Burkett, *China and Socialism: Market Reforms and Class Struggle*, New York: Monthly Review Press, 2005, 50.

As noted previously, the shift in production away from the famous rural town and village enterprises operating privately toward coastal export-led development in the 1990s occurred in coordination with Party elites and foreign investments on the southern coastline. Simultaneously, though, China's growth as global hub of industry and exports coincided with the onset of an unprecedented expansion of global free trade in the 1980s. Without this development, the PRC would have found it impossible to satisfy the global North's mounting demand for cheap imports and, in the process, to export its way to prosperity. Further still, China's attractiveness to global business largely stands within the long-term stagnation of its manufacturing wages, so the PRC's strategy of developing its cities for exports while leaving the country's interior to remain undeveloped has proven central to the course of China's development.⁷⁷

For the PRC to handle the new demands of international trade with any regularity, the Chinese government had to begin making several changes to the way it operated. Since many of China's early investments were channeled through locales with strong informal connections to China,⁷⁸ the creation of a legal regime to routinize commercial deals became important. Legal development began initially within special pilot areas with weaker restrictions to trade than within the rest of the country. The special economic zones that formed during the mid-1980s thus became among the first areas within China to introduce changes that favored not only trade, but also specifically foreign investors.

For China's indigenous private sector, the result of China's liberalization proved decidedly mixed, with incomes, employment and the overall number of private businesses booming until the mid-1980s before slouching cumulatively thereafter during the interlude between 1988 and 1990.⁷⁹

⁷⁷ Hung Ho-Fung, "America's Head Servant," *New Left Review* 60, 2009, 10.

⁷⁸ See Chapter 1; Harvey, 130.

⁷⁹ 1988, 14.5 million registered businesses – 1990, 13.3 million; Employment: 23.1 million to 20.9 million (1988-90), Stephan Haggard and Yasheng Huang, "The Political Economy of Private Sector Development in China," in *China's Great Economic Transformation*, Loren Brandt and Thomas Rawski, eds, New York: Cambridge University Press, 2008, 369; Harvey, 130.

Early reforms intended to flout China's attractiveness to foreign investors meanwhile provided stepping stones for later transformations. Measures even intended to guarantee the CCP its traditional control over the economy were abandoned, leading the Party to "drop the provisions of the 1979 Joint Equity Venture Law that required that the chairman of the board of any joint venture [between foreigners and Chinese] to be Chinese."⁸⁰ This concession to foreign investment in pursuit of greater national wealth produced precedent for the sale of mid- and small-scale SOEs to foreign capital later on after the state sector's reformation during the late 1990s.⁸¹ The importance of China's private sector, as previously noted, continuously slid: "the policy treatment of foreign firms is substantially more favorable than that of domestic private firms... Chinese leadership might have viewed [foreign direct investment] as a substitute for the private sector."⁸²

While the CCP's actions fostered a wonderful market for FDI and an enormous mess of political problems domestically, their approach to development and adaptation to the international arena helped reassert China's role as a major economic and financial power globally: in 1990, China's share of all global manufactures rose from 3 percent (in an otherwise still largely closed economy) to 19.8 percent in 2010, before overtaking the United States by 2013.⁸³ While trade boomed, sustained success fostered little need for China's weak legal regime to accommodate more players within its borders.⁸⁴ Consequently, hesitance and procrastination by officials to follow through on legal reform informs the view that "[t]he courts in China do not play the role, nor do they have the power, that would be consonant with a legal regime that provided secure property rights, and there are no other

⁸⁰ Ibid.

⁸¹ Philip P. Pan, "China Accelerates Privatization, Continuing Shift from Doctrine," *Washington Post*, 12 Nov. 2003.

⁸² Haggard and Huang, 368.

⁸³ FDI increased after late-1980s to 2000s. FDI crept upward from \$3.2 billion in 1988 to \$3.5 billion in 1990, Haggard and Huang, 369; Au Loong Yu, "On the Rise of China and Its Inherent Contradictions," in Au Loong Yu, ed, *China's Rise: Strength and Fragility*, Pontypool: Merlin Press, 2012, 29; Phillip Inman, "China Overtakes US in World Trade," *The Guardian*, 11 Feb. 2013.

⁸⁴ Jerome A. Cohen, "China's Legal Reforms at the Crossroads," *Council on Foreign Relations*, March 2006.

governmental bodies that seem capable of playing this role.” Instead, since “an independent, self-governing bar does not exist... it is commonly assumed that corruption is growing, with media reports reflecting a large variety of criminal violations of judicial ethics.”⁸⁵

Of course, China’s ineffective courts, ranging from the 1990s to today, ring consonantly with the CCP’s total control over the country’s primary institutions. Like all other Communist Parties when they are or were in power, the CCP’s exclusive right to leadership over China was written into the constitution. China’s judicial power, like its administrative and legislative authority, are controlled solely by the Communist Party. Similarly, the armed forces, media outlets, and all of China’s publishing houses are managed by the CCP. Their operation, by extension, serves to advance the interests of the Party; measures which may threaten the Party’s legitimacy, and hence its perceived competence to rule, would deprive the Party influence over the immeasurably profitable sectors it either forced into the market through outright privatizations during the 1990s, created as an extension of its own official offices, established privately and expanded liberally by means of official connections or contracts, acquired via bribes from private contracts, or colonized collectively through sheer bureaucratic force. The propaganda agencies and armed forces as a whole work to counter those forces.⁸⁶

The above types of illicitly gained property and money, also known as bureaucratic capital, ties the CCP intimately to the budding ascendance of capitalist organization within China, as well as its perpetuation and (qualified) success.⁸⁷ As a class in the near-term, however, the CCP’s obsolescence

⁸⁵ Rather, “the [PRC’s] political structure itself has served as an alternative to [its] formal legal system.” Donald Clarke, Peter Murrell, and Susan Whiting, “The Role of Law in China’s Economic Development,” in *China’s Great Economic Transformation*, 2008, 380, 397; 400.

⁸⁶ Yu, 17-23.

⁸⁷ ‘Success’ could feature multiple definitions which may focus upon either the bureaucracy’s near-term gains (corruption), or its longer term balance and enrichment beside more liberalized – and high-value – capital and firms. Neither solution suggests its dissolution or devolution of power(s). Additionally, I take Maurice Meisner’s thesis of bureaucratic capitalism as a means to define the style, relationships, and impediments which remain unavoidable during

against domestic private capital to collude with foreign investors operates primarily for China and the CCP as a means of guaranteeing reliable tax revenues without the formation of an organized, wealthy, and powerful domestic political challenger. This drive to crowd out the domestic private sector, unsurprisingly, produced a situation in which the Chinese economy became massively distorted as it sought to privilege the international system and exporters. China's rural-urban imbalance, limited before the Tiananmen Square incident of 1989, stood powerfully by the late-1990s as the CCP used Deng Xiaoping's political support to leverage and solidify the country's recent economic reforms in line with its pro-trade platform.

By the late 1990s, this drive among pro-trade and export elites in the CCP helped erode sanctions placed against them by Western governments and allowed them by 1999 to join a major global trading platform known as the World Trade Organization (WTO) that replaced the decades-old General Agreement on Tariffs and Trade to homogenize trade standards between states globally.⁸⁸ Membership within the WTO obligated China to meet certain standards to be considered for entry. As a Communist system that had only recently witnessed the implosion of its Communist brethren in Eastern Europe, the PRC's signature to the WTO compelled it to commitments "far more stringent than other developing countries [and] in certain respects [to] commitments [which] exceed[ed] those of advanced industrial countries." The terms of China's accession to the WTO in December 2001, three months after 9/11, included provisions to open its banking, financial services, insurance, and telecommunications sectors to foreign investors.⁸⁹ Similarly, China's financial, service, and agricultural sectors were all liberalized. Likewise, protectionist tariffs for domestic industries were lowered

China's reform efforts. Maurice Meisner, *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978-1994*, New York: Hill and Wang, chapter 11, esp. 300.

⁸⁸ Elaine Sciolino, "U.S. Moves to Ease Beijing Sanctions," *The New York Times*, 8 Mar 1994.

⁸⁹ Lee Branstetter and Nicolas Lardy, "China's Embrace of Globalization," in *China's Great Economic Transformation*, 2008, 658-659.

substantially below levels enjoyed by other countries even at similar levels of development: as Chinese tariffs against the foreign imports fell to only 9 percent, in Indonesia, Brazil, Argentina, and India, tariffs stood respectively at 37, 27, 31, and 32 percent.⁹⁰ Elsewhere the implications of China's inclusion to the WTO proved sudden: Chinese parts in global production networks spanning dozens of countries and local specialties boomed from 18 percent in 1993-1994 to 44 percent in 2006-2007. The United States, China's single largest trading partner, saw imports double from \$51.5 billion in 1996 to \$102 billion in 2001 before tripling to \$321 billion by 2007.⁹¹

The scale of China's WTO reforms, as well as their unorthodox entry, prompted the leading US negotiator, Charlene Barshefsky, to observe that China's commitments to liberalize were "broader actually than any World Trade Organization member has made."⁹² Throughout the process, however, the United States leading role and capabilities within the WTO to impose trading conditions upon a country as large and important as China should not be overstated: instead, Barshefsky's view that the success of Chinese domestic reform hinged upon the willingness of its neighbors to cooperate accordingly⁹³ was corroborated by China's chief trade representative Long Yangshu, and China's premier, Zhu Rongji, as vital to forcing structural changes within the country.⁹⁴

China's willingness to pursue tough self-imposed WTO requirements signaled the PRC's commitment to foreign property rights, non-discriminatory government policies, and the freedom to repatriate profits. China's economy thereafter expanded aggressively and in the process became a major hub for capital investment from foreign multinational corporations eager either for access to

⁹⁰ Ibid., 656.

⁹¹ "Trade in Goods with China," *US Census Bureau*.

⁹² Branstetter and Lardy, 657.

⁹³ The success of China's "domestic economic reforms hinged on the externality of international commitments to reform in a particular direction." Ibid., 657.

⁹⁴ Long: "countries with planned economies have never been part of economic globalization. China's economy must become a market economy in order to become a part of the global economic system as well as the economic globalization process." Zhu: "The competition arising [from WTO membership] will also promote a more rapid and more healthy development of China's national economy." Ibid., 650.

China's enormous domestic market or to use China as an export platform for the world. Consequently, what valuable parts of China's economy were not dominated by the state sector soon became so by foreign investors: by 2002, some two-thirds of the output from the industries which received the most foreign direct investment (FDI) was for sale within China as inputs for industry or as final consumer goods.⁹⁵

In light of such financial power, however, the oft-cited fear within China that the country might return to a semi-colonial status has not been realized since China's entry to the WTO: while foreign capital is dominant in the high-tech export and domestic sector (providing many of China's limited technological gains)⁹⁶ domestic investment has risen to a degree that foreign control of manufacturing in 2009 (28 percent) remains not much greater than during 2002 (27.7 percent).⁹⁷ The domestic market reflects a similar image: of China's 39 major branches of industry, foreign capital's share exceeds 30 percent in only one. However, since foreign trade has accounted for 40 percent of China's GDP since 2002, China's dependency upon global trade has exploded.⁹⁸ As a percent of the economy, total trade (imports and exports) as a share of GDP grew from 33.1 percent in 1999 to almost 65 percent less than a decade later in 2006 as the economy meanwhile nearly quadrupled in size to \$3.5 trillion by 2007.⁹⁹

⁹⁵ Foreign invested firms recorded nearly half of total industry sales including exports, exceeding 70 percent in electronics and instruments and meters, but falling below 3 percent in textiles and non-metallic mineral production. Loren Brandt, Thomas Rawski, and John Sutton, "China's Industrial Development," in *China's Great Economic Transformation*, 2008, 574.

⁹⁶ While many firms operate in China, US corporations contribute "substantially to China's research and development effort." Instead of autonomous research, "[China's] disproportionate emphasis on applied research is reflected in an overwhelming preponderance of utility patents that are typically viewed as proxies for imitation. China remains a substantial distance from the world's innovation frontier." Albert Hu and Gary Jefferson, "Science and Technology in China," in *China's Great Economic Transformation*, 2008, 287.

⁹⁷ Yu, 30.

⁹⁸ Harvey, 135.

⁹⁹ World Bank data, merchandise trade and GDP.

With China so massively dependent upon international trade, it has also become sensitive to developments that might upset the balance. The 2008 financial crisis served this purpose: the first 6 months after the crisis led 30 million to face joblessness.¹⁰⁰ A \$586 billion stimulus followed to plug the leaks, yet problems remained. China's decision to pursue an export-led market strategy during the late 1980s and early 1990s led the state to hoard massive amounts of cash to maintain and, later, to protect its currency value against aggressive speculators who only a decade beforehand in the late 1990s had attacked and plunged East Asia into default, yet also hesitant to pursue currency or financial liberalization.¹⁰¹ If either were pursued, the immediate changes could plausibly assault China's domestic economy by allowing speculators and attacks against China's currency to not only suddenly re-negotiate currency values, but products and incomes across the Chinese economy, including those held by the state sector and state banks.

China's state banks and state sector together prove vulnerable due to their collective high savings rate since the 1980s – a byproduct of the nation's export system and a perk that has suppressed workers' incomes aggressively while also boosting Chinese trade competitiveness – allowed state banks and the CCP to lend vociferously.¹⁰² As the primary agents of China's liberalization, CCP officials' regular political and business deals for others or their own careers emerged to produce dual pressure

¹⁰⁰ Sarah Cook, "Rebounding from Crisis: The Role and Limits of Social Policy in China's Recovery," in Peter Utting, Shara Razavi and Rebeca V. Buchholz eds, *The Global Crisis and Transformative Social Change*, Basingstoke, Palgrave Macmillan, 2012, 141–160.

¹⁰¹ Beijing's control over the yuan's value since 2005 has declined since it dropped the yuan's formal peg to the dollar. Since then, indirect controls over the yuan's trading value are sustained via massive purchases of US Treasuries. Michael Burke, "The Changing Nature of Imperialism: US As Author of the East Asian Crisis," *Historical Materialism*, 2001, Vol. 8, No. 1, 49-88. Joseph Stiglitz: a "simpler" explanation of the crisis, the IMF was simply "reflecting the interests and ideology of the Western financial community... capital account liberalization was the single most important factor leading to the crisis." *Globalization and its Discontents*, New York: W.W. Norton & Company, 2002, 129-130, 99.

¹⁰² Justin Yifu Lin, Hinh T. Dinh and Fernando Im, "United States-China External Imbalance and the Global Financial Crisis," *China Economic Journal*, 2010, Vol. 3, No. 1, 29-31.

to float loans to both struggling SOEs while also furiously signing credit guarantees to major city governments in response to changes in the fiscal and political dynamics, which governed them.

Changes to the Chinese method of delivering taxes to the central government arrived as the CCP dismantled the traditional mechanisms of the former planned economy while also reforming and decoupling state industry from cities in such a fashion that both were forced to create continuously growing sources of revenues and profits for survival.¹⁰³ While SOEs saw clear routes to convert toward profits creation, such as shedding the social protections it once provided for the workforce, artificially lowering labor forces pay, and incentivizing management to find new methods of cutting costs or boosting productivity with greater personal pay packages, city governments were left with large new costs to provide for citizens that it had never served cared for directly, all without a reliable tax base or other established sources of revenues.¹⁰⁴ What cities did possess, increasingly as time passed, was the authority to sell land use rights for new property developers eager to pop into the scene, which, alongside the capacity to tax, could both skyrocket if pursued aggressively. Meanwhile the new phenomena of inter-city competition produced even greater pressures to promote business, development, and taxation.¹⁰⁵

While the interlude of China's transition toward capitalist production, exchange and taxation severely interrupted revenue flows to Beijing and nearly pushed China to insolvency during the 1990s, reform never tampered with the new dynamics dominating China's rapidly growing and liberalizing cities.¹⁰⁶ Instead tax centralization siphoned wealth from the cities swelling activities via 1994 tax

¹⁰³ Notably, fixed administrative prices, compulsory procurement, and planned delivery and monopoly state ownership.

¹⁰⁴ Christine Wong and Richard Bird, "China's Fiscal System: A Work in Progress," in *China's Great Economic Transformation*, 2008, 432.

¹⁰⁵ David Harvey: "In the Pearl River delta, for example, each city is now trying to capture as much business as possible by outbuilding its neighbors, often with duplicative results. Five international airports were built in the late 1990s in a 100-kilometer radius, and a similar boom is starting for ports and bridges." 132.

¹⁰⁶ "By the early 1990s, the central government's situation was said to be "desperate," [with the central government's share of revenues falling] to just over 20 percent in 1993, [and] at the nadir the central government allocated only 3

reforms which provided provincial taxation and collection powers directly to the central government with, among other things, its new common value-added tax.¹⁰⁷

Consequently, China's weak legal regime and regulatory controls were all that remained to ensure urban politics and property speculation moved along proper channels. By the mid-2000s, however, official sources indicated that the non-performing loans (NPLs) that sprang from the illicit lending practices of previous decades had indeed continued, climbing and peaking officially in 2000 at \$269 billion (22.5 percent of GDP) before falling to \$160 billion (6.3 percent), yet never disappearing. Thanks to various accounting measures, evidence suggests that persisting bad loans amount to double those indicated by official figures in terms of GDP and in size. NPLs arising almost specifically as a consequence of politically motivated lending or urban speculation and property development since the 1980s, "represent the most serious risk of a financial crisis in China."¹⁰⁸

While options exist to alleviate the weight and threat of NPLs, those scenarios typically, assume that the government treats NPLs as the political cost of the country's past economic reforms which must be borne by the central government. In the past and since the creation of the PRC, such a debt would usually pose no problem, but the 2008 crisis here again dampened the demand for Chinese exports in the US, Japan, and Europe. With the nearly \$600 billion emergency stimulus dispersed in 2009 to prevent collapse, an already swollen state sector and indebted local governments turned toward debt-financing itself to perpetuate and protect China's fortunes against the global collapse. As a result, by 2011 China's local governments' debts reached 10 trillion yuan (\$1.66 trillion) up from 2.69 trillion yuan only two years previously. Corporate debt (mainly in the state sector)

percent of GDP." Christine Wong and Richard Bird, "China's Fiscal System: A Work in Progress," in *China's Great Economic Transformation*, 2008, 432.

¹⁰⁷ At this time, Beijing retained 75 percent of all tax receipts. Ibid, 433-438

¹⁰⁸ Franklin Allen, Jun Qian, and Meijun Qian, "China's Financial System: Past, Present, and Future," in *China's Great Economic Transformation*, 2008, 559.

meanwhile rose from 96 percent of GDP in 2007 to 142 percent by 2012, and it accounts for 60 percent of all China's total debt, giving China one of the highest corporate debt rates in the world.¹⁰⁹ Cumulatively, post-crisis borrowing in China led total debt to quadruple from \$7 trillion in 2007 to \$28 trillion by mid-2014 and embody a total debt equivalent to 282 percent of GDP. This debt, greater than that of either the United States or Germany, remains projected to rise still higher to 400 percent of GDP by 2018. To compound concerns, half of all loans link directly or indirectly to China's shaky real estate market, and half of all new loans arrive via the unregulated and riskier practices of the shadow banking sector.¹¹⁰

Contradictions

If China's major problems are consistently recognized and addressed by CCP officials, debt should prove manageable if medium-term growth sustains itself. The alternative, however, places the PRC's considerable \$4 trillion hoard of foreign exchange reserves, resalable land rights, and state sector into jeopardy since "there are real questions about the government's ability to overcome vested interests."¹¹¹ For the CCP, the rest of China contends with the Party's struggles to reform. Jeopardizing already-fraught administrative battles are the problems they seek to delay, perpetuate, or solve – which may at any time go much further awry than anticipated. Below, the severity of several topics illustrates the scale of China's and the CCP's upcoming challenges.

¹⁰⁹ This high corporate debt system has precedent within other East Asian countries during the late-1990s. For debt, see Yukon Huang and Canyon Bosler, "China Debt Dilemma: Deleveraging While Generating Growth," *Carnegie Endowment for International Peace*, 2014, 6.

¹¹⁰ Richard Dobbs, James Mayika, Jonathan Woetzel, "Debt and (Not Much) Deleveraging," *McKinsey Global Institute*, 2015, 1.

¹¹¹ Arthur Kroeber, "After the NPC: Xi Jinping's Roadmap to Reform," *Brookings Institute*, 11 March 2004; while many of those less liquid assets may prove unable to provide immediate relief, their later sale could finance later expenses. Huang and Bosler, 14, 41.

State Sector Reform and Debt Financed Growth

While China's liberalization began during the 1980s, the characteristic changes that defined the Chinese marketplace arrived during the 1990s. Primarily, economic transformation effected the inner workings of the Chinese state and the CCP in its ability to tax, spend and organize within cities and the countryside. As changes to rural communes gave way to quasi-private town and village enterprises beholden to China's domestic and international market, liberalization never avoided the Chinese state sector. Firms too small and critically unimportant to China's economy, by contrast, witnessed sale before the marketplace as non-strategic assets. The largest 1,000 SOEs during the 1990s reduced the footprint for state enterprise nationwide and opened substantial room for private development.

The breadth of Beijing's 'letting go of the small' policies that decoupled non-strategic state property from the state reduced the PRC's direct role within the economy from 37 percent of the absolute volume of total enterprises to less than 5 percent between 1999 and 2008. A concurrent drop in the PRC's place in the economy was achieved, but it is worthwhile to note that the decline in the share of SOEs is much bigger than that in the share of SOE assets, which now account for roughly 44 percent of all Chinese commercial assets.¹¹² Similarly, efforts to raise the efficiency of the former titans of state planning witnessed considerable success. State capital's return on equity on average proved less than 8.2 percent, even as profits increased nearly fourfold, while large private industrial firms saw returns of 12.9 percent. However, considerable ties remain between state industry and state

¹¹² Average industrial assets for industrial SOEs rose from 134 million RMB to 923 million in 2008, expanding 589 percent in 9 years. Meanwhile, the average assets of non-SOEs only moderately increased from 36 million to 60 million, up by a dwarfed 67 percent. "SOEs still make up a substantial part of the national economy – roughly controlling 30 percent of the total secondary and tertiary assets, or over 50 percent of total industrial assets. The average size of SOEs is much bigger than their non-SOE peers, with average assets of the former equaling over 13 times of the latter." Gao Xu, "State-Owned Enterprises in China: How Big Are They?" *World Bank Blog*, 19 Jan. 2010.

banks remain; when SOEs preferences and advantages were also accounted for, returns proved far weaker, at -1.47 percent.¹¹³

Coddling SOEs – not the cultivation thereof – therefore sees regular evidence within China. During crisis, this tendency expressed itself clearly: the events immediately following the 2007-2008 financial crisis, in which the CCP flooded China with 4 trillion yuan (\$630 billion, adjusted for inflation) in credit, or 7 percent of GDP, channeled all but 15 percent of stimulus credit directly to state enterprise. The remainder of China’s stimulus funds flowed to local governments into already overheated sectors, with only a quarter arriving directly from Beijing, to infrastructural and developmental projects.¹¹⁴

Frequently, development and infrastructural funds carry a poor record of repayment by either local governments or SOEs. During the 1990s this tendency forced Chinese banks to near insolvency, as city governments and state enterprise assumed debt under the assumption that the central government would bail them out. In 1999-2000, the CCP State Council announced the creation of asset management companies designed to collect loans issued throughout the previous decade. By 2006, the measure proved generally unsuccessful; only 24.2 percent of assets and 20.8 percent of all cash was recovered. In order to raise money for these asset management groups, many SOEs were partially taken over by China’s state banks, resulting in the neutralization of 1.4 trillion yuan in non-performing loans. Other non-performing loans returned as “differently named assets.”¹¹⁵

¹¹³ “The Long Arm of the State.” *The Economist*, 23 June 2011.

¹¹⁴ Richard McGregor, *The Party: The Secret World of China’s Communist Leaders*, New York: Harper, 2010, 197; Geoff Dyer, “Beijing Offers Just Quarter of Stimulus Funds,” *Financial Times*, 14 Nov. 2008.

¹¹⁵ Timothy Woodruff and David Anderson, “China: An Emerging Economic Peer Competitor,” *Naval Postgraduate School*, 4 Jan. 2013.

With exports sliding as a share of China's economy after the 2008 financial crisis, the PRC remained obligated to meet its previous growth expectations and goals, though without a reliable sense for its future. Following China's 2008 \$630 billion stimulus, a 2011 audit of 31 provinces and their municipalities found local governments possessed debts equivalent to \$1.6 trillion, with as much as one-fifth likely to be written off as bad debt.¹¹⁶ Even so, such projects continue as the PRC's growth, which in the beginning of 2015 stood at 7 percent, continues to falter.¹¹⁷ In 2012, stable investment continued to bolster economic growth as 60 infrastructure projects, worth 1 trillion yuan (\$157 billion) were cleared to begin. Similarly, Beijing announced in early 2015 that it intended to rush previous infrastructural projects, worth \$1.1 trillion, through development to spur economic forecasts.¹¹⁸

With debt climbing and the number of bad loans resting far beyond the official figure of 1.5 percent, with estimates ranging from 6 to 21 percent, the prospect of future debt costs worries with historical precedents. Just in East Asia, non-performing loans accounted for 11 percent of all debt and contributed to major economic failure.¹¹⁹ Altogether, this makes China's debt situation more tenuous, as the government and its banks continue to debt-finance its growth to meet short- and medium-term growth targets.

Corruption

Corruption complicates the future of Chinese debts. Bureaucratic corruption within the rank and file of the CCP played a critical role within China's post-Mao development. To this day, corruption and malfeasance, widespread throughout top Chinese leadership, remain rooted thickly

¹¹⁶ John Shoen, "It's China's Turn to Wrestle with a Pile of Bad Debt," *NBC News*, 1 July 2011.

¹¹⁷ Kevin Yao and Koh Gui Qing, "China Growth Slowest in Six Years, More Stimulus Expected Soon," *Reuters*, 15 Apr. 2015.

¹¹⁸ "China Approves \$157-Billion Infrastructure Spending," *Reuters*, 7 Sept. 2012; "China Said to Accelerate \$1 Trillion in Projects to Spur GDP," *Bloomberg Business*, 5 Jan. 2015.

¹¹⁹ Woodruf and Anderson.

into the roles of daily public administration and business transactions.¹²⁰ For top leadership, the benefits of leading China's transformation proved fortuitous.

Corruption widely documented during the 1980s benefitted many children of prominent Party members. Two of Deng's Xiaoping's children, Deng Pufang and Deng Zhifang, used their father's extensive political connections to form personal business networks of considerable influence. Deng Pufang, better known for his advocacy for the physically handicapped in the West, became an important player in Chinese finance with the establishment of the Kanghua Corporation, which became an important financial hub in the intense China-South Korea-Japan business relationship. As the Kanghua Corporation grew to include some two hundred subsidiaries, with substantial investments in Europe and the United States, it scaled back to mollify growing public criticism. Deng Zhifang meanwhile entered the Hong Kong financial scene, soon acquiring a controlling share within a major property development company, Kadar Investments, with investor Li Kashing. Together, they operated and represented Beijing financial and political interests within the semi-autonomous city of Hong Kong.¹²¹

Without major reforms since the time of Deng Xiaoping, little has changed within the Party's affairs to date. Instead, the corruption has proliferated. One indication of this arrives following a recent state-backed study conducted by the National Economic Research Institute in Beijing which found that the country's hidden income, which "includes earnings ranging from utterly illegal activities such as bribes and off-book transactions, to gifts innocently given by parents to teachers," totaled 12 percent of China's GDP, or 6.2 trillion yuan in 2011. Much of this income fell into the hands of only

¹²⁰ Murong Xuecun, "No Roads Are Straight Here," *The New York Times*, 8 May 2012.

¹²¹ Maurice Meisner, *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978-1994*, New York: Hill and Wang, 325-327; "China Fights Corruption," *Reuters*, 14 Oct. 1988.

a few; measures of this unequal dispersion found that the wealthiest urban-rich captured 21 times that of the poorest in society by means of grey income and “gifts.”¹²²

Throughout the CCP bureaucracy, the practice appears widespread: during a five-year period (1997-2002), 6,000 senior local officials were prosecuted for corruption every year. During almost the same period (1996-2002) China’s National Audit Agency discovered 1.29 trillion yuan (\$170 billion) in “misappropriated and misspent public funds.”¹²³ Further, in the years 2005 and 2009 alone, improper use of public funds cost the state \$35 billion each year.¹²⁴ By one measure, corruption costs the Chinese state 3 percent of GDP annually, or approximately \$200 billion annually.¹²⁵ Worse, some of this money appears to exit the country: “[a 2008] internal government report released by the Bank of China revealed that public officials... had embezzled more than \$120 billion out of China since the mid-1980s.”¹²⁶

Further up the ladder, personal fortunes vastly outweigh the meagre fortunes of official office. In 2012, it was reported that former Premier Wen Jiabao’s personal fortune amounted to \$2.7 billion. Similarly, Xi Jinping’s family, whose sister married Deng Jiagui, known for its relative commitment to ethical business standards, possessed assets worth over a quarter billion dollars.¹²⁷ By contrast, the extended personal network of Zhou Yongkang, China’s recently deposed top security chief and Standing Committee member, totaled \$14.5 billion.¹²⁸ Though any list of officials may possess

¹²² Chris Luo, “Hidden Household Income in China Tops 6.2tr Yuan: Study,” *South China Morning Post*, 24 Sept. 2013.

¹²³ Minxin Pei, “Corruption Threatens China’s Future,” *Carnegie Endowment for International Peace*, Oct. 2007, 2.

¹²⁴ Woodruff and Anderson.

¹²⁵ Minxin Pei, 2007, 5; Melinda Liu, “The Cost of Corruption,” *Newsweek*, 29 July 2012.

¹²⁶ Mar Cabra, Christoph Giesen, Marina Guevara, et. al. “Leaked Records Reveal Offshore Holdings of China’s Elite,” *The International Consortium of Investigative Journalists*, 21 Jan. 2014.

¹²⁷ David Barboza, “Billions in Riches for Family of Chinese Leader,” *The New York Times*, 25 Oct. 2012; “Xi Jinping Millionaire Relations Reveal Fortunes of Elite,” *Bloomberg*, 29 June 2012.

¹²⁸ Zhou was convicted to life for abuse of power, bribery and “intentionally disclosing national secrets,” in June 2015. Benjamin Kang Lim and Ben Blanchard, “China Seizes \$14.5 Billion Assets from Family, Associates of Ex-Security Chief,” *Reuters*, 30 Mar. 2014; Celia Hatton, “China Corruption: Life Term for Ex-Security Chief Zhou,” *BBC*, 11 June 2015.

stupendous personal and family fortunes, it remains of important note that the above officials represent careers that matured specifically during the 1980s and 1990s and the final years of Deng Xiaoping's personal influence and administration. The listing represents a smattering of China's crown princelings, the progeny of Mao's comrades, and the core of China's "new capitalist nobility."¹²⁹

Inequality

Due to the extraordinary levels of sustained corruption during the last thirty years, it should prove unsurprising that the modern PRC essentially reversed the relative egalitarianism of its Maoist days. While China's low household consumption rates as a share of GDP today aggravate the problem of social inequality, dropping from above 60 percent in 1977 to between 30 and 40 percent since 2005, corruption and uneven developmental policies compound the issue.¹³⁰ While it remains true that China's enormous economic growth ensures that average Chinese live under vastly more prosperous conditions today, with Chinese in extreme poverty number now numbering only 7 percent of the population, than those of the past, when, as of 1981, they numbered 85 percent of the population, the approach toward growth has featured many costs.¹³¹

Inequality in Chinese society now stands breathtakingly high; in accord with the many industrializing nations of the past, China's Gini index, a measure of social inequality, today rests somewhere between the government's official measure, .474, and the higher measure, .61.¹³² The initial figure seems quite unlikely; a respected economist at the China Europe International Business

¹²⁹ "Heirs of Mao's Comrades Rise as New Capitalist Nobility," *Bloomberg*, 26 Dec. 2012.

¹³⁰ Woodruf and Anderson.

¹³¹ Steve Crabtree and Glenn Phelps, "More than One in Five Worldwide Living in Extreme Poverty," *Gallup World*, 23 Dec. 2013; Anup Shah, "Poverty Around the World," *Global Issues*, 12 Nov. 2011.

¹³² The nearer the coefficient stands to one, the greater the wealth divides in society. Respectively, Aileen Wang and Keving Yao, "China Lets Gini Out of the Bottle; Wide Wealth Gap," *Reuters*, 18 Jan. 2013; Dexter Roberts, "China's Income-Inequality Gap Widens Beyond U.S. Levels," *Bloomberg Businessweek*, 30 April 2014; "Wealth Gap Puts China among World's Most Unequal Nations, Survey Reveals," *South China Morning Post*, 11 Dec. 2012.

School, Xu Xianan, dismissed the government's Gini measure of .474, calling it a "fairy tale."¹³³ If Chinese inequality does stand at the government figure, China stands too closely to "severe disparity" to qualify detachment by CCP leadership.¹³⁴ Chinese inequality stands well above the oft-warned cliff of .40; this level of inequality and popular alienation from opportunity forms another major contributor to the threat of widespread popular unrest against the CCP.¹³⁵

Here, social inequality intensifies when considering the effects of uneven geographic development. Rural farmers that formed the bulk of China's successful early entrepreneurs were largely abandoned in the countryside during the late 1980s and early 1990s. Their families and children were subsequently forced to partake in the single largest mass migration in history, of roughly 340 million people, in search of work within coastal cities.¹³⁶ The number of rural migrant workers flowing to China's cities today numbers around 155 million, but they do not receive social benefits conferred to city residents during their stay.¹³⁷ This social separation and subsequent denial of services to migrant workers can be viewed as one of the few legacies of the PRC's historic preference of urban dwellers and urban-based SOE workers.

This social divide enforced by law, known as *hukou*, traditionally restricted freedom of movement by average Chinese around the country. To this end, *hukou* has been largely dissolved; the enforced geographic separation of rural and urban Chinese ended during the 1980s with Deng Xiaoping's reforms. Instead, notes labor activist Han Dongfang, rather than movement restrictions, discriminatory social barriers exist for migrant workers. "...[R]estrictions on access to education,

¹³³ Amy Li, "Chinese Economist Questions GDP Growth," *South China Morning Post*, 18 Jan. 2013.

¹³⁴ Roberts.

¹³⁵ Branko Milanovic, "Inequality in the United States and China," *Harvard Business School Publishing*, 27 Jan. 2014.

¹³⁶ Kam Chan, "China, Internal Migration*" in *The Encyclopedia of Global Migration*, Immanuel Ness and Peter Bellwood, eds., Blackwell Publishing, Feb. 2013.

¹³⁷ Ibid.

welfare, medical and housing benefits still exist and disproportionately affect the poorest and least educated citizens.”¹³⁸ The long-term divides *hukuo* produces for class standing and social mobility has led China’s treatment of tens of millions of its own people to be likened to a type of in-state apartheid.¹³⁹ For Chinese families, *hukuo* splits millions of parents from their children; 61 million children reside within the countryside, separated from their working parents – a troubling development for Chinese society in terms of its education, healthcare, and future opportunities.¹⁴⁰

Demographics

In 1960, when Mao called for a youth-led Cultural Revolution, the median age of Chinese stood at 20, which meant that half of China was teenaged, or children. This status had existed for generations and, with Mao, led fertility rates to reach 6.0 percent. By the 1990s, fertility rates had plummeted to 1.8 percent. For today, Mao-era boomer children will soon retire; by 2040, over a quarter of China’s population reach the age of 60. In other words, China’s youth and working class will provide for an elderly generation in a number greater than that of the entire United States population.¹⁴¹

With the countryside’s exodus to urban coastal cities nearly complete, China’s demographic surplus (historically an attractive investment quality and developmental feature) will end. As a result, the time left to exploit China’s demographic dividend to its fullest is quite limited, with the working population projected to peak between 985 million and 1.01 billion people in 2016, or 73 percent of the population. By 2035, this working age figure will drop to between 60 and 66 percent of the

¹³⁸ Kristle Stout, “China’s Great Migration from ‘Hukuo Hell,’” *CNN*, 8 Feb. 2013.

¹³⁹ “Ending Apartheid,” *The Economist*, 19 April 2014.

¹⁴⁰ Helen Gao, “China’s Left Behind,” *World Policy Journal*, Summer 2013.

¹⁴¹ Julie Davanzo, Harun Dogo, and Clifford Grammich, “Demographic Trends, Policy Influences, and Economic Effects in China and India Through 2025,” *RAND Corporation*, April 2011, 7; Richard Jackson and Keisuke Nakashima, et al. “China’s Long March to Retirement Reform: The Graying of the Middle Kingdom Revisited,” *Center for Strategic and International Studies*, 22 April 2009, Figure 1; “Old-age Dependency Ratios,” *The Economist*, 7 May 2009.

population. This drop in working-age adults will place workers in high demand within the country and cause incomes to rise – and competitiveness to drop.¹⁴²

By comparison, Japan, which has been suffering from social graying since the early 1990s, saw its working-age drop from 69.9 percent to 63.3 percent during a similarly troublesome economic period. Japanese GDP growth during its graying period (1992-2011) was .75 percent; conversely, economic growth during its population surplus (with 68.8 percent working) from 1979 to 1992 measured at an average rate of 4.2 percent per year.¹⁴³ In both the Japanese and South Korean situations, the public became rich before they became old.¹⁴⁴

While China currently suffers with tensions associated with development, it must realize the costs of an effective pension system far sooner, relatively, than many other developing countries. Under one plan suggested by the RAND Corporation, central government subsidies and a more efficient capital market could boost productivity of emergent firms – and the value of prospective employees. Reform of the pension system would account for a large, but manageable, 3.0 percent of GDP.¹⁴⁵ This plan does not suggest the political and economic ramifications of an open Chinese capital market – unmanaged by the state – so this plan features enormous limitations.

This cost, and looming aging crisis, exists today immediately due to the dramatic shift in the affairs of state enterprises in 1978, which gutted the Chinese old age pension guarantees.¹⁴⁶ With Chinese replacement rates low, emigration becomes a prominent issue. Roughly, 940,000 have left the country yearly since 1980. With few other options, since immigration – which does not

¹⁴² Ibid; Davanzo, et. al., 2; Woodruf and Anderson; Kevin Krolicki, “Toyota Chief: China Labor Trend Both Good and Bad,” 9 July 2010; Mitali Das and Papa N’Diaye suggest that surplus rural labor will end between 2020 and 2025 in “Chronicle of a Decline Foretold: Has China Reached the Lewis Turning Point?” *World Bank*, Jan. 2016.

¹⁴³ Woodruf and Anderson.

¹⁴⁴ Davanzo, et. al, Table 4.

¹⁴⁵ Ibid, 7.

¹⁴⁶ Ibid, 19-20.

substantively exist in China – is generally used to supplement the population to offset population loss and aging, the government will likely simply delay the effects and costs of aging artificially by raising the country's retirement age.¹⁴⁷

Additionally, the full force of gender discrimination beneath the one-child policy – discrimination largely neutralized under Mao— has now produced an intense gender gap.¹⁴⁸ As a result, there now exists 118 boys for every 100 girls, and the highest recorded rate of female suicide in the world. Together, rampant sexism translates to an imbalance of 30 million excess males by 2020.¹⁴⁹ A measurable crime problem associated with this gender imbalance has been recorded and courtship-based emigration is expected, although the potential and extent of either case remains mixed.¹⁵⁰

China's population is unlikely to regenerate quickly. With the population rising without any substantial control and the resources within the country limited under Mao, Chinese leadership enacted harsh measures to prevent overpopulation. China's one-child policy was enacted in 1980 and has today been integrated into cultural reality. Resultantly, fertility rests at remarkably low levels today. Over the last decade, fertility has remained below levels necessary to sustain the population, with fertility rates likely less than 1.45 across the country.¹⁵¹ Without another mandated cultural change accompanying any relaxation to policy – something that has indeed slackened only recently – replacement rates remain likely to stay low.¹⁵² With few social safety nets in place, or those present still quite weak, old age dependency costs will fall upon their small immediate families and stress presumed future consumer markets.

¹⁴⁷ Woodruf and Anderson

¹⁴⁸ Weil, 240, 243.

¹⁴⁹ Ma Jian, "China's Brutal One-Child Policy," *The New York Times*, 21 May 2013; "China Facing a Shortage of Wives," *BBC News*, 12 Jan. 2007.

¹⁵⁰ Woodruf and Anderson; Davanzo, et. al., 36-37.

¹⁵¹ Woodruf and Anderson.

¹⁵² Madison Park, "China Eases One-Child Policy, Ends Re-Education through Labor Camps," *CNN*, 28 Dec. 2013.

Chinese Ecology

Following three decades of rapid industrialization, China has accumulated large waste zones poorly suited for human habitation. Necessities, such as water and clean air, are often thick with pollutants, especially within major cities. In January 2013, China's capital, Beijing, was guest to a formidable smog cloud visible from space that created air pollution 40 times healthy levels established by the World Health Organization.¹⁵³ During 2006, China's deputy chief of the State Environmental Protection Agency stated that pollution was costing the country more than \$200 billion a year in terms of residual clean-up programs, or 10 percent of GDP, and that China's worsening environmental picture "allows for no optimism."¹⁵⁴

Pollution stands as an extraordinary cost to the country's health, physical and economic. According to a paper produced by both Harvard and Tsinghua universities, health damages attributable to air pollution attributable to air pollution are themselves equivalent to 1.8 percent of GDP. To this end, Beijing provided 3.1 trillion yuan (\$451 billion) for environmental protection within its Twelfth Five-year plan.¹⁵⁵ As per several economists, this clean-up figure, while increasing, falls below the minimum required spending of 2 percent of GDP necessary.¹⁵⁶

With two-thirds of China's cities fail to meet air quality standards in 2002 and only one-fifth failing in 2010, China's air quality appears to be improving, but the country's water supply remains in far poorer shape. 70 percent of the Chinese population depends upon underground water during their daily lives, yet upwards of 90 percent of that water is considered polluted. Further, water classified as

¹⁵³ Adam Taylor, "China's Smog Emergency Can Be Seen From Space," *Business Insider*, 15 Jan. 2013.

¹⁵⁴ "China's Pollution Tab: \$200 Billion a Year," *Associated Press*, 5 April 2006.

¹⁵⁵ Woodruff and Anderson

¹⁵⁶ "90% of China's Underground Water is Polluted." *CCTV English*, 3 July 2014.

“severely polluted” accounts for 60 percent of that supply, and only 11 percent of people in the country have access to “water that [is] on par with national standards.”¹⁵⁷

Sustaining the appetites of China’s 1.3 billion will form another major hurdle, especially as CCP leadership seeks to increase domestic spending and consumption rates. A report formerly considered sensitive enough to warrant classification as a state secret released in April 2014 indicated that nearly one-fifth of the country’s farmland was contaminated with toxic heavy metals. Particularly, though, the soil survey found that while overall contamination reached 16.1 percent of all China’s soil – and 19.4 percent of its arable land – the most heavily hit centers were the initial cites of Chinese industrialization along the Yangtze and Pearl River deltas.¹⁵⁸

Global climate change also produces some particularly stark realities within China. CO₂ emissions and resultant temperature changes melt glacier shelves across the globe. Himalayan glaciers, which feed China’s major rivers, are melting. A June 2007 Greenpeace report stated that 80 percent of these glaciers could disappear by 2035, a development which would “jeopardize hundreds of millions of people who depend on the rivers for subsistence and livelihood.” With climate change also a well-known threat to the global food supply, China is now forced to invest dramatically within its agricultural sector to mitigate its worst effects. New research suggests that the world could face a 10 percent decline in food production by 2050.¹⁵⁹

Further effects of climate change also drive desertification, to which the PRC has mobilized resources since 1978. According to the Chinese government, China reforests an area larger than

¹⁵⁷ “China FDI Slides to Four-Year Low as Anti-Monopoly Probes Widen,” *Bloomberg*, 16 Sept. 2014.

¹⁵⁸ Edward Wong, “One-Fifth of China’s Farmland Is Polluted, State Study Finds,” *The New York Times*, 17 April 2014.

¹⁵⁹ “Air Pollution May Cut Food Production by 10pc by 2050, Study Suggests,” *South China Morning Post World*, 3 Sept. 2014.

Switzerland – between 40,000 and 70,000 square kilometers – every year.¹⁶⁰ However, this campaign comes with major caveats. Deserts still expand and, as of 2006, they had claimed 27 percent of its landmass, up from 18 percent in 1994 as grasslands have receded by 15,000 square kilometers yearly since the 1980s.¹⁶¹ While tree coverage has increased from 12 percent to 18 percent, reforestation – a relatively new project – has taken place in many cases in semi-desert regions where water is in scarce supply, but biodiversity is diminishing thanks to intense demands for lumber.¹⁶² Desertification in China is also matched with deforestation, with the proliferation of the Chinese lumber trade making China one of the world’s leading importers and exporters of lumber, “supplying 30 percent of the international furniture trade” in 2007.¹⁶³

The implications of these changes will leave deep impressions in the country’s political environment as its economic base shifts or stagnates. Given current levels of corruption and the general inability of the government to tighten its management problems, it is not at all inconceivable that China will prove incapable of making requisite reforms needed to save the PRC from stagnation. In short, the scope and pace of changes occurring about the PRC’s framework will require vast changes to the country’s maintenance. Whether the CCP is capable or prepared to face the broad range and variation among its oncoming challenges without sacrificing its political hegemony remains of serious question. Further, more doubt remains for China to complete its transition and become a high-income society.

¹⁶⁰ Rita Tudela, “Fighting Desertification in China,” *Al Jazeera*, 8 Dec. 2012.

¹⁶¹ Mitch Moxley, “China’s Great Green Wall Grows in Climate Fight,” *The Guardian*, 23 Sept. 2010.

¹⁶² Jonathan Watts, “China’s Loggers Down Chainsaws in Attempt to Regrow Forests,” *The Guardian*, 11 March 2009.

¹⁶³ Jacques Leslie, “The Last Empire: China’s Pollution Problem Goes Global,” *Mother Jones*, 10 Dec. 2007.

Chapter 3: Players

During any analysis of a government or society, it becomes imperative to understand the major groups and individuals composing it to grasp whose interests most greatly influence state policy and how those positions are then represented to a public whose labors and passivity legitimate their activities. More likely than not, the broad working public will likely differ greatly from those select social groups and classes so motivated to lobby government, especially in the event that free political expression experiences further restriction or limitation. What follows is a survey of those major political factions within CCP leadership, the Party's ranks, and among the Chinese working class who hope to imbue state policy with their respective goals and popular support. Each faction's affiliation and support for the CCP, their commitment to the rights of labor, or of property, and their influence upon China's political center play importantly for China's future.

As we have already seen, China's development experienced considerable volatility and uncertainty; the consequences of China's history today configure its potential futures. The many victories and contradictions of China's path owe largely to the success of Mao-era institutions. China's solidly right-wing turn generated a considerable schizophrenia within the CCP, its language, and its emotionally drained public, long motivated by the social force of Chairman Mao.

The Liberals and the PRC's Opening

Due to the character of Dengist reforms and the pervasive influence of Western governments and industries globally, Chinese market advocates blossomed behind the scenes during the 1990s after the Tiananmen Square crackdown and the collapse of the Soviet Union. As liberals gathered strength behind Party-led reforms and its own organization and advocacy, their platform strengthened, yet their efforts often trailed behind the government itself. Politically and rhetorically emboldened by the CCP's structural adjustment of its state industries, Chinese liberals scored significant victories during

the early 2000s. During a factory inspection in Guangdong province in 2000, President Jiang Zemin unveiled the CCP's formal reconciliation of its traditional anti-capitalism with its political reforms of necessity toward "market socialism." As in the Party's earliest years, room was provided for liberals within the Communist system when necessary for its survival. In order to "represent the development trend of China's advanced productive forces," the Party permitted the management and co-optation of private capital within China, especially if individual firms became large enough to warrant a particular provincial Party chief's attention.¹⁶⁴

For the ascendant Chinese liberals by 2004, the Party-state's momentum had yet to cease. That year, liberals successfully lobbied government to amend the PRC constitution. The new amendment established a minor basis for property claims, most frequently from poor peasants. This land provision soon found reinforcement; land-lease contracts (all land in China is held collectively) witnessed their time allotments doubled to seventy years before disappearing altogether.¹⁶⁵ Liberals' success and influence – growing since the 1980s – hereafter began to weaken. The substantial boom period in worldwide demand and market expansion by the end of the 2000s accompanied major losses for the liberals.

For Chinese liberals, the negative shift in the global economy and state support corresponded with their growing boldness as the PRC closed the effective gaps between themselves and the enablers of Chinese reform in Hong Kong.¹⁶⁶ With more successes for Chinese liberals arriving with the lobbying effort for the 2007 Property Law, which essentially placed private property rights on even

¹⁶⁴ "Three Represents," *People's Daily*, 23 June 2006.

¹⁶⁵ Au Loong Yu, "Liu Xiaobo and the Chinese Liberals," in Au Loong Yu, ed, *China's Rise: Strength and Fragility*, Pontypool: Merlin Press, 2012, 280.

¹⁶⁶ While predictable, yet still mildly ironic, Hong Kong's early support for Dengist reforms eventually materialized in full ideological support for their previous colonial masters. However, as Hong Kong's recent democratic student rebellion demonstrated, challenges to regime legitimacy failed to ignite/evoke widespread support or interest from mainland China; instead this allowed Beijing's Propaganda Department to pour differentiation upon the city's conflagration. With repeated appeals to Hong Kong's different developmental history, or the presiding 'one country, two systems' gambit, Hong Kong's cultural and historical alienation from mainland China firmly cemented.

ground legally with state holdings, reforms appeared within the grasp of activists, some intellectuals full, stable, and controlled liberalizing economic and political reforms appeared within the grasp of activists, some intellectuals, and segments of both the Party and the public. The forceful arrival of the New Left upon the Chinese political scene – a group whose early stages viewed the Soviet Union’s demise with contortion and dismay – in the midst of 2008’s sharp global downturn provided a fresh set of challenges and limitations for China’s market advocates. With Hu Jintao’s presidency coming to a close by 2009, the thoroughgoing relationship between Chinese leadership and liberal intellectuals changed vastly.

Liu Xiaobo

One notorious indication that Chinese liberals were falling from favor arrived with the June 2009 arrest of the prominent liberal activist and intellectual Liu Xiaobo for “alleged agitation activities aimed at [the] subversion of government and overthrowing of the socialist system.”¹⁶⁷ Internationally, Liu received fanfare after his 2010 win of the Nobel Peace Prize thanks to his advocacy for basic civil liberties in China.¹⁶⁸ Liu’s 2009 arrest befell him only three months after the 2008 publication of his ‘Charter 08’ – a Vaclav Havel inspired anti-Communist human rights document.¹⁶⁹ Within China, however, Liu’s position, alongside many other liberals, faces many of the same criticisms, and all of the glory, as enjoyed by Mr. Havel.¹⁷⁰

As a result, the authenticity of Liu Xiaobo and his contemporaries’ commitment to human rights merits considerable scrutiny. Within China liberals, and the more aggressive neoliberals, find identification with common Chinese a particularly difficult task for two reasons. For their history,

¹⁶⁷ Benjamin Kang Lim, “China’s Top Dissident Arrested for Subversion,” *Reuters*, 24 June 2009.

¹⁶⁸ Jonathan Mirsky, “Liu Xiaobo’s Plea for the Human Spirit,” *The New York Times*, 30 Dec. 2011.

¹⁶⁹ Richard Spencer, “Chinese Dissidents Emulate Anti-Soviet Heroes with Charter 08,” *The Telegraph*, 9 Dec. 2008.

¹⁷⁰ Alexander Cockburn, “A Blowhard Behind the Hero’s Mask: Vaclav Havel Ended up Bowing to Laws That Revived the Totalitarian Spirit,” *LA Times*, 27 July 1992; Mirsky.

victories within the marketplace have corresponded with the Party-state's growing detachment from the public as well as the intensity of its corruption. To that end, Chinese liberals possess an awkward disjuncture with future organizers and popular uprisings, specifically when those amiable civil rights positions might otherwise help them gain a popular audience or broad-based following.

If the Charter [08] authors remain true to their call for civil and democratic rights, the only forces they can rely on are the Chinese farmers and workers, who for an extended period have been against [economic] exploitation and state repression. The liberals do not welcome their struggles, however, fearing any such [long-repressed] movement would necessarily go beyond formal political rights and demand the redistribution of wealth, in addition to promoting resistance to privatization.¹⁷¹

The dilemma of China's liberals, then, is twofold: they seek total transformation of China's political sphere, yet they also seek to limit the energy of the public they seek to formally enfranchise. While Chinese citizens would benefit from basic civil liberties, widespread public demands may in fact jeopardize what lies safely in the hands of the CCP and the general public, yet far away from the Chinese sector. This is to say, specifically, that liberals' fight for strong property rights, alongside the market-based distribution of most goods, finds many enemies within the CCP and China.¹⁷² Further, little political relevance would be accorded to the CCP in Liu Xiaobo's future.¹⁷³ In the more immediate sense also, sudden reform would cast into doubt the steady institutional gains already

¹⁷¹ Au Loong Yu, "Liu Xiaobo and the Liberals," in *China's Rise: Strength and Fragility*, 2012, 281-282.

¹⁷² Peter Foster, "Wikileaks: Politburo a Cabal of Business Empires," *The Telegraph*, 6 Dec. 2010; the devastation visited upon Russia after privatization during the 1990s rapidly broke down the country's primary ruling institutions and its global power. While the RSFSR did not embody the entire former Soviet Union, it did comprise the bulk of its landmass, population, and primary leadership; post-Communist Russia found most of its industry concentrated within the hands of familiarly distant oligarchs, though without any sense of coherent plan to organize society or choose a common leader. Unencumbered corruption and rising mortality led a generation into poverty and 3 million to early graves across the former Soviet bloc after the Soviet Union's collapse and liberalization – roughly as many as those dead within Soviet gulags and at the hands of Soviet police. See for a full account Stephen Cohen's *Failed Crusade: American and the Tragedy of Post-Communist Russia*, New York: W.W. Norton & Company, 2001; R.M. Schneiderman, "Did Privatization Increase the Russian Death Rate?" *The New York Times*, 15 Jan. 2009; and Stephen Wheatcroft, "Victims of Stalinism and the Soviet Secret Police: The Comparability and Reliability of the Archival Data. Not the Last Word," *Europe-Asia Studies*, 1999, Vol. 51, No. 2, 315-345.

¹⁷³ Perry Link, "China's Charter 08," *New York Review of Books*, 15 Jan. 2009.

achieved by Chinese liberals, while also jeopardizing potential commercial and political windfalls to be gained peacefully by the upcoming generations of Western-educated Chinese leadership.¹⁷⁴

Here, Liu threatened the steady balance of power and mutually beneficial relationships enjoyed for the last three decades. Richard McGregor explains:

The Party's distrust of the private sector was never about money nor about the flagrant contradiction between individual wealth and official Marxists and Maoist pantheons... The real issue for the Party was the threat that the foreign and local private sector might become a political rival. The Party's natural instinct, to colonize the private sector, has been overrun by the sheer wealth of the new entrepreneurial class. In response, party interests have promoted private companies as an engine of employment and reined them in when they have grown too big; invited entrepreneurs to join the Party while intimidating and jailing business leaders who fall foul of it; and supported more secure property rights while muddying the rules surrounding the ownership of companies, assets and land... It may have taken decades, but a broad consensus has now developed at the top of the Party that, far from harming socialism, entrepreneurs, properly managed and leashed to the state, are the key to saving it.¹⁷⁵

While the Party is publically perceived as astonishingly corrupt, it remains responsible for the new confidence average Chinese feel for their future.¹⁷⁶ However, as previously noted, were large scale liberal engagement with the public at large ever attempted, the widespread demands generated by peasant and worker empowerment would place in danger CCP hegemony and its potential to carry out 'responsible' reforms that might drop enormous future markets from beneath the feet of private sector acquisition, exploitation, and development.

Nonetheless, the conclusion of the Charter's primary author, Liu Xiaobo, proves steadfast: "To sum up, the root of social injustice originates not from the injustice of private property but rather from the state expropriating, intensively, private property."¹⁷⁷ For Liu, the indemnity of private

¹⁷⁴ Among others, President Xi Jinping's daughter reportedly graduated from Harvard in 2014, Evan Osnos, "Born Red," *The New Yorker*, 6 April 2015; Lee Kwan Yew: "They [the younger overseas-educated generation] understand the problems of the system, and while bargaining hard for Chinese interests, will have a broader view of change," as cited in Joseph Nye, *The Future of Power*, New York: Public Affairs, 2011, 183n100.

¹⁷⁵ Richard McGregor, *The Party: The Secret World of China's Communist Leaders*, New York: Harper, 2010, 197-198.

¹⁷⁶ Foster: A China Daily poll found "90 percent of Chinese that the new rich had achieved their wealth through political connections"; "Future Economic Situation," *Pew Research Center*, Spring 2015.

¹⁷⁷ Liu Xiaobo, as cited in Yu, 278.

property forms a sacrosanct pillar within society – a clear reference to John Locke, one of the West’s primary modern moral philosophers. Writing during the heyday of mercantilist England during the late 17th century, Locke similarly observed, “The great and chief end... of men's uniting into commonwealths, and putting themselves under government, is the preservation of their property.”¹⁷⁸

Principally, then, the vision and role for Liu’s and Locke’s private property within society admittedly encounters limitations within the Chinese context. As a society long dependent upon strong and overt state monopolies for the maintenance and strength of government, their dissolution within China would represent a major deviation from its long-held property norms and established standards for government, whether hailing from China’s imperial history or its last nearly seventy years of Communist rule.¹⁷⁹ *Ipsa facto*, such a major transformation, as desired by Liu, essentially seeks to rewrite China’s historic answer to the question of its property and impose the historic answer of Anglo-Saxon rulers in its stead.

In the further hypothetical event that Liu’s and Locke’s standard of private property were ever imposed upon China, it would eliminate the different rights presently conferred to different kinds of property. Broadly speaking, the working Chinese public deals primarily with personal consumer goods and minor land rights for their homes. These personal holdings, however, fail to compare to larger productive business assets – the other substantial form of property within society – which is presently controlled by the state.¹⁸⁰

While this broad range of property – large and small; personal, public – may be held and classified in many ways by society, but for Liu, their holding by the state, as opposed to other equally distant and disconnected industrialists, is antithetical with civil rights and free political expression since

¹⁷⁸ John Locke, *The Second Treatise of Government*, Chapter 9, “Of the Ends of Political Society and Government,” §:124, *Project Gutenberg.org*.

¹⁷⁹ The scholar-administrator class, or mandarins, administered China’s historic monopolies for centuries.

¹⁸⁰ Many of other forms of property arrive in the form of raw inputs.

it limits the development of pluralism in society. Correspondingly, the widespread privatization of state property and its impartial classification and protection by government forms “one of the basic institutions of constitutional democracy.”¹⁸¹

Liberal Democracy

With this original inequality serving as the proposed basis of Liu’s Chinese democracy, there ought to remain ample skepticism toward its ultimate efficacy as applied to China. In the experiences of China’s Eastern European counterparts, oligarchs made an “exchange [of] power for property.”¹⁸² As repeated criticisms of China’s non-democratic government by Western powers indicate, economic liberalization would align China more closely with the liberal world’s presiding financial institutions both ideologically and economically.¹⁸³ But such a change would also test the willingness of China’s public to throw off long-held suspicions of foreign influence.

To achieve this, Liu Xiaobo and his cohort suggest the finalization of long awaited property rights – as well as access to presently restricted state monopolies. In a sharp, specific turn away from standard formal human rights such as those found in the UN Declaration of Human Rights, Charter 08’s fourteenth demand suggests SOEs and land finally be placed within “an economic system of free and fair markets,” so that “the true value of private property [may] be adequately reflected [and distributed] in the market.”¹⁸⁴ Predictably, many of Liu Xiaobo’s positions find intellectual heritage in Hong Kong and it is that city today that causes China to experience such friction with the West.

¹⁸¹ “The constitutional protection of private property is one of the basic institutions of constitutional democracy on which a whole series of economic, political, and legal system, along with the institutional arrangement of the relationship between individual and government and those between rights and power ... If one does not enjoy the protection of private property even if one owns a mountain of gold one will not feel secure. In contrast, if one enjoys this protection then even if he or she only owns a piece of bread he or she will feel his or her property secure.” Liu Xiaobo, as cited in Yu, 279.

¹⁸² Peter Reddaway and Dmitri Glinski, *The Tragedy of Russia’s Reforms: Market Bolshevism Against Democracy*, Washington, D.C., United States Institute for Peace Press, 2001, 254.

¹⁸³ For instance, the World Bank’s recent report with the PRC’s Development Research Center of the State Council, *China 2030: Building a Modern, Harmonious, and Creative Society*, Washington, D.C., 2012 mirrors its 1997 predecessor, *China 2020: China Engaged*, Washington, D.C., 1997, in its suggestions for widespread privatization.

¹⁸⁴ Link, 2009.

However, mainland China's detachment from Hong Kong culturally and politically proves emblematic of Liu Xiaobo's politics and philosophy: currents within Chinese society have gradually identified his platform with those of 'aggressive' outsiders, and have consequently produced great uneasiness. This balance of power, one commentator notes, may be seen in the case of the famed Russian novelist and Soviet dissident, Aleksandr Solzhenitsyn: "where Solzhenitsyn denounced the West for its decadence and materialism, and rooted his critique in older Russian traditions, Liu Xiaobo would seem to be a Chinese version of those Russian liberals who disdain most of their countrymen, and their national traditions in the name of a democratic universalism that aims to reduce all nations to what George Bush once called the 'single model of human progress.'"¹⁸⁵

As a result, Liu Xiaobo's mission to 'westernize' China, like leaders from the previous century,¹⁸⁶ remains largely ill received. Contrary to the PRC's denunciation of the United States' 2003 invasion of Iraq as a blatant violation of international law – in solidarity with much of the international community and even the incumbent UN General Secretary Kofi Annan, Liu claimed that the Iraq war was "promoting liberty and freedom" by toppling Saddam Hussein's "evil regime."¹⁸⁷ Among other major Chinese liberals, Liu's position is shared and similarly abrasive to mainstream Chinese politics.

¹⁸⁵ Daniel Larison, "Liu Xiaobo," *The American Conservative*, 5 Jan. 2011.

¹⁸⁶ Barry Sautman and Yan Hairong, "Do Supporters of Nobel Winner Liu Xiaobo Really Know What He Stands For?" *The Guardian*, 15 Dec. 2010; "The post-war system FDR had in mind would have a place for Russia and Britain in running the world—even pro forma China, since Chiang Kai-shek could be relied on to do us bidding. But there could be no question which among the 'four policemen', as he liked to style them, would be chief constable. Its territory untouched by war, by 1945 the United States had an economy three times the size of the USSR's and five times that of Britain, commanding half of the world's industrial output and three quarters of its gold reserves. The institutional foundations of a stable peace would have to reflect that predominance," Anderson, 22. Further support may be found in John Spence's chronicles upon the final days of US collaborations with Chiang Kai-shek at the Chinese Civil War's conclusion in *The Search for Modern China*, New York: W.W. Norton & Company, 1999, 361, 462.

¹⁸⁷ "Iraq war illegal, says Annan," *BBC*, 16 Sept. 2004; Liu Xiaobo, as cited in Yu, 278; "He also did not hesitate to put his name to a January 2003 op-ed in this newspaper calling for a united stand against Saddam Hussein. 'The trans-Atlantic relationship,' he and seven other European leaders wrote, 'must not become a casualty of the current Iraqi regime's persistent attempts to threaten world security,' Jacques Chirac was not pleased," in "Václav Havel," *The Wall Street Journal*, 20 Dec. 2011; and Mark Steel, "A Reactionary Called Solzhenitsyn," *The Independent*, 22 Oct. 2011.

One of Liu's contemporaries, Yu Jie, chastised China's opposition to the invasion of Iraq for what he identified as support for Saddam:

There is a kind of war, which is fought to defend the ultimate value of liberty and humanity. We regard the USA's fight against the Saddam regime of Iraq as one of these... Days ago, a group of Chinese intellectuals issued a so-called anti-war statement. We believe the statement represents an exacerbation of the degeneration of Chinese intellectuals. The authors of this statement disregard the universal moral value of humanity, and express deep rooted hatred against the US which represents civilization and the progress of humanity.¹⁸⁸

"The Nobel Prize is a prize of a certain kind," write Barry Sautman and Yan Hairong, professors at the Hong Kong University. "French philosopher Jean-Paul Sartre recognized in the Nobel Prize's role in the Cold war and refused to accept one in 1964. He stated: 'In the present situation, the Nobel Prize stands objectively as a distinction reserved for writers in the West or the rebels of the East.' That role has been continued with Liu's prize."¹⁸⁹

While Liu Xiaobo's economic prescriptions symbolize foreign designs for the Chinese political scene and warrant hesitation and pause, his charter represents a major step forward in the advocacy of basic Chinese civil liberties.¹⁹⁰ On the other hand, the transformation and reconstruction of China as a liberal capitalist democracy would be plagued by questions of national allegiance over a century old, while the authenticity of any prospective new leadership's devotion to either democracy or human rights – as other Western democracies and their clients can attest – would be sorely challenged.¹⁹¹

¹⁸⁸ Yu Jie, as cited in Au Loong Yu, "Globalization and Nationalist Responses," in *China's Rise: Strength and Fragility*, 2012, 115.

¹⁸⁹ Sautman and Hairong.

¹⁹⁰ Liu received funding from the American NED between 2003 and 2007. "The National Endowment for Democracy Extends Its Warmest Congratulations to Grantee Liu Xiaobo on Receiving the Nobel Peace Prize," *The National Endowment for Democracy*, 8 Oct. 2010.

¹⁹¹ For discussion of modern US techniques, imperial operations, and war crimes, see Nick Turse, *The Changing Face of Empire*, Chicago: Haymarket Books, 2012; and "Committee Study of the Central Intelligence Agency's Detention and Interrogation Program. Committee Study of the Central Intelligence Agency's Detention and Interrogation Program," *United States Senate Select Committee on Intelligence*, 3 Dec. 2014. For the lodestone characterizing and governing most of the liberal world's struggle for wealth, influence, and continued relevance, see Adam Smith: "Till there be property there can be no government, the very end of which is to secure wealth, and to defend the rich from the poor," *1762 Glasgow Lectures on Jurisprudence*, Oxford: Clarendon Press, 1978.

Moreover, doubt should be soberly afforded to the prospect of the formation of any grassroots movement whose platform resembles the World Bank's or the International Monetary Fund. Unlike the supposedly primordial predilection toward despotism inherent to Chinese culture, as promoted by the CCP's more nostalgic and dynastic ideologists and by similar commentators in the United States, Chinese mass movements will develop and react to national and global problems organically, with little direct influence or support from the West, but more due to the legacy of events particular to contemporary Chinese history.¹⁹² Dynastic decline, dynastic complicity in the opium trade, and an emergent nationalism; foreign imperial exploitation; as well as Maoist development, and later controlled capitulation to a global economic order whose basic features and priorities were crafted outside its borders, beyond its influence, and whose features may remain in question.¹⁹³

The New Left

The New Left forms the other major social force straddling the CCP's ranks, policies, and ideological positions; broadly speaking, it represents an expressive form of popular nationalism that identifies with other conservative blocs globally in their common appeals for a common 'nation' of people living beneath states committed to the ethnic and cultural self-preservation against the uncertainties of globalization. Notably, the New Left within China has nothing to do with the New Left that emerged in the West during the 1960s; instead the phrase – as applied in China – distinguishes it from the CCP's earlier hardliners and diehard Stalinists from the pre-Deng era. Overall, the 'New Left' today denotes factions largely supportive of the CCP as an organization and social institution – much like the Old Left in this regard – yet motives among them vary widely.

¹⁹² Kang Xiaoguang, "Confucianization: A Future in the Tradition," *Social Research: An International Quarterly*, 2006, Vol. 73, No. 1; also Xiang Weiwei, "Meritocracy vs. Democracy," *The New York Times*, 10 Nov. 2012; Sam Huntington, "The Clash of Civilizations," *Foreign Affairs*, 1993, Vol. 72: No. 3.

¹⁹³ Among others, Peter Gowan, "US : UN," *New Left Review* 24, 2003; John Ralston Saul, "The Collapse of Globalism," *Harpers*, March 2004.

In the post-2008, US financial crisis world, the assertive swiftness of the CCP's major national stimulus gained China many admirers internationally; the success and fanfare of the 2008 Beijing Olympics likewise punctuated China's meaningful return to global affairs, following more than a century in the cold. The continuing success of the Chinese system in the midst of global collapse likewise led to establishment commentators within the United States to panic: "[T]he crash of 2008 has inflicted profound damage on [the United States'] financial system, its economy, and its standing in the world... over the medium term [will lead], the United States will have to operate from a smaller global platform – while others, especially China, will have a chance to rise faster."¹⁹⁴ Still others elsewhere throughout the world quickly recognized this moment as a shameful opportunity to peel away even the 'democratic' veneer of Western liberal capitalist states to re-legitimize the overt absolutism of the *ancien régime* within modern politics.¹⁹⁵ While within the Western world this perhaps reflects the anti-democratic sympathies native to liberal democracy, within China, however, national pride manifested itself within the country's so-called New Left, a somewhat misleading term to many accustomed with the 1960s leftist movements in Europe and the United States.¹⁹⁶ Instead, the Chinese New Left is deeply heterogeneous:

Their main common ground is a critique of globalization, the market, privatization, and liberal democracy. There is less agreement among them as to the alternatives to liberal or neoliberal discourses. A common point among leading New Leftists may be the emphasis on the role of the one party state, the value of collectivism, the importance of holding multi-ethnic

¹⁹⁴ See Roger Altman, "The Great Crash, 2008: A Geopolitical Setback for the West," *Foreign Affairs*, 2009, Vol. 88, No. 1.

¹⁹⁵ Namely, Stefan Halper, *The Beijing Consensus: Legitimizing Authoritarianism in Our Time*, New York: Basic Books, 2012; but especially Daniel Bell, *The China Model: Political Meritocracy and the Limits of Democracy*, Princeton: Princeton University Press, 2015.

¹⁹⁶ For a fine discussion of the related literature surrounding the foundational pre-and post-World War II US architects' perception of democracy, including FDR and his Presidential Cabinet, including Dean Acheson, and, much later, George Kennan, see Perry Anderson, *American Foreign Policy and Its Thinkers*, London: Verso, 2015: "After the War Kennan compared democracy to 'one of those prehistoric monsters with a body as long as this room and a brain the size of a pin,' and never lost his belief that the country was best governed by an enlightened elite immune to popular passions. Acheson dismissed 'the premise that democracy is some good', remarking 'I don't think it's worth a damn'—'I say the Congress is too damn representative. It's just as stupid as the people are; just as uneducated, just as dumb, just as selfish,'" 31.

Chinese state together, a more autonomous path of development, and a reference to a Maoist legacy, although not every one of the New Leftists share all of the above.¹⁹⁷

The most public face of the movement, however, features a major commonality; Au Loong Yu, a Hong Kong-based labor researcher, continues, noting “[m]ajor spokespersons of the New Left display strong statist tendencies and support for the one-party state, going back as early as the post-Tiananmen crackdown, although at the time the term New Left had not yet appeared.”¹⁹⁸

Altogether, study of the New Left carries represents a genealogy of China’s post-Mao nationalist politics and economic statism whose primary streams are critical of the late PRC approach to reforms. Long a response to foreign aggression and exploitation, as well as a mode of effecting national independence, Chinese nationalism shifted character during Mao Zedong’s stretch as leader (effecting world communism was the goal) but reemerged recognizably with the introduction of globalized market forces. So simultaneously, resurgent nationalism was a few things: it was no longer the emancipatory faith which had helped build the PRC; instead nationalism as a social force emerged at the behest and tolerance of Chinese leaders so as to replace Maoism and enunciate clear enemies, especially those that ‘forced’ upon China concessions to the global market. Essentially, then, the New Left has emerged as a kind of nationalist response and adaptation to globalization.

With the New Left ideologically devoted to the restoration of Chinese power globally, the primary concern remains by virtue of which vehicle? With the group so internally divided –its ranks are filled by types ranging from nostalgic Maoists, to economic left-nationalists, to Great Han nationalists – their only unifying theme is a critique of external pressures and their diagnoses of China’s problems, particularly those ‘caused’ by foreign powers.¹⁹⁹ Obviously, then, critiques of globalization,

¹⁹⁷ Yu, 116.

¹⁹⁸ Ibid.

¹⁹⁹ Alternatives to market development discussed briefly in first chapter’s conclusion.

widespread privatization, the market, and liberal democracy account for the bulk of their time, yet there remains serious incoherence as to their proposed alternatives to any of those forces.

A common facet to any potential China within the New Left ultimately rests upon the CCP and the one-party state, along with the well-worn, and false, market/state dichotomy within the field of political economy.²⁰⁰ For China, though, major consideration must be granted for the potential of the New Left due to the common statism of both the PRC's historical inclination to solving economic problems by direct social intervention and the New Left's thorough roots within that tradition. Mao's modern followers, of any group within the New Left, appear as the most detached from state power and substantial policy influence, thanks mainly to the deep discredit of socialism worldwide following the Soviet Union's collapse.

Maoists

Failure in leadership has done little to deter modern Maoists from offering new suggestions or hailing the achievements of the CCP. One Maoist, Cui Zhiyuan suggests a reconsideration of the Maoist platform and developmental structure with major attention devoted to the 'economic democracy' and 'mass participation' of the Angang Charter in lieu of democratic agitation from below.²⁰¹ Controlled elections wherein all participants played part to the one-party state may also open up the political sphere, yet not so greatly that stability would be threatened.

[The elimination of party politics] will avoid a scenario where opposition parties confront the ruling party... The Chinese Communist Party implemented the monistic leadership of the

²⁰⁰ Karl Polyani, *The Great Transformation: The Political and Economic Origins of Our Time*, 71: "A self-regulating market demands nothing less than the institutional separation of society into an economic and political sphere. Such a dichotomy is, in effect, merely the restatement, from the point of view of society as a whole, of the existence of a self-regulating market. It might be argued that the separateness of the two spheres obtains in every type of society at all times. Such an inference, however, would be based on a fallacy. True, no society can exist without a system of some kind which ensures order in the production and distribution of goods. But that does not imply the existence of separate economic institutions; normally, the economic order is merely a function of the social, in which it is contained. Neither under tribal, nor feudal, nor mercantile conditions was there, as we have shown, a separate economic system in society. Nineteenth century society, in which economic activity was isolated and imputed to a distinctive economic motive, was, indeed, a singular departure."

²⁰¹ Yu, 118.

Party since 1943. This has two implications, firstly it reinforces the control of the party (over the society), secondly, it makes the interests of the party and the interests of the country merge.²⁰²

Together, Cui suggests popular aspirations can be registered and accommodated – but only beneath the aegis of the Communist Party. The Angang Charter, for its merits, remained quite weak, practically; democratic input from workers within the Angang model failed to influence top management or the plant overall.

The experiment of requiring leading cadres is just reviving the old vision of Xu You, who lived more than 2,000 years ago... [Today's New Left] regard Mao's legacy as the only ideological alternative to neoliberal discourse without noticing that it is Mao's overdoing of state socialism in the first place, that made both Deng's 'socialist market economy' and the liberal discourse sound so convincing to a major portion of the bureaucracy and intellectuals.²⁰³

As in its earliest days, the CCP's basic organization into self-interested ministries and bureaucratic camps crystalized basic institutional limits for any campaigns that may physically undermine the Party, thereby fomenting the premature end of any substantive shake-ups envisioned by Mao during the Cultural Revolution's earliest days. For a leadership entering a great period of uncertainty, the CCP's Maoist roots offer an easy (and likewise self-reinforcing) route toward redistributive policy already beneath the aegis of the Communist Party which poses no threat to its fundamentals. Heralded by the New Left, the best example of the CCP's potential to provide mild redistributive – yet not structural – change perhaps lies with the disgraced former Chongqing provincial Party chief and princeling, Bo Xilai.

Smashing Black: Bo Xilai and the Chongqing model

With the New Left committed to altering and influencing state policy, it is of prime importance to review the record of its most prominent (past) representative, Bo Xilai. While Bo Xilai gained

²⁰² Cui Zhuilian, as cited in Yu, 118.

²⁰³ Yu, 118.

widespread international notoriety following the implosion of his affairs in Chongqing – thanks to what came to be known as the Wang Lijun incident – Bo was also a long recognized rising star within the Chinese politics.²⁰⁴ His rise to prominence began after his tenure as mayor of Dalian in northeast China and then, later, governor of the larger Liaoning province. At Dalian, Bo became famous by attracting vast sums (\$15 billion) of money to the city, transforming it from a “drab, unassuming port” into a “showcase for foreign investment and tourism.”²⁰⁵ His last post, however, as the provincial chief of Chongqing, ultimately provides us with the substance of our discussion and some context for his later arrest.

In his new post as Chongqing Party chief, Bo Xilai constructed a local regime later known as the ‘Chongqing model.’ The Chongqing model became famous because it presented twists on many of the Party’s basic responses to the country’s much larger social issues. Fundamentally, these responses employed economic solutions to social welfare issues often associated with the ‘leftist’ political program. Primarily, these included Chongqing’s heightened spending upon social welfare programs – such as general infrastructure programs and public housing projects tied to *hukou* reforms that made it easier for rural farmers to enter the city with ‘urban’ rights and guarantees – as well as greater reliance upon China’s state industries. To that end, state industry was utilized to produce the new social goods – to the tune of some 800,000 subsidized apartments at a cost of \$18.5 billion.²⁰⁶

Meanwhile, Bo Xilai sold Chongqing aggressively to foreign investors, just as he had done while mayor of Dalian. Within the span of four years, Bo boosted levels of foreign investment from less than \$1 billion to around \$11 billion by 2011, with the number of Fortune 500 companies

²⁰⁴ For an amiable but brief text on the events in Chongqing, see Jamil Anderlini’s, *The Bo Xilai Scandal: Power, Death, and Politics in China*, Portfolio Penguin, Kindle, 2012.

²⁰⁵ “China: A Princeling who could become Premier,” *Bloomberg Businessweek*, 14 Mar. 2004.

²⁰⁶ “Invisible and Heavy Shackles,” *The Economist*, 6 May 2010. Chongqing was selected to pioneer changes to ameliorate China’s severe rural/urban divide, a delayed consequence of China’s uneven geographical development, with focus upon urban/coastal (export) regions; “The Princelings Are Coming,” *The Economist*, 23 June 2011.

operating within the city doubled to nearly 200.²⁰⁷ As a further measure, the corporate tax rate was lowered to 15 percent from the national average of 25 percent. Altogether, this did not necessitate export-based development; instead, Chongqing relied greatly upon servicing domestic demand. With exports in 2008 accounting for 7.6 percent only of the province's local GDP, the national share by contrast stood at a far higher 32 percent of GDP.²⁰⁸ With so little dependency upon the outside world for its own growth, Chongqing's strategy suggested a wider base of successful local players to succeed. Higher consumer spending recorded or forecast in internal regions reflects this phenomena.²⁰⁹

Accompanying the Chongqing model's meaningful economic priorities, Bo layered a heavy rhetorical shift to provincial administration. In one aspect, this rhetorical shift inaugurated a major assault upon established, organized crime syndicates known as triads. Bo's approach netted more than 3,000 arrests within two years of his arrival in Chongqing— along with several dozens of those that once counted themselves as among the ranks of the province's 'honest' officials and policemen.²¹⁰

Bo's anti-triad campaign was not devoid of major problems. While the program in Chongqing proceeded and crime plummeted, to great public satisfaction, its methods mirrored similar practices

²⁰⁷ Anderlini, Location 433.

²⁰⁸ Zhiyue Bo and Chen Gang, "Bo Xilai and the Chongqing Model," *East Asian Policy* 2009, Vol. 465, 42–49.

²⁰⁹ "A China Confidential survey assessing consumer spending intentions among an estimated 64m middle and upper income households in 189 cities in March showed a much higher propensity to spend in lower-tier cities. Overall, 51 per cent of respondents in 15 second-tier cities said they planned to increase spending this year from last - a full 9 percentage points more than the number from the first tier. In 170 third-tier cities, 49 per cent of respondents said they would boost their spending this year." James Kynge, "Chinese tap an inner dynamic to drive growth," *The Financial Times*, 11 May 2009.

²¹⁰ Willy Lam, "Chongqing's Mafias Expose Grave Woes in China's Legal Apparatus," *China Brief*, 2009, Vol. 9 No. 22; Evan Osnos, "Corruption Nation: Why Bo Xilai Matters," *The New Yorker*, 16 April 2012: "How common is [corruption]? Let's go back to Macau for a window into China's corruption problem. Take the executive deputy mayor of Shenyang, Ma Xiangdong; he lost four million dollars of public funds in 2002 at casinos in Macau and Las Vegas. His boss, the mayor, was found to have six million dollars' worth of gold bars hidden in the walls his houses and a hundred and fifty Rolexes. Or, consider the pair of Party propaganda chiefs—named Zhang and Zhang—who lost more than \$12 million in Chongqing public funds at the Lisboa Casino in 2004. Or Zhang Jian, a former Party chief in Jiangsu, who lost \$18 million. Or Li Weimin, a Party chief in Guangdong, who lost \$11.5 million. Or Liu Xinyong, a local bureaucrat from Chongqing, who stands out not for scale but for speed: he managed to lose a quarter of a million dollars in bribes in just forty-eight hours in Macau."

employed by Bo while governor of Liaoning province.²¹¹ Allegations of questionable legal jurisprudence, torture, and illegally seized assets orbited Bo's police chief – and former associate from Liaoning – Wang Lijun, who arrived in Chongqing in 2008.²¹² Together, Bo and Wang's 'smash black' campaign against the triads served as the largest seen in China since 1949,²¹³ yet it often deployed arbitrary detention and alarmist anti-crime rhetoric to earn public convictions against local political and personal enemies alongside criminals, as in the cases of billionaire property developers Peng Zhimin and Li Jun.

Li Jun was detained for nearly three months by police chief, Wang Lijun. During this time, Li Jun was for days at a time shackled to a special straight-backed steel chair with threaded metal bars for a seat known as a "tiger bench" and beaten. Li's eventual release came after police gained a false confession implicating him as a mafia kingpin, for which he was provided documents exonerating him of the dishonor if he then agreed to a "fine" of 40 million yuan in early 2010. Upon signature and release, however, Li Jun again found himself targeted by police; he fled China later the same year, "leaving more than 30 of his former employees and family members, including his wife, to be arrested and imprisoned on charges of running a criminal gang." More than 4 billion yuan in Li's assets were later seized and transferred to local state enterprises.²¹⁴

As noted by the *Financial Times*' Beijing bureau chief, Jamil Anderlini, "The high-profile arrests and trials of dozens of wealthy entrepreneurs on charges of running 'mafia' organizations made for exciting television and where mostly applauded in a country where fabulous riches are generally assumed to be ill-gotten."²¹⁵ Others, such as the former head of the Chongqing Judicial Bureau, Wen

²¹¹ "Praised as Crime Fighters, Bo Xilai and Wang Lijun Built Careers on Torture," *New Tang Dynasty Television*, 13 Feb. 2012.

²¹² Keith Zhai, "Inside Bo Xilai's Dungeon: Victims Reveal Ruthless Torture," 19 Dec. 2012.

²¹³ Lam: "The ongoing campaign against triads, or Chinese-style mafias, in the west-China metropolis of Chongqing is the largest such operation since 1949..." 2

²¹⁴ Anderlini, Location 551.

²¹⁵ Ibid, Location 533

Qiang – who admitted after arrest to taking “bribes and gifts totaling nearly 100 million yuan (\$14.6 million)” – had risen to prominence beneath Bo Xilai’s two now-powerful predecessors in the province. These rivals counted He Guoqiang, then a member of the Politburo Standing committee, and Wang Yang, the Party secretary of Guangdong province “previously seen as Bo’s biggest political rival.” Wen Qiang was executed in July 2010.²¹⁶

With legal standards habitually on shaky grounds in Chongqing²¹⁷ – especially following the arrest of lawyer Li Zhuang²¹⁸ – frequent allusions to the tumultuous lawlessness of the Cultural Revolution arrived from all corners of China to describe Bo Xilai’s Chongqing project.²¹⁹ These claims were provided greater weight as Bo launched a nostalgic ‘red’ public morality drive to accompany the ‘smash black’ campaign. As ‘singing red’ swept Chongqing, invocations of Maoist caricatures, banners, and policies became commonplace. Mao-era music (“Love of the Red Flag” and “Good Men Should Become Soldiers”) soon found itself replacing standard radio broadcasts, while the provincial television network aired Mao-themed red song shows, classic dramas, and revolutionary stories.²²⁰ Meanwhile, Party cadres in the province re-donned traditional Red Army uniforms to “relive history” while students were sent for manual labor to the countryside.²²¹

The origin of Bo Xilai’s Maoist revivalism confused many. Chongqing’s overhanging mist of red songs and public works seemed to feed the impression that Bo was a pre-Tiananmen-style

²¹⁶ Lam, 3; Anderlini, Location 499.

²¹⁷ Stanley Lubman, “Bo Xilai’s Gift to Chongqing: A Legal Mess,” *The Wall Street Journal*, 12 April 2012.

²¹⁸ “The Li Zhuang case is so important because it is an indicator of how far China has come on its legal reform,” said Peking University law professor, He Weifang: “It sets China’s legal reform back 30 years.” Ian Johnson, “Trial in China Tests Limits of Legal Reform,” *The New York Times*, 19 April 2011.

²¹⁹ Bo Xilai’s contemporaries often referred to him as a ‘little Mao.’ Rosemary Righter, “Bo Xilai’s Sacking Signals Showdown in China’s Communist Party,” *The Daily Beast*, 15 Mar 2012.

²²⁰ Tania Branigan, “Red songs ring out in Chinese city’s new cultural revolution,” *The Guardian*, 22 April 2011; Wang Huazhong, “TV channel hails to revolutionary era in Chongqing,” *China Daily*, 1 Jan. 2011.

²²¹ “Chongqing cadres don Red Army uniforms to relive history,” *The People’s Daily*, 19 Jan. 2011; Tania Branigan, “China to send urban students into the countryside to work,” *The Guardian*, 12 Nov. 2010.

Communist – a neo-leftist, eager to employ state industry to the disadvantage of private capitalists. Whether genuine or otherwise, Bo's actions, when placed in purview of Bo's wider career record and ambitions, however, a clearer picture formed.

Bo, 61, has made no secret of his desire to enter the nine-person pantheon of China's ruling Politburo Standing Committee at next year's party congress, during which President Hu Jintao and Premier Wen Jiabao will step aside and a fifth generation of leadership will be installed... In the end, while Bo's politically astute enthusiasm for the spirit of the Mao era - its songs and tamer aphorisms – [...], it is unlikely that [resurgent Maoism] will ever gain official traction. The current Chinese leadership, like Bo, uses Mao when they need him and ignores him when they don't.²²²

Moreover, while the Chongqing model contained some progressive platforms, with its limited redistribution to workers and rural farmers, its inverse could be claimed with equal ease.²²³ With moderate attention delivered to social welfare amidst popular campaigns harking memories of the Great Helmsman, the Chongqing model reinforced the Party-state and its market reforms by adding public works and social programs to the mix. 'Singing red' inspired a pro-Party populism, with rigorous advocacy for both foreign investments and large public works projects for state enterprises, frequently to the benefit of its public's social welfare. Altogether, Bo Xilai's economic platform resembles left-leaning establishment politics elsewhere around the world; as the New Left's most visible proponent both domestically and internationally, his politics render the larger movement's platform impotent to Chinese institutions.

Instead of straining or molding the country's governing institutions into a more equitable system outright – based more thoroughly upon democratic consent appeals to left-solutions rest

²²² Kent Ewing, "Mao's Army on the attack," *Asia Times Online*, 4 June 2011.

²²³ Ian Johnson: "People often spoke of a "Chongqing model" of greater state control and leftist ideology. There was something to that, but Bo's reforms actually included something for almost everyone. Some were progressive, such as helping farmers, some statist, such as huge public works programs, and others pro-business, such as courting investment. Civil libertarians were unhappy because he trampled on the law in pursuit of organized crime but this is par for the course in China; the past decade has seen a steady erosion of rule of law and a rise of extra-judicial detention for government opponents or ethnic leaders. Amid this trend, Bo's tactics were hardly revolutionary," in "China's Falling Star," *The New York Review of Books*, 12 March 2012.

beneath the rhetorical and ideological constraints of a post-Mao and post-Stalin world. “[A]n advocate for New Deal-style economic and social policies in China was considered to be a liberal in the 1980s, but ‘New Left’ by the century’s end,” yet today, even New Deal-style demands, rooted from within either the country’s leadership or its public, evokes specters from the Cultural Revolution.²²⁴ Through it all, stability remains key for the CCP, and while Bo used the Party as the guiding tool for reforms, he raised eyebrows amongst leadership and observers while engaging in Maoist populism – threatening, and unpredictable for an increasingly active public.

Following Bo Xilai’s 2013 life sentence, President Xi Jinping has followed Bo Xilai’s suit in rhetoric and begun more programs beneficial to the poor, elderly, and disadvantaged; its public has increased particularly as the Party approaches serious challenges to its mandate, and, potentially, its unified leadership.

Left Nationalists

Distinct from China’s nostalgic Maoists and isolated Stalinists, China’s left-nationalists represent an amalgam of ideologies. Altogether, they possess two primary components with many implications and overlaps. Firstly, their scope of concern is global if the political stature of China is underwritten by the world economy, then requisite hedges/control is also necessary for any grounded political power, yet they do not seek to abstain from the global forces which presaged their new technological and economic prowess. By building a ‘national’ response to the global economy, Wang Hui – a member of the New Left isolated even in number even among fellow Maoists – argues that China’s left-nationalists remain

unable to come to an understanding of the fact that China’s problems are also the problems of the world capitalist market and that any diagnosis of those problems must come to terms

²²⁴ Xudong Zhang, “The Making of the Post-Tiananmen Intellectual Field: A Critical Overview,” in *Whither China? Intellectual Politics in Contemporary China*, ed. Xudong Zhang, Durham: Duke University Press, 2001, 16.

with the steadily increasing problems produced by the globalization of capitalism... Even the State behavior that was the primary target of New Enlightenment thinking has been constrained by this huge market.²²⁵

The other major current is primarily an economic expression; these left nationalists seek the edification and dominance of Chinese commerce within the international marketplace, in keeping with their past imperial dominance, but they do not seek the up-ending of the global order. For Chinese nationalists, proper strength within the international market is derived from the strength and proper deployment of the state and its administrative tools.²²⁶

Alongside the restitution of global capital in China, many left nationalists' attitudes then see personification by China's particular experiences. Rising diplomatic tensions today between China and Japan and its Western allies have amplified the Han chauvinism that calcified around the CCP by the late 1990s due to the collapse of earlier Maoist pedagogies by the end of 1980s and increased stand-offs with the United States. Chinese leadership struggled to adopt a new ruling ideology to fill the vacuum left by Deng's campaign to "reassess" Maoism.²²⁷ This period provided China's reform coalition the long-awaited opportunity to reset the country's politics by diversifying the basis for the PRC's popular legitimacy beyond an economic and social philosophy toward China's expansive dynastic record and inherently along nationalist lines.

Modern nationalism differs greatly from its past iteration of the late-19th century in that its previous incarnation from a century ago relied upon a Han social movement to end the imperialism of its foreign Manchu rulers.²²⁸ While the CCP continued to officially deride "the bourgeoisie's viewpoint on nations," it still needed to reunite the bulk of China beneath a common banner to

²²⁵ Wang Hui, *China's New Order*, Cambridge, MA: Harvard University Press, 2003, 180.

²²⁶ See Han Deqiang. ahead.

²²⁷ Yu, 111.

²²⁸ For circumstances of anti-Manchu, anti-imperialism nationalist sentiment, see chapter 5 discussion on John King Fairbanks, *The Great Chinese Revolution*, New York: Harper & Row, 1986; similarly, see Chalmers Johnson for germination of anti-Japanese nationalist sentiment during the Second Sino-Japanese War at length in chapter 1.

provide post-Maoist Chinese a common, unifying vision and understanding of the CCP's role in society and China's place in the world.²²⁹ After the Tiananmen Square massacre, the CCP would rely upon appeals to the Chinese state, China's history and traditions, and its continued integrity to centralize the country's many ethnicities and then-divergent opinions to form a common base of support for the CCP.²³⁰

History & Formation

Highly state-centric, the new Chinese nationalism manifested from society and the state at a time of intense civil repression and national uncertainty, but also at a time when Chinese leadership was searching desperately to diversify its legitimacy. One scholar has referred to the two uncertain years following the 1989 massacre as “some of the most politically repressive years in China since 1949.”²³¹ Since the Tiananmen massacre had arrested any doubt of Maoism's ideological failure in China, rollback of Deng's reforms was unlikely to appease the public into reacceptance of old doctrines or prove productive to any future efforts to push forward reforms which lay ahead. Likewise, a Maoist restoration would prove ineffective upon a public now largely inoculated against

²²⁹ Jiang Zemin, “Patriotism and the mission of the Chinese intellectuals,” *Xinhua*, 3 May 1990: “The patriotism we advocate is by no means a parochial nationalism”; ‘Nationalism is the bourgeoisie’s viewpoint on nations; its programme and principle in dealing with national issue... In colonial, semi-colonial countries and independent nation, national struggles against imperialism, nationalism is to a certain extent progressive, but only to the extent that this is in accordance to the interests of the [national] bourgeoisie... The world view or proletarian parties is internationalism, not nationalism,’ as cited in Yu, 130-131n8 from *Ci Hai* (Dictionary), Shanghai Dictionary Press, 1980, 1805.

²³⁰ Indeed, reuniting Han Chinese without promoting ethnic nationalisms proved vital for the PRC to retain its extensive – and strategically important – western lands, home to many of China's natural resources and unhappy subjects. Instead, patriotism would become the ideal. “... approximately 92% of its population consisting of Han Chinese, the other 8% non-Han Chinese were divided officially among 55 minority nationalities. The total area of the minority nationalities amounts to 64% of China's territory. To avoid ethnic conflict within the PRC, the CCP committed itself to state-led nationalism as a doctrine for creating a single Chinese nation. For the same reason, the PRC government prefers to use patriotism over nationalism. As a Hong Kong scholar indicated, “nationalism is a less acceptable term to Beijing leaders, as it may arouse nationalistic fervor among the 55 minority groups, each clamoring for its own identity. Patriotism is a more acceptable non-political notion to the Chinese central government as it helps the people focus on problems and challenges they shared in common.” (Kao, 1996, op. 11), as cited in Suisheng Zhao, “A State-Led Nationalism: The Patriotic Education Campaign in Post-Tiananmen China,” *Communist and Post-Communist Studies*, 1998, Vol. 31, No. 3, 291-292.

²³¹ *Ibid*, 289.

the regime's older ideological techniques. As Wang Hui again notes, China faced a different sort of problem:

Students, intellectuals, and other [Tiananmen Square demonstrators] all supported reform and demands for democracy... What people were demanding was to proceed with economic reform, albeit upon the basis of democracy and justice; they were not demanding so-called absolute egalitarianism or moral idealism. These demands were in fundamental conflict with those put forward by the special interest groups demanding more radical privatization, even though the full extent of this conflict was not understood at the time.²³²

In 1992, Deng turned to the international arena during his famous 'southern tour' across China's major coastal cities to lever continued changes domestically while at the same time outmaneuvering and undermining those calling for Maoist restoration within Chinese leadership.²³³

With such success, the CCP again became capable of setting the national narrative. Appeals to China's historical experience with subjugation, plunder, violence, and mismanagement played heavily into the ensuing narrative, from which the CCP naturally asserted itself as the nation's savior. With such command over China's past, by 1992, the CCP's found little difficulty incorporate courses with traditional aspects of Chinese culture and the CCP's successes after the revolution. With Deng's success in 1992, by 1993 the PRC State Education Commission established patriotism as the guiding principle within China's new educational platform. During the same year, a multi-ministry effort organized the viewing of patriotic films by more than 95 percent of middle and primary students in Beijing. In 1994, Marxist political science exams were dropped for students applying for the sciences

²³² Wang Hui, *The End of Revolution: China and the Limits of Modernity*, London: Verso, 2011, 32-33.

²³³ Orville Schell and John Delury, *Wealth and Power: China's Long March to the Twenty-First Century*, New York: Random House, 2013, 318: "Deng instinctively returned to his Leninist roots, blaming the 'Western imperialists' and the 'role of international monopoly capital' for destabilizing China, and denouncing the West's impositions of sanctions for human rights violations as an insult to the Chinese nation and the developing world... Not surprisingly, he also fell back on the meme of the nation's historic humiliation by great powers. 'Since the Opium War, when they began to invade China, how many Chinese people's rights have they violated?'"

at universities – the first such time since the late 1970s, when entrance examinations were reintroduced.²³⁴

In 1995, fully three years after Deng's decisive southern tour, China's propaganda campaign reached its zenith. As the Party's patriotic education campaign was officially finalized, classrooms, long the center of China's propaganda campaign, finally received new instruction. A new document from the CCP Central Committee drafted in late-1994 entitled "The Outline for Conducting Patriotic Education," rapidly flooded instructors and students with patriotic literature and classwork from the PRC's Central Propaganda Department. Its official intent was to "to boost the nation's spirit, enhance its cohesion, foster its self-esteem and sense of pride, consolidate and develop a patriotic united front to the broadest extent, and direct and rally the masses' patriotic passions to the great cause of building socialism with Chinese characteristics."²³⁵

As a show of support, one Party official decided to support the cultural campaign by breaking the PRC's taboo of ancestor worship by visiting the mausoleum of the Yellow Emperor, China's legendary ancestral leader. Further, CCP leadership was heralded for its continuing relevance since it represented the culmination of China's centuries-old desire for self-determination.

Since its birth, our party has paid close attention to educating party members and the masses in inheriting and developing patriotism. Patriotism, which constitutes an important component of socialist spiritual civilization, has become more important in the new period of reform and opening up... the Chinese people chose the CCP as their leading force because through history they understand that only the CCP can represent the people's fundamental interests, take a correct road, and lead the people in fulfilling the grand target of making the country strong.²³⁶

With the CCP's inviolability established, domestic recalibration was in order. However, in seeking to stress China's differences with the West by spreading popular support for the CCP beyond

²³⁴ Reform arrived as a consequence of a document titled, "Program for China's Education Reform and Development." As cited in Zhao, 292-293.

²³⁵ Ibid, 293.

²³⁶ As cited in Zhao, 297.

its determination to make China rich, the CCP's patriotic education staunchly stressed the national shames forced upon it during Century of Humiliation at the hands of the West and Japan. In the process, the CCP reinvigorated the energies of cultural nationalists – individuals wishing to revive Confucian ideals completely within the rubric created by Vladimir Lenin, which were completely at odds with one another – as well as redemptive statist seeking to avenge China of its cultural and historical transgressions. Here, trained economist and notable Confucian ideologist Kang Xiaoguang is worth consideration:

Then who should have political power in a benevolent government? A community of Confucian scholars [through which] ... the will of Heaven and the will of the people can both be communicated and practiced by the saints and the virtuous... It is a Confucian precept that "the virtuous rule the state."²³⁷

Likewise, others seek physical symbols of China's rehabilitated supremacy in old structures that the CCP routinely bates to stir up favorable interpretations of China's history:

Just as the torching of the Yuanmingyuan [the Old Summer Palace – the former seat of imperial Qing statecraft] symbolized a China that was weak, submissive, and easy to invade, so the reconstruction of the site would symbolize China's spectacular reemergence as a world superpower that has finally regained its rightful place. To accentuate this point, restorationists insist that only the Chinese-style quarters should be restored to their earlier dazzling splendor, while the Western ruins should remain completely untouched; this image would draw a perfect contrast between the vitality of new China and the erosion of Western power and influence.²³⁸

Consequently, the role of China's foreign relations occupied the helm of the CCP's patriotic propaganda – pressures that the CCP never fails to convert into international resentment. By August 1995, the success of Taiwan's democratic movement brought it closer politically to formal calls for an

²³⁷ Kang 2006, 96, 101; See also Cong Riyun, "Nationalism and Democratization in Contemporary China," *Journal of Contemporary China*, 2009, Vol. 18, No. 6, 837: "The peculiarities [that Kang insists form the basis for government] are: caring more about the government's performance and achievement than being concerned about where the power of government comes from and its proper procedure; preferring government as representative of the whole population's interests rather than being a multi-party institution; believing in rule for the people and denying individualism; advocating rule of a sage, emphasizing the social responsibility of the elites and distrusting democracy; favoring 'patriarchal government' and rule for the people; and 'the courage and confidence in rejecting Western culture' inspired by the 'Chinese spirit and empire mind.'"

²³⁸ Robert Weatherly and Ariane Rosen, "Fanning the Flames of Popular Nationalism: The Debate in China over the Burning of the Old Summer Palace," *Asian Perspective*, 2013, Vol. 37, 62.

independent Taiwanese Republic. Independence would cleave the island of its heritage upon the mainland and former claims to the Chinese mainland – and thus away from reunification with the PRC, a major concern for CCP officials devoted to the symbol of PRC’s territorial integrity.²³⁹ The developments prompted hawkish pressure within the Chinese military to win the day in Beijing. Military exercises subsequently conducted by the PLA off the coast of Taiwan provoked “the biggest display of US military power since the Vietnam War,” pushing back Chinese warships and embarrassing top leadership gravely during the subsequently nonexistent military standoff with the United States, igniting public outrage in China.²⁴⁰ The examples continue, scholar Suisheng Zhao writes:

International condemnation of the crack-down on the pro-democracy movement in 1989 was presented to the Chinese people as a well-coordinated effort to intervene China’s domestic affairs and change China’s political system; China’s failed bid to host the 2000 Olympic Games was interpreted as an anti-Chinese plot of the West; the detection of the massive use of illegal drugs and stimulants by Chinese athletes and the subsequent disqualification of these athletes from the international games were reported as a Western conspiracy to humiliate China and the Chinese people; the debate on China’s Most Favored Nation (MFN) trade status in the US and the international campaign for human rights in China were construed as attempts to “Westernize” or “contain” China; intellectual property rights friction with the United States was labeled an American attempt at cultural intrusion; Taiwan’s president Lee Teng-hui’s visit to the US was portrayed as a US scheme to tear China apart; and Hong Kong residents’ demands for more democracy were described as an international effort to turn Hong Kong into an anti-China base.²⁴¹

For the post-Mao and post-Tiananmen China, change became all but inescapable.²⁴² Altogether, the international and domestic components of China’s nationalism would prove manifold: its domestic concerns were left largely to proponents of state intervention in the marketplace (economic left-nationalists and Maoists), while its international affairs received input intermittently from reactionary

²³⁹ “Sore points: How Taiwan and North Korea complicate the Sino-American relationship,” *The Economist*, 22 Oct. 2009.

²⁴⁰ “Taiwan Flashpoint,” *BBC*.

²⁴¹ Zhao, 297.

²⁴² Cong, 2009, 834-835.

popular nationalists (economic leftists and Great Han nationalists) whose existence and language was egged on by the state's non-censorship and constant reinforcement.

Importantly, these cultural wars retain center stage in Chinese politics. The varying levels of official endorsement they see allow them to remain mutually complimentary and in perpetual conflict with one another. Nationalists identify with a highly modified concept of democracy that places its parliamentary aspects by the wayside. Its civilian administration maintains the rule of law while still duty-bound to Leninist vanguardism, and composed of China's 'best citizens.' Liu Xiaobo has most clearly enunciated China's constant struggle to remedy economic modernity with its traditional values:

From the beginning of the Opium Wars, all Chinese reforms have been carried out in an atmosphere of admiration for and fear of the West. But the Chinese will never admit to themselves that they are hopelessly backward, that their culture is senile. Instead, they are constantly engaged in a quest to find some source of national pride with which to console themselves. When the Chinese admit the material superiority of the West, in the same breath they belittle Westerners for their lack of spiritual life. At the same time that they recognize the West's scientific superiority, they opine that it is morally decadent... Confronted with the powerful culture of the West, the Chinese search for a spiritual crutch in the ancient culture that once made them proud.²⁴³

Practice & Advocacy

With the Chinese government long devoted to export development, China has played assembly plant to global capital, but in the process, China's weaker role within the global value chain granted it weak returns, but reliable incomes. Han Deqiang, a scholar within the New Left who gained notoriety at the turn of the century, expressed this frustration:

The effect of globalization is the rapid seizure of the high value-added branches of the Chinese economy by foreign capital and imported goods... All of these seriously threaten the betterment of the people's livelihood and social stability.²⁴⁴

²⁴³ Liu Xiaobo, as cited in Orville Schell and John Delury, *Wealth and Power*, New York: Random House, 2013, 356.

²⁴⁴ As cited in Yu, 119-120.

In order to play the game strongly, Han noted, China must achieve the success of its neighbors. Correspondingly, the ‘market romanticism’ of his liberal contemporaries would not precipitate the arrival of a national gem, nor the arrival of pragmatic economic policy, but instead national disgrace.

Market realism demands that we take the state to be the embodiment of our highest interest... When we ultimately win this economic war, China will not only develop fully within the WTO regime, but it will even become possible to dominate it.²⁴⁵

Essentially, Han proffers the idea that states require controlled industrial policy to be successful in globalization, but he does not suggest that corporate-led globalization (referred to in the West since the 1990s as the ‘Washington Consensus’) is necessarily at odds with China, only that China must instead come to dominate the terms of globalization by its own means.²⁴⁶ While the famous ‘China model’ or ‘Beijing Consensus’ supposedly advocates greater protection of state or its preferred industries, little of much greater substance is obvious since the ‘model’ has varied so widely over time.²⁴⁷ Economist Yasheng Huang notes that “[t]he Beijing Consensus implies that China’s performance has been consistent over the last three decades and has been almost immune from politics. A more nuanced examination of household income data shows that this is simply not true... much of the empirical basis on which the Beijing Consensus is built is simply wrong.”²⁴⁸ Internationally, China’s prescription builds the case that greater tolerance be afforded to states that

²⁴⁵ Ibid, 120.

²⁴⁶ Reminiscent of but differing strongly from Ha-Joon Chang’s “My six-year-old son should get a job,” in *Bad Samaritans: The Myth of Free Trade and The Secret History of Capitalism*, New York: Bloomsbury Press, Chapter 3, 65-83.

²⁴⁷ Joshua Ramo, “The Beijing Consensus: Notes on the New Physics of Chinese Power,” *Foreign Policy Centre*, May 2004; Yang Jiang, “Rethinking the Beijing Consensus: How China Responds to Crises,” *The Pacific Review*, 2011, Vol. 24, No. 3, 349-350.

²⁴⁸ Among other points, shifting priorities during the 1980s and 1990s exemplify this point clearly. “There is a related supply-side issue. In the 1980s and the early part of the 1990s, rural entrepreneurs created the miracle growth of what came to be known as TVEs. TVEs, unlike the coastal export industries that have taken off since the mid-1990s, were mainly domestically oriented. Herein lies the connection between financial reversals and the current global imbalances: China’s TVEs began to atrophy in the mid-1990s due, among other reasons, to increasing financing constraints.⁹ The rural financial policy reversals played a role, if not a central role, in the increasing financing constraints facing TVEs in the 1990s. Shifting the economic gravity from TVEs to the export-oriented industries in the coastal regions of the country may have contributed to a production shift from a domestic to a foreign orientation of the Chinese economy.” Yasheng Huang, “Rethinking the Beijing Consensus,” *Asia Policy*, No. 11, 2011, 5-6, 8.

flout the rules of international capitalist development, but it fails to present a firm path for other parties to join the table of major powers alongside China, the United States, or Western Europe at global financial meetings among the world's great powers at the suggested G2 meeting, and G8, or G20 conferences. Instead, historian Arif Dirlik noted that the “[Beijing Consensus] derives its meaning and appeal not from some coherent economic or political position but from its suggestion of a pole in the global political economy which can serve as a gathering place for those who are opposed to Washington imperialism.”²⁴⁹

Likewise, the New Left's criticism of corporate-led globalization essentially services their endorsement of China's developmental path and China's desire to assume dominance over both the global economy and global geopolitics. One of Han Deqiang's colleagues and contemporaries, Yang Fan, pushes this point by stressing the need to base “fundamental research on the theory of the Great Nation [to sketch] the path towards the rise of China as a special and great country... guid[ing] private entrepreneurs and private business into National Industry... [and] build[ing] a common front to oppose the Chinese neoliberals and the far-right partitionists.”²⁵⁰

By virtue of China's size and success, left-nationalism in China, as we see, portends the revision Hu Jintao's 2004 concept, ‘peaceful development’ (or ‘peaceful rise’), which sought to rebut widespread concerns about the country's new strength and its potential to upset the established system. However, the circumstances that empowered Chinese left-nationalists and secured the CCP's future also neglect the claims of its ethnic minorities, as well as of its neighbors' territorial claims, such as the island-nation of Taiwan, or those of its historic regional rival, Japan, over the Daiyou/Senkaku island chain. Collectively, these ideological extremes see varied levels of state endorsement; in Xinjiang

²⁴⁹ Arif Dirlik, “Beijing Consensus: Beijing ‘Gongshi.’ Who Recognizes Whom and to What End?” 2.

²⁵⁰ Yang Fan, as cited in Yu, 121.

and Tibet, repression is fearsome and those regions' sometimes-violent retaliations justify further policing and surveillance.²⁵¹ Elsewhere, these extremes see condemnation by the state press as helplessly irresponsible, especially when they push the envelope of popular nationalism realm of violence. In the heat of such a rage, in 2012, Han Deqiang was involved in an incident where he struck an 80-year-old man for his condemnation of Mao Zedong. Professor Zhang Honliang, another associate within the New Left, took to his Sina Weibo account – China's Twitter-like service – to issue defense of Han's actions and inspire others to action.

Compatriots, if we don't eliminate the traitors among us, a chaotic war is inevitable! The race traitors are making a commotion... The race traitor culture that has inspired our invaders since the First Opium War is now back. The people of China are in danger!

He also defended the post-Soviet authoritarianism of Putin ("Putin's strength comes from the 100,000 Russian youth ready to 'defend Russia with their fists,") as well as a new call for Cultural Revolution-style tactics against pro-Japanese partisans: "By staying firm in our convictions, we will wipe out the race traitor forces among the Chinese people, and become the greatest and most unmatched nation on earth."²⁵²

²⁵¹ Thucydides' name, and the measure of his storied chronicled conflict, the Peloponnesian War, forms the basis of belief within the imminence of another grand great power conflict among top US decision makers and the PRC. The main parrot of such belief arrives in the form of Joseph Nye, who formed the soft concept of 'soft power.' He is regarded as highly influential among his peers in the IR field. See Nye, *The Future of Power*; and Daniel Maliniak, Susan Peterson, and Michael Tierney, "Trip Around the World: Teaching, Research, and Policy Views of International Relations Faculty in 20 Countries," *The Institute for the Theory and Practice of International Relations at the College of William & Mary*, May 2012; Taiwan: US-Sino relations, Taiwan-US armaments, KMT-CCP Rapprochement; Japan: Daiyou/Senkaku, comfort women, Yasukuni Shrine, US stand-in; South China Sea: Vietnam, Philippines, oil fields, strategic platforming, etc.; These justifications then escalate to stultifying levels. See "China's Military on Mission to Bring 'Modern Civilization' to Xinjiang," *Reuters*, 1 July 2015.

²⁵² John Kennedy, "China's Nationalist Left is Getting Really Agitated by Criticism of Protest Violence," *South China Morning Post*, 21 Sept. 2012.

Conclusion

Since 2008, the PRC's international assertiveness has matured, along with the force of its demands and claims.²⁵³ This greater assertiveness stems largely from the greater role of popular nationalism both within Chinese society and the CCP's ranks since 2008 when it became more will to follow nationalist calls to attain the maritime authority commensurate of its new position.²⁵⁴ As the CCP increasingly cooperates with, manages, and exploits nationalist sentiments and camps, the needs of its leadership and the range of its permissible action will dictate the degree of Chinese activism, yet controlled, escalating tensions appears as a definite in the West Pacific. While assertiveness may appear as part and parcel of growing strength, Chinese nationalism, like China's economic clout, is unlikely to pursue objectives which threaten its core systemic relationships or the global order.

Indeed, as Au Loong Yu notes, contrary to the PRC's heritage as a revolutionary power, committed at least partially to challenging Washington, or to its international image, alongside Russia – however accurate – as the major force for human survival against Western imperialism, “The ultimate purpose of new Chinese nationalism is the re-building of the glory of the past great Chinese Empire, thus the propaganda on ‘the rise of China’ does not contain anything progressive.”²⁵⁵

²⁵³ Taiwanese President Ma Ying-jeou: "All our efforts in Taiwan have aimed at showing ethnic Chinese societies around the world that the imported concept of democracy can take root, germinate, and grow into a big tree on purely ethnic Chinese soil," in Johan Nylander, "Taiwan president will deal with China but not at expense of sovereignty," *CNN*, 4 Nov. 2014; Xi Jinping: "No secessionist act will be tolerated... The path of 'Taiwan independence' is unfeasible," in Xiang Bo, "Xi Steadfast on Reunification," *Xinhua*, 26 Sept. 2014.

²⁵⁴ Zhao Suisheng, "Foreign Policy Implications of Chinese Nationalism Revisited: the Strident Turn," *Journal of Contemporary China*, 2013, Vol 22: No. 82, 535-553.

²⁵⁵ Yu, 111.

Chapter 4: The Establishment

The People's Republic of China has witnessed its center of support shift dramatically over its lifetime. As a state whose constant base of support relies solely upon the Chinese Communist Party – an organization which predated the establishment of the PRC by nearly thirty years – the evolution of the PRC's stance and actions mirrored the political changes within its ruling body. A revolutionary party, the CCP's initial days found the ideal and belief in progressive change provided new, radical animation with victory and Mao's titanic image. His passing, however, provided an immediate and physical separation of China not only with Mao, but with the past and the beliefs which girded the Party's power.

The extent of change within China after Mao's death in 1976 was visible in the massive changes witnessed by Deng's end only twenty-odd years later. Within the Party, the base that carried out this sea change in affairs remains vital to comprehending its modern affairs. The CCP establishment's modern foundations rest in the 1980s when the Party reincorporated its dispossessed 'rightist' intellectuals from past purges while banishing and purging the Party of Maoist 'factionalists' and other radicals from its ranks. Alongside the rehabilitated intellectuals, the remaining base was composed of functionaries and technocratic administrators, the newly professionalized CCP detached itself from its traditional base among the nation's peasants and workers and encrusted itself within the riches of the new wealth streaming about it.

The relationships which today bind the CCP to its contemporary policies connect the PRC to global capital and competition in the global space. Symbiosis between the Party and foreign investors provides little room for private capital, but the competition needed to make Chinese industries productive and valuable enough to generate large amounts of wealth is found within its greater liberation.

For the CCP to sustain the growth to which it has become accustomed, it seeks to recraft itself from a global assembly plant and servicing station into a self-propelled center of innovation capable of international competition.²⁵⁶ Since China's new reforms broadly leaves rural China off the table entirely, it is likely that the new status quo will exist to perpetuate and strengthen the privileges created during the Deng-era. The CCP's challenge in reform, therefore, rests not only in carrying out the adequate changes necessary for its own survival, but also the hope that those reforms do not

The Chinese Establishment and Survival

Unlike the New Left or the liberals, the CCP stands as the center of power within modern China. As the sole ruling party of China, the CCP sets the boundaries of discussion according to its needs and interests as an organization coordinating an 80-million-member party administering a country of more than a billion people. Consequently, the frailty and strength of shifts within the CCP favoring market reforms and property rights, or questions of the 'Chinese character,' depend largely upon the conclusions of its major leaders and bases of support. As noted previously, the CCP's shortcomings at home to develop self-sustaining industries in a global market economy like Japan and Korea in the past, state-owned or otherwise, are built into the Chinese system to satisfy the expansion of the CCP's ranks and the CCP as an institutional whole. This inner conservatism, and tendency toward predation, causes reforms that may weaken near-term Party influence difficult to realize – especially among the Party's cash cows in the state sector.

To the extent that reform is possible in China, Cornell University Professor Eli Friedman writes, "[i]f in the West 'there is no alternative,' in China the two official alternatives are a frictionless and efficient capitalist technocracy (the Singaporean fantasy) or unmitigated, feral, and profoundly irrational political violence."²⁵⁷ Since change may only occur within the bounds established by the

²⁵⁶ Arthur R. Kroeber, "Xi Jinping's Ambitious Agenda for Economic Reform in China," *Brookings Institute*, 17 Nov. 2013.

²⁵⁷ Eli Friedman, "China in Revolt," *Jacobin Magazine*, August 2012

Party, the argument goes, experienced leadership and determined governance must unite the country beneath a common banner. Zhang Weiwei, previously a speech writer to Deng Xiaoping and a current resident at one of China's elite schools, Fudan University, has repeatedly made the case for "meritocratic" government built from within the CCP.²⁵⁸ This emphasis upon seasoned experience and 'merit' is reiterated elsewhere. Daniel Bell of Tsinghua University, seated within a perch constructed to mirror the Anglo-American Rhodes Scholar academic exchange, concluded an important article of debate by noting, "the China model – democracy at the bottom, meritocracy at the top, with room for experimentation in between – is both an ideal and a reality."²⁵⁹

Despite the expectations of Western ears, former Premier Wen Jiabao's call for 'democracy' instead reflects an urgency "to make the single party rule of the CCP more efficient or to provide it with a more firm legal base."²⁶⁰ With influence outside the Party broadly limited to policy suggestions, the Chinese bureaucracy is intent upon harmonizing its legal code with global standards (more importantly, US market standards). In light of China's troubling 2015 hiccups, the urgency to enact structural economic reform increasingly collides with the drive toward self-preservation.²⁶¹ The \$5 trillion market rout in August 2015 saw various triggers. Domestically, laggard structural reform distorted the distribution of commercial loans and perpetuated overinvestment in urban real estate and state industry. These problems are characteristic signs of the many structural contradictions

²⁵⁸ Zhang Weiwei, "Meritocracy Versus Democracy," *The New York Times*, 9 Nov. 2012.

²⁵⁹ Daniel Bell is chair professor of the elite Sino-American Schwarzman Scholars program. "Democracy at the Bottom, Meritocracy at the Top, Experimentation in Between," *China-US Focus*, 23 Jan. 2013.

²⁶⁰ Damian Grammaticas, "Chinese premier Wen Jiabao calls for more democracy," *BBC*, 15 Sept. 2011; Suisheng Zhao, "Political Liberalization without Democratization: Pan Wei's Proposal for Political Reform," *Journal of Contemporary China*, 2003, Vol. 12, No. 35, 333-355.

²⁶¹ Andrew Browne, "To be clear: A 30% fall in the Shanghai index after a 150% gain wasn't anything like a [US] 'Lehman moment'... Yet the government's response revealed an urgent—some say panicked—impulse not only to protect investors but to shield the party from criticism and head off possible social unrest." "Beijing's Response to Stock Selloff Reveals Deep Insecurity," *The Wall Street Journal*, 7 July 2015. See also, Patrick Chovanec, "China Destroyed Its Stock Market in Order to Save It," *Foreign Policy*, 16 July 2015.

within the Chinese economy that continue to drag on in China's future.²⁶² Internationally, Chinese uncertainty surrounding the US central bank's future not only exacerbated the crisis of confidence within China, but prompted the Federal Reserve – thanks to its massive power globally – to delay much needed raises to the US federal funds rate to ease Chinese fears. Changes in the US market, meanwhile, are necessary for the United States' financial rebalance, and its conclusion of crisis-era support measures to America's most influential banks.²⁶³

In the larger investment community, the urgency to rebalance and return higher savings to the US is gaining strength. Bill Gross, the former chief of the \$1 trillion investment house PIMCO, said that if the Federal Reserve's current zero interest policy became the long-term norm, "any economic participant that couldn't print its own money (like the Fed) would soon 'run on empty'... and destroy existing business models... which are expected to pay for an aging boomer society."²⁶⁴ With the cheap lending practices enacted in the US as an emergency measure in the days and years after the 2008 financial collapse now echoed partially in China, frustration in the US business community at the lack of returns in China pressures the country's need for domestic reforms higher.²⁶⁵

In order for China's economy to continue growth, it must shift its priorities away from export-led development since such an avenue is now broadly impossible thanks to now inevitable wage increases among Chinese workers and due to major losses in demand and investment from the US.²⁶⁶

²⁶² See discussion in chapter 2; see also, Michael Pettis, *Avoiding the Fall: China's Economic Restructuring*, Washington, D.C.: Carnegie Endowment for International Peace, 2013.

²⁶³ Kevin Yao, "China Official Blames Fed for Global Market Rout, not Yuan," *Reuters*, 27 Aug. 2015; Craig Torres, "Yellen's Decision to Delay Fed Liftoff Points to Global Risks," *Bloomberg*, 17 Sept. 2015.

²⁶⁴ Jennifer Ablan, "Bill Gross Urges Fed to 'Get Off Zero and Get Off Quick' on Rates," *Reuters*, 23 Sept. 2015.

²⁶⁵ For interest rates, see Neil Gough and Chris Buckley, "China Again Cuts Interest Rates as Concerns Mount Over Economy," *The New York Times*, 25 August 2015; Daniel Rosen, Rhodium Group: "Many US firms are at a tipping point as to whether to double down on their investment in China," US Chamber of Commerce: although China represents a \$600 billion market for US companies, it "should be more," in Jane Perlez, "China's Premier Faces a Wary Audience of U.S. Executives," *The New York Times*, 23 Sept. 2015.

²⁶⁶ One commentator correctly notes that China's industrialization has been among the major drivers of global growth for the past 40 years. However, this isolated assertion omits an important question: where did China get the money to finance its transformation and, in fact, industrialize? Since China did not evolve autonomously from the world after the 1980s as

Rebalance in this case from export development will provide relief to repressed wages across the country and substantially restrict the massive and, in many cases, inflationary, artificial, or superfluous construction also occurring throughout the country, yet especially on its coastline. For further growth that prioritizes China's home market in place of the international, rebalance necessarily means that China's domestic base of workers must also become the largest market of its industries, necessitating large government measures to lighten the burdens to private spending.²⁶⁷

Since much of China's population typically saved an exorbitant share of its money to account for the country's non-existent social safety nets in either old age or poor health, reforms that provide serious attention to public healthcare and social welfare programs will be fundamental prerequisites to success alongside substantially higher disposable incomes. While the difficulties surrounding the reforms' efficacy and implementation have been detailed in previous chapters, boosting private incomes will entail the elimination of state banks' preferential treatments to state industry in coordination with efforts to reduce the importance of exports to the Chinese economy.²⁶⁸

Broadly speaking, many of the reforms announced at the 2013 Party Plenum center upon the future 'decisive role' of market forces will play within the economy. Implicitly, this suggests falling back to a supportive role limited to public service delivery, market regulation, environmental protection, macroeconomic management, and the 'supervision of society.' These five basic functions differ greatly from the PRC's historic tendency to subsidize basic inputs for its industry, a factor from which "the well-known distortions of China's economy... [largely] stem" – a contradiction between hangovers of the PRC's former planning system and the international market with which it interacts.

it had beneath Mao previously, weak global financial indicators manifest through poor manufacturing output and other figures. See Noah Smith, "Will the World Ever Boom Again?" *Bloomberg*, 20 July 2015; Koh Gui Qing, "Sharp China Factory Slowdown in August Raises Global Growth Fears," *Reuters*, 21 Aug. 2015.

²⁶⁷ Ian Johnson, "China's Great Uprooting: Moving 250 Million into Cities," *The New York Times*, 15 June 2013.

²⁶⁸ See Chapter 2.

By liberalizing China's state titans, much of the drag they produce across the system could at least be minimized.²⁶⁹

Importantly, China current reforms will never reach the depth suggested by the World Bank and the CCP's own Development Research Council in 2012 since the privatization was ruled out by the next year.²⁷⁰ Even though the outright privatization of China's state sector is not on the table, this should not discount the earnestness or the scope of the current reform effort on account of its implementers. Professor Eswar Prasad of Cornell University has noted the general success of China's export rebalancing: the high trade and currency surpluses registered in 2007 (fully 10.1 and 7.6 percent of GDP, respectively) now rightly resign themselves as peaks and worldwide anomalies. In 2014, currency surpluses amounted to 2.1 percent of GDP (up from the previous year) and trade surpluses rose to 3.7 percent of GDP (from 2.8 percent in 2013), though much lower than previous highs. The economy's 'new normal' rebalancing, cooling, and stabilizing have led China's historically massive foreign exchange reserves to finally slow. The 2013 annual increase of \$509 billion was following in 2014 by wide extremes: they rose \$22 billion during the first half of the year before falling \$150 billion, though largely due to the yen's and the euro's weakness vis à vis the US dollar.²⁷¹

While these macroeconomic shifts are attributable to relatively weaker trade surpluses and current account deficits, they portend different conclusions for the economy at large. Either significant capital export (investments or shifted capital abroad) mounted to \$192 billion, which might imply that large capital flows are normal events that occur with the free flow of money, or money (and people) are fleeing the country for fear of the future.²⁷² In either case, the collapse in US consumer

²⁶⁹ Kroeber; Wang Jing, "Unirole: SOEs Register Negative Real Profits," *Caixin*, 3 March 2011.

²⁷⁰ World Bank and Development Research Center of the State Council. *China 2030: Building a Modern, Harmonious, and Creative Society*. Washington, D.C., 2012.

²⁷¹ Eswar Prasad, "The Path to Sustainable Growth in China," U.S.-China Economic and Security Review Commission Hearing on 'China Ahead of the Thirteenth Five-Year Plan: Competitiveness and Market Reform,' 22 April 2015, 3.

²⁷² Andrew Browne, "The Great Chinese Exodus," *The Wall Street Journal*, 15 Aug. 2014.

spending after 2008 forced China to shift development beyond providing infrastructure for the country's industry, exports, and swelling civil bureaucracy. Since more than half of China's growth during the 2000s was upon the back of the country's gross spending imbalance (in 2009, consumer spending accounted for only 35.3 percent of GDP), more than half of the decade's development occurred thanks to swelling state investments.²⁷³

Signs of change, however, are finally stirring. Three years after China's 2008 stimulus, growth driven by popular consumers outstripped and matched, the rate of (state-led) investment-driven growth, although it petered off thereafter.²⁷⁴ Thanks to higher wages and shifting investment priorities – the latter a consequence of new banking standards from Beijing – consumers' positions finally stopped weakening in 2012 and rose slightly to 37 percent of GDP by 2014. While such a turnaround represents a major success for the Chinese government and the CCP, China's overall consumption remains well below every other major advanced or emerging market economy in the world.²⁷⁵

Between 2011 and 2014, service sector expansion – a task generally regarded as necessary to maintain broader employment and narrow losses incurred by contracts to foreign companies – inverted the domestic relationship which had become the normal following both 9/11 and the WTO's global success. In 2014, service sector GDP provided 48 percent of GDP, up 4 percent since 2011; while industry accounted for 43 percent (industry's share of GDP in 2005 was 47 percent and service's share was 41 percent). In an economy worth more than \$10 trillion in nominal terms and historically capable of doubling in value at least every eight years, such a change is momentous.

²⁷³ Investment growth (led by SOEs) propelled China's growth over the last decade, accounting for more than half of GDP growth. Prasad, 2015; Eswar Prasad, "Is China's Growth Miracle Built to Last?" *China Economic Review*, 2009, Vol. 20, 103-123.

²⁷⁴ Prasad, 2015, 4.

²⁷⁵ World Bank Data: "Household consumption as % of GDP."

As discussed at some length in chapter two, the weight of China's oncoming allegations to its elderly and to provide younger generations the prospect of a greater life will require large productivity gains to continue into the future and be allocated wisely. Without prudent ways to eliminate and minimize bureaucratic and financial squander across China, channeling money to good investments with little distraction will become increasingly difficult as the years pass. Due to the commanding role of finance capital in the modern economy, large changes to stipulations regulating the yuan's international flexibility and freer exchange will be necessary before China's economy can become truly international. Simultaneously, such changes must be timed precisely to avoid enflaming contradictions between the depleting and potentially exhausted advantages of export model with attempts to drive home major income gains across China. Insofar as China may seek to liberalize its exchange rate, any rise within the yuan could neutralize the comparative advantages of Chinese workers. Likewise, capital account liberalization – wherein controls upon currency exchanges, and ultimately upon value speculation, are eliminated – place China in danger of a repeated Asian financial crisis. Since crisis struck the East Asia without warning during the late-1990s to the 'shock and dismay' of Japanese and American specialists, currency speculation and attacks upon China's capital stock, currency value, and international financial standing all remain highly probable events – especially as capital leaves the country for new global investments.²⁷⁶

Collectively, major actors favoring financial reform clash irrevocably with the near- and medium-term realities governing SOEs' actions. The ideal promoted within the current reform plan

²⁷⁶ "Instead of dousing the fire, the IMF in effect screamed fire in the theatre', says Jeffrey Sachs;" "The Japanese government's de facto credit rating agency, the Japan Center for International Finance, gave Korea one of its highest credit ratings for any developing country in June 1997. The IMF and the World Bank lavished praise upon the governments of the region through 1997, including on the Korean authorities as recently as September 1997," in Robert Wade and Frank Veneroso, "The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex," *New Left Review*, I/228, 3, 5; Leika Kihara, "Wary of Capital Outflows, Japan Urges China to Go Slow on Yuan Reform," *Reuters*, 15 Nov. 2015; and Hongmei Zhao and Pete Sweeney, "China Tightens Offshore Yuan Market to Slow Outflows, Rates Rise," *Reuters*, 18 Nov. 2015.

to force state enterprise away from easy loans and relationships within the state bureaucracy toward interaction with the global economy require sizeable efforts to shore up losses in state finance that will entail gradual exposure to market discipline. Steps introduced in 2012 focused generally upon baby steps:

[The central government] increased the flexibility of the exchange rate (in principle) when the renminbi was not under pressure to appreciate, relaxed the cap on interest rates paid on bank deposits, increased foreign investors' access to capital markets, and encouraged certain informal financial firms to become part of the formal banking system.²⁷⁷

Of course, the concern is whether over the near term any of these changes come to fruition powerfully to maintain both China's growth targets for 2020 and its hopes of constructing a relatively well-balanced and modern economy. The fear that reform will fail, of course, is evidenced distinctly within the growing power and willingness of Chinese police forces to skirt proper procedure, engage in repression, and monitor its public's activities.

Corruption and the State

The fear that the CCP's efforts to maintain the country's momentum into the future and re-balance economy may fail is evidenced by events throughout the system, although the best indicators typically arrive from the highest of sources. Such flags arrive from alarming public proclamations like China's Finance Minister, Lou Jiewei, that the country's failure is as likely as its success, or from major industry declarations that China's swooning growth is now ebbing.²⁷⁸

As a means of shoring up supporters, such displays of strength often serve as covers to expand police forces and state power. Not unusually, then, the Chinese state, quite like other sophisticated states around the world, deploys its coercive agencies as a means to forestall or exploit the varying pressures guiding public sentiment. In crisis, these powers tend churn over rapidly, and for a state

²⁷⁷ Prasad, 2015, 2.

²⁷⁸ "Nation Must Be Alert to Middle-Income Trap," *China Daily*, 28 April 2015; Xiaoyi Shao and Jason Subler, "China Industrial Profits Suffer Biggest Drop Since 2011 in Aug," *Reuters*, 28 Sept. 2015.

such as the PRC with a documented history of backing their authority with force against thousands of unarmed civilians in the capitol city at once, the dangers associated with a modernized and increasingly powerful police force multiply. With the Chinese public now separated by nearly thirty years from the Tiananmen Square crackdown, their willingness to engage with the government and private businesses – in light of numerous victories – leads to concerns over a confrontation with the state in a crisis to escalate dramatically.²⁷⁹

For the police and the state, public agitators today respond to decades of unmitigated abuse against excluded communities. In order to counteract a potentially counter-narrative, the CCP has begun pursuing additional efforts to squash the influence of autonomy. At the highest levels, this trend is reflected by discourse justifying purges within the Party and military bureaucracy, which preceded the major steps along Xi's reform program. The anti-corruption campaign which began in 2012 bears many precedents with those of the past. Whether the drive proved unprecedented in scope – bagging one member of the Standing Committee and an associated high-ranking military official along with thousands of other functionaries – sustained official scrutiny of the Party's deep corruption melted away for fear of causing revulsion previous leaders and their patronage networks.²⁸⁰

Throughout the campaign, however, the profligacy which so historically characterized the Party bureaucracy's dealings was instead blamed upon Western influence. Diversions of this sort prove rather common. One PLA official claimed that, "in the face of the tide of the market economy

²⁷⁹ Now fully smitten by the privileges and powers afforded by neoliberal development, the CCP establishment's take on "high modernity" sustains the Party's ideological commitment to growth, its inviolability, and its privileges as the country's avant-garde social engineer of society. See Gillian Wong, "Killing by China Anti-Terror Cops Raise Concerns," *Associated Press*, 8 Sept. 2014; and chapters 6 and 7 of James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*, New Haven: Yale University Press, 1998, 193-306, for proper discussion of privilege, power, and competing sources of authority within conservative states and their societies.

²⁸⁰ "The risks of waging a two-front war are obvious. If Xi's fight against corruption is genuine, it will engender fear and resentment among the Chinese bureaucracy. While officials feign compliance with Xi's economic-reform agenda, they will seek any opportunity to stymie it. The absence of significant real progress since Xi unveiled his economic blueprint last November suggests that this is already happening," in Minxin Pei, "Hunting Tigers in China," *Project Syndicate*, 1 Aug. 2014.

and Western ideology's delusions, some of our military officials have failed to stand the test." Further, "[these influences] distorted their concepts of moral evaluation and value orientation." Such rhetoric, it seems, is now rather common. The Xi Jinping's return to Maoist vocabulary in 2013 accompanied repeated public demands of support within national agencies during times of pressure and uncertainty. The PLA, for instance, has boasted its loyalty to the Party (to which it is bound legally and organizationally) twice between 2014 and 2015, with further efforts to squash 'rumors' among its ranks.²⁸¹

In 2015, 'Western values' were again decried by official state news outlets and Xi Jinping directly. Due to the close relationship between the Chinese intelligentsia and the CCP political establishment, three of China's elite universities – Peking, Fudan, and Sun-Yatsen – decided to accommodate to follow suit with Xi's campaign and alter their curricula. They together agreed to higher standards for "Marxist education" and related coursework. Faculty members less disposed to such developments, or otherwise suspected, were sacked.²⁸² Of the more than 100,000 indicted since the anti-corruption campaign began in 2012, most hail from government. For the disposed, the consequences remain severe, and it appears quite probable that many were targeted without great evidence of official wrongdoing.²⁸³ To the extent that the campaign produced any substantial results

²⁸¹ Chris Luo, "Western Ideology, Market Economy to Blame for Military Corruption, says PLA Official," *South China Morning Post*, 3 March 2015; Russel Leigh Moses, "What to Make of Xi Jinping's Maoist Turn," *The Wall Street Journal*, 21 June 2013; "PLA Senior Generals Reaffirm Support for Xi," *China Daily*, 18 March 2014; "President Xi Demands Absolute Loyalty, Firm Faith from National Security Agencies," *Xinhua*, 19 May 2015; Ben Blanchard, "China's Military Tells Soldiers Not to Spread Rumors," *Reuters*, 11 Aug. 2014.

²⁸² The cases of professors Zhang Xuezhong, of Shanghai's East China University of Political Science and Law, and Xia Yeliang of Beijing's Peking University are emblematic of President Xi Jinping's clampdown upon both social reform and civil society. See John Ruwitch, "China Professor Says Sacked for Criticizing President and Not Recanting," *Reuters*, 11 Dec. 2013; Jonathan Kaiman, "Chinese Professor Sacked Amid Free Speech Crackdown," *The Guardian*, 21 Oct. 2013.

²⁸³ The modern Chinese practice of detaining, arraigning and imprisoning suspected corrupt CCP officials has been likened to the US' practice of kidnapping, interrogation, and torture high-value targets – also known as extraordinary rendition. James Palmer, "Forced Disappearances, Brutality, and Communist China's Politics of Fear," *Vice*, 28 April 2015. For indiscriminate nature of purges, see William Wan, "Secretive Agency Leads Most Intense Anti-Corruption Effort in Modern Chinese History," *The Washington Post*, 2 July 2014: "The Chinese commission has far more latitude than those U.S. agencies and is much more politicized. It operates entirely outside the legal system, as a Communist Party justice mechanism. Its investigators need no warrants to seize evidence. And it has the power to imprison and interrogate any

remains dubious: Transparency International's estimations after China's 2012-2015 corruption campaign actually suggest the 'official' cause for worry worsened, while Beijing proclaimed saved budgetary losses to corrupt officials worth \$70 billion.²⁸⁴ With estimates placing the value of untraced assets which have left the country since 2000 between \$1 trillion and \$4 trillion, what is missing from Xi Jinping's ongoing anti-corruption campaign, writes Transparency International spokesman Thomas Coombes, are solid steps toward change, such as "stronger laws on bribery, access to information, whistle-blower protection, more open budgets and asset declarations."²⁸⁵

Police and Ideological Rigor

For the Chinese public, major purges within the government have remained fairly routine following government handovers. The effective result closely mirrors past corruption purges: a systemic purge of political rivals, large and small. The major diversion with the past, however, lie in the purge's overall depth, scale, and political context. 'Tigers' previously went untargeted while purges remained almost strictly technocratic in flavor. This would suggest that the increased number of high-level corruption cases point toward another political purge by an incumbent politician, not progress. Party leadership appears eager to keep internal scrutiny and anxiety up, with current plans seeking to maintain the purges until 2020.²⁸⁶

party official. [...] With corruption so rampant in China, the question often isn't who is dirty, but whom to target. And many say that the decision remains a political one."

²⁸⁴ "A spokesman for the group, Thomas Coombes, said that China's standing had been damaged by the perception among some experts and businesspeople that its anti-corruption campaign was incomplete, politically motivated and opaque... The index ranked China 100th among 175 countries, a drop of 20 places from last year." Didi Kirsten Tatlow and Alison Smale, "China Loses Ground in Transparency International Report on Corruption," *The New York Times*, 3 Dec. 2014; "China to Gain \$70 Billion From Anti-Corruption Campaign: Reports," *Sputnik International*, 25 Sept. 2014.

²⁸⁵ Tatlow and Smale, 2014; The risk, however, is an observation by former Party elder, Chen Yun: "Fight corruption too little and destroy the country; fight it too much and destroy the Party." For offshore holdings, see Marina Walker Guevara and Gerald Ryle, et. al, "Leaked Records Reveal Offshore Holdings of China's Elite," *The International Consortium of Investigative Journalists*, 21 Jan. 2014.

²⁸⁶ Benjamin Kang Lim and Megha Rajagopalan, "China's Xi Purging Corrupt Officials to Put Own Men in Place: sources," *Reuters*, 17 April 2014; Willy Wo-Lap Lam and Willy Lam, "Growing CCDI Power Brings Questions of Politically-Motivated Purge," *China Brief*, Feb. 2015, Vol. 15, No. 3, 4. Nectar Gan and Keira Lu Huang, "China's Graft Watchdog Vows to Continue Crackdown on Corrupt Government Officials," *South China Morning Post*, 15 June 2015.

With a government mandate against enemies of the Party, police powers gain a new lease on life against the widening flow of social unrest. While most demonstrations remain relatively calm, the frequency of violence has notched upward in recent years in line with Chinese workers' slipping job prospects. The 2008 economic crisis in the West prompted mass layoff in export processing. The following years of stagnation, moreover, did not aide the situation for China's unemployed; by 2010, matters exploded at a Honda transmission plant in Nanhai, located in southern China.²⁸⁷ Workers abandoned their stations and began demanding 50 percent pay raises. Following several days of negotiations, workers walked out. After one week of strikes, all of Honda's Guangdong assembly plants had closed their doors, lacking the parts to continue production.²⁸⁸ While copycat strikes followed, in 2011 police and employee antagonism sparked several major confrontations between workers and armed riot police. The burning and sabotage of local government offices, police stations, cars, stores, and factories in nearby Guangzhou (both relatively adjacent to Hong Kong) marked the peak of the post-crash strike wave. More specifically, the demonstrations and riots in 2010 and 2011, when considered alongside sporadic beatings and killings of managers across the country, support the observation that worker resistance has finally gone on the offensive in China.

As an issue for the Chinese government, organized anger against the gamut of interweaving failures in private industry, government, the Party, and the public's daily conditions has produced a labor movement that in 2004 registered 74,000 large-scale collective protests and in 2006 counted 87,000, involving more than four million workers. While legitimate criticisms of that figure exist, the

²⁸⁷ Martin Hart-Landsberg, "The U.S. Economy and China: Capitalism, Class, and Crisis," *Monthly Review*, 2010, Vol. 61. No. 9: "According to the International Labor Organization (ILO), total urban (regular) manufacturing employment actually declined over the period 1990-2002, from 53.9 million to 37.3 million. [...] Although there was a small increase in total urban employment over this period, almost all the growth was in irregular employment, meaning casual-wage or self-employment—typically in construction, cleaning and maintenance of premises, retail trade, street vending, repair services, or domestic services. More specifically, while total urban employment over this thirteen-year period grew by 81.7 million, 80 million of that growth was in irregular employment. As a result, irregular workers in China now comprise the largest single urban employment category."

²⁸⁸ Friedman.

issue has risen to such a degree that state policy tanks and police agencies nationwide are taking notice. A new national security and police agency was formed in 2014 to confront the people thereafter known, in classic Marxist-Leninist language, as the People's Armed Police. By 2013 China again increased its military spending, to the wide exclamation of foreign observers, by an historic 11 percent to 740.6 billion yuan (roughly \$119 billion). Less reported during the same year was the degree of China's internal policing, which stood at 769.1 billion yuan. After three years of increases to the Chinese domestic security budget, it exceeded the growth of China's burgeoning military budget. By 2014, the Chinese government refused to release annual spending figures describing its containment of social unrest.²⁸⁹ In terms of scale and funding, China seems more focused upon containing domestic strife than challenging Western power abroad.

Due to the explosive situation produced by China's development strategy since the 1970s, the international image China has cultivated since the mid-2000s faces significant risk if setbacks swallow the future. If China's model or vision for the future globally finds limits in the ability to effect necessary change, individually and collectively, this may seriously compromise the political alternative to Western leadership that they represent. Further, there remains reason to believe that this may factor the material success and rebelliousness if China's problems become serious.

To bring about serious change or continue its survival, it is likely that the Party will need to accept accommodations to various social groups, within and outside the Party. However, for the Party to arrive at even this position organizationally suggests that a broad consensus could be formed among

²⁸⁹ Brendan Smith, Jeremy Brecher and Tim Costello, "An Emerging Chinese Labor Movement," *New Labor Forum*, 2007, Vol. 16, No. 1, 82-85; Will Freeman, "The Accuracy of China's 'Mass Incidents,'" *The Financial Times*, 2 Mar. 2010; Chun Han Wong, "Labor Disputes a Growing Threat to Social Stability in China, State-Backed Think Tank, Says," *The Wall Street Journal*, 25 Dec. 2014; "China Domestic Security Spending Rises to \$111 Billion," *Reuters*, 5 March 2012; Ben Blanchard and John Ruwitch, "China Hikes Defense Budget, to Spend More on Internal Security," *Reuters*, 5 March 2013; Michael Martina, "China Withholds Full Domestic-Security Spending Figure," *Reuters*, 4 March 2014. The number and influence of mass incidents per year since 2009 (80,000-100,000) is shaky due to uncertain definitions and targets for unrest, but the scale of people involved even in 2005 was 4 million workers and peasants, Brendan Smith et al, "China's Emerging Labor Movement," *Commondreams.org*, October 5, 2006.

China's political factions which might overcome the many serious political divisions which have piled up since the 1980s. With much of the old Party driven by Maoist doctrine that held the peasantry's success and livelihood as central to creating both a strong socialist China and an internationally dominant workers' state, new developments hoping to advance the country through urban-centric international trade produced stark divisions within the Party geographically. Those hoping to fuel China's technical development and widespread exposure to the international market concentrated in China's cities, thus forming the basis of a major divergence with the much poorer and physically exploited countryside in terms of politics, income, education, and health.²⁹⁰

Such a powerful urban-based Party, when operating in concert with the central government's massive urban investments following Tiananmen and Deng, produces familiar linkages between established constituencies. Reformed SOEs blossomed alongside vast official-affiliated firms in China's privileged coastal trade zones, together spawning a richly interwoven Party-private economy. Since this pattern also repeated itself through international market interactions, administrative power and connections ballooned, especially once cities took the thunder of success away from the countryside. Consequently, an investment- and trade-driven and SOE-heavy Party elite soon dominated Communist circles in urban areas. Of all the cases in China, "Shanghai is the quintessential [extractive] state-led capitalism."²⁹¹

The powerful descendants of revolutionary elders whose internal connections, especially following Deng's reforms, allowed astonishing fortunes and influences join these trade-oriented bureaucrats and functionaries.²⁹² Together, these two groups form the urban elitist camp in Chinese

²⁹⁰ For an informed discussion on the rural-urban split and its dynamics within the country, see Jennifer Pan and Yiqing Xu, "China's Ideological Spectrum," MIT Research Paper No. 2015-6.

²⁹¹ "... as described by Baumo, Litan, and Shraam." Yasheng Huang, *Capitalism with Chinese Characteristics*, Cambridge University Press, 2008, 229; Baumo, et. al, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*, Yale University Press, 2007.

²⁹² "Heirs of Mao's Comrades Rise as New Capitalist Nobility," *Bloomberg*, 26 Dec. 2012.

leadership. This Party faction is mirrored in size and influence by functionaries and bureaucrats to have arisen the Party ranks by means of various ‘virtuous’ traits, though usually tied through a shared past association in China’s youth leadership tank: the Youth Communist League. This group, usually referred to in China as the Tuanpei, works in limited cooperation with sections of the New Left and serves as the populist faction opposite urban elitists. With the extreme deprivation in the countryside – only recently reduced thanks to the Tuanpei Hu Jintao-Wen Jiabao administration (2002-2012) – the continued success of urban elites at the countryside’s expense usually leaves little room for common ground between the competing interests, particularly in a system of competing strongmen.²⁹³ Urban elites, for example, have exploited the countryside so successfully during the last thirty years that they have extracted not only hundreds of millions of people, but also more than 400 billion yuan via fiscal policy (taxation and government spending) and the financial system (via savings deposits and loans).²⁹⁴

Infighting amongst leadership remains within each generation of leadership. With nearly the entire CCP liable to major corruption accusations or other misgivings, pursuit of criminal charges – an infrequent affair – tends to justify the purging of major officials to consolidate a leader’s political power. Under Xi, the two most highly ranked military generals of the previous administration have been arraigned on corruption charges along with another 40 other senior military officers.²⁹⁵ In an unprecedented move, they were accompanied by a member of the Party’s elite Standing Committee,

²⁹³ Li Cheng, “The Powerful Factions Among China’s Rulers,” *BBC*, 6 Nov. 2012.

²⁹⁴ Hung Ho-Fung, “America’s Head Servant?” *New Left Review* 60, Figure 6, 15; Huang Jikun, Scott Rozelle and Wang Honglin, “Fostering or Stripping Rural China: Modernizing Agriculture and Rural to Urban Capital Flows,” *The Developing Economies*, 2006, Vol. 44, No. 1, 1–26.

²⁹⁵ Li Cheng, “Promoting ‘Young Guards’: The Recent High Turnover In The PLA Leadership (Part I: Purges And Reshuffles),” *China Leadership Monitor*, Fall 2015, Issue 48, 9 Sept. 2015.

Zhou Yongkang, former head of China's security services and petroleum sector, along with his favored protégé – and Xi's major political foe – Bo Xilai.²⁹⁶

While these groups must operate against and alongside one another to shift the Chinese establishment, the force of labor and popular strength forms another major rule within Chinese politics. While labor's position and success is swelling in accordance with major victories against management, it has yet to provide a unifying systemic critique of the CCP and the systems it enforces. Primarily, these demonstrations focus upon major administrative failures locally and provincially, but they are growing in scale and violence as the years pass.²⁹⁷

As noted previously, populist appeals directly by the state have worrying implications domestically and internationally. The extent to which room exists for cooperation between an autonomous labor or social movement and the state remains questionable and equally dangerous. For the trade-based elitist establishment, contradictions throughout China can only accrue. Tension is rising.

"Regression to the Mean..."

For China, as with many other states in the past, balancing the volatility of high-speed growth with managed liberal reforms typically grows increasingly difficult as years pass and complexity compounds the government's problems. Inevitably, though, high-speed growth economies of the

²⁹⁶ Chris Buckley and Andrew Jacobs, "China Says Former Security Chief Is Being Investigated for Corruption," *The New York Times*, 29 July 2014; Some rumors even suggest Bo and Zhou conspired to assassinate Xi Jinping, Minxin Pei, "Zhou Yongkang Case Set to Expose the Scale of the Rot in China's Elite Politics," *South China Morning Post*, 17 Mar. 2014.

²⁹⁷ "In China there is no single, clear target of political dissatisfaction at the apex of the political system." Teresa Wright, "Perpetuating Communist Party Rule in China," *Journal of International Affairs*, 2011, Vol. 65, No. 1, 41.

past have also typically proven to be states transitioning from circumstances that afforded the government a direct presence in the economy, usually as a part of previous developmental efforts.²⁹⁸ In any event, the circumstances frequently surrounding such states that allow short or sustained economic growth (usually by somehow servicing the international market), eventually burn out.

Within states operating at high speeds from a medium income baseline (~\$8,000 per capita), the pressure for growth to slow escalates rapidly, especially since performance on a global level usually averages out to a yearly growth rate of 2 percent. Larry Summers and Lant Pritchett of Harvard University observe that “many of the great economic forecasting errors of the past century come from excessive extrapolation of performance in the recent past and treating a country’s growth rates as a permanent characteristic rather than a transient condition.”²⁹⁹ In other words, China’s rise, like the Soviet Union’s and Japan’s in the past, is no sure thing. Mountains stand between China’s potential future and the desolate banality which firmly characterizes its depoliticized, privileged, predatory, and swelling bureaucracy.

Reforms necessary to China’s survival, sought after by Le Keqiang and Xi Jinping’s administration, must overcome the structural interests of both the Party’s embedded conservatives and its new-coming career-minded recruits eager to create their own business connections. As noted in chapter one, it often pays handsomely to join the Party for career enhancement, particularly if one hails from a family in senior leadership. In such a circumstance, life becomes highly lucrative. With the official rich-poor divide (Gini) in China resting near .50 (very high), much of the wealth is hoarded thanks to rampant insider trading among senior officials. One major study in 2006 concluded that among the entirety of China’s billionaires, only ten percent of them arrived at their success upon merit.

²⁹⁸ For a brief but simple account of this history, see Ha-Joon Chang, *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*, Bloomsbury Press, 2010.

²⁹⁹ Lant Pritchett and Larry Summers, “Asiaphoria Meets Regression to the Mean,” *National Bureau of Economic Research*, Working Paper 20573, 4.

The other 90 percent of billionaires are children of senior officials whose business dealings largely lie within the domains of finance, foreign trade, land development, and large projects, and bonds and securities. Likewise in national leadership positions, 90 of the 1,000 wealthiest Chinese belong to the CCP's National People's Congress.³⁰⁰

The exorbitant financial and social privileges heaped upon Party members serves as a major incentive to incoming recruits. As a result, corruption limited in scope but widespread during Mao's days was unleashed after Deng, and it is now recognized as a serious impediment to China's future.³⁰¹ With so many enticed by the opportunities and possibilities, the Party in 2013 decided to restrict entry and purge "unqualified members" to the organization.³⁰² Widespread corruption, meanwhile, was left vindicated following its massive anti-corruption drive, even though the Party claimed savings and success after the programs last major offensive in late 2014.³⁰³

Together, though, failures to alter Party admissions requirements or purge the guilty in droves instead allowed the basic material allure of the Party to prosper relatively unchanged. As Minxin Pei has already observed, it is likely that the PRC routinely underreports the quantity of its personnel due to local oversight concerns. Assuming that one follows the PRC's figures, in 1990 the number of excess personnel was 55 percent higher at various levels of government than authorized limits. With 10.75 million cadres officially employed in 2002 – double the figure of 1978 – administrative costs as a share of the national budget rose from 5.3 percent in the 1970s to 18.6 percent in 2002.³⁰⁴ By 2011,

³⁰⁰ William Pesek, "China's Billionaire Bubble Stands in Xi Jinping's Way," *Bloomberg*, 14 March 2013; "90 Percent of China's Billionaires Are Children of Senior Officials," *China Digital Times*, 2 Nov. 2006.

³⁰¹ Teddy Ng, "Hu Jintao Warns Graft Threatens Existence of Party and Nation," *South China Morning Post*, 9 Nov. 2012.

³⁰² Zhuang Pinghui, "Pledge to Purge 'Unqualified' Members of China's Communist Party," *South China Morning Post*, 29 Jan. 2013.

³⁰³ Didi Kirsten Tatlow and Alison Smale, "China Loses Ground in Transparency International Report on Corruption," *New York Times*, 3 Dec. 2014.

³⁰⁴ Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy*, Cambridge: Harvard University Press, 2006, 136-137.

the cadres had swollen to number some 82.6 million. By the beginning of 2015, two years after the decision to limit the Party's size and purge excess staff, membership stood at 87.79 million – larger than the entire population of Germany and almost fully 8 percent of China's adult population.³⁰⁵

For the entire Party, swelling numbers of self-interested cadres and entrenched bureaucratic and economic fiefdoms pose an enormous challenge to progress and reforms. For Xi Jinping, the problem is clear: “Why did the Soviet Communist Party collapse? ... An important reason was that their ideals and convictions [to Party doctrine] waived.”³⁰⁶ Recent blueprints outlining SOE reform point toward several conservative alternatives for China's future.

The need to reform SOEs, according to the Chinese Premier Li Keqiang, has reached “urgent” levels as “poor management” has brought declining profits.³⁰⁷ As a result, the CCP will deepen the small and large stones strategy of the 1990s by disposing the now languishing ‘zombie’ firms while transforming the rest into “fully independent market entities.” For reforms to be successful, decisive results must be achieved by 2020 through changes that invite private investment and partial privatization, creating a new system of “mixed ownership.” With such suggestions arising upon the heels of a \$3 trillion rout on Chinese markets only two months beforehand that prompted a currency devaluation, \$200 billion in central bank support, and a \$94 billion monthly drop in foreign exchange – the largest on record – the possibility of a major collapse became far less abstract. Urgency, instead, is paramount.³⁰⁸

³⁰⁵ Felicia Sonmez, “China's Communist Party: Still Big, Getting Bigger,” *Wall Street Journal*, 30 June 2015, with nearly 90 million CCP members, the proportion of civil servants to civilians reaches deeper than the 1:18 cited by Au Loong Yu only three years ago. By comparison, the US ratio rests at 1:94. “On the Rise of China and Its Inherent Contradictions,” in *China's Rise: Strength and Fragility*, Au Loong Yu, ed, 2012, 19.

³⁰⁶ Cary Huang, “Paranoia from Soviet Union Collapse Haunts China's Communist Party, 22 Years On,” *South China Morning Post*, 18 Nov. 2013.

³⁰⁷ Judy Hua and Kevin Yao, “China Premier ‘Urgent’ SOE Reform to Improve Competitiveness,” *Reuters*, 21 Sept. 2015.

³⁰⁸ Jamil Anderlini, “Beijing Capitulates Following \$200bn to Prop Up Equities,” *Financial Times*, 24 Aug 2015.

Without major changes, Japan and Brazil's histories signal some of the possibilities governing China's future. For Japan, whose economy had nearly quintupled during 1950-1973, and China, whose economy has technically grown far too slowly, at 6.1 percent of GDP between 1978 and 2003, than it should have,

Although there were some concerns about a bubble in Japanese real estate, almost no one predicted in 1991 that Japan's real GDP per capita would be only 12 percent higher in 2011 than 20 years earlier (an annual growth rate of only 0.6 percent) and that total factor productivity in Japan, which had *doubled* from 1961 to 1991 would be 6 percent *lower* in 2011 than in 1991.³⁰⁹

The case proved similar in Brazil. Between 1967 and 1980, Brazil's economy grew at 5.2 percent annually, "no one in 1980 was predicting that for the next 22 years – from 1980 to 2002 – per capita growth would be almost exactly zero."³¹⁰ "Regression to the mean in a decade or so," Summers and Princhett write, "is the rule, not the exception. What would require much more explanation would be continued rapid growth, which would be very much outside the general run of experience."³¹¹

Conservative Resistance

China's need for reform – to either rebalance and perpetuate urban-international trade or redress the gulf between western provinces and the coastline – burns more clearly with each day. To successfully complete the conservative reformation initiated by Deng, it is necessary that the extensive patronage and insider trading networks that made liberal reforms possible in the early days reorganize around the globally dominant market and its mechanisms that have so greatly enriched the country and its elite. But as many important observers have noted, "[a]s more and more politicians get rich through questionable land grabs, insider trading and old-fashioned rent seeking, there is less incentive

³⁰⁹ Martin Wolf, "Why Is China Growing So Slowly?" *Foreign Policy*, 21 Oct. 2009; emphasis in the original. Summers and Pranchett, pp. 57.

³¹⁰ *Ibid.*, 30.

³¹¹ *Ibid.*, 59.

to retool the economy.”³¹² Serious ethical and structural reforms over cadres’ activities would demand intensive judicial transformation, as well. Minxin Pei again notes that prosecution within anti-corruption cases – most overwhelmingly banal and unimportant but cumulatively large – is extremely rare. Of all corruption cases, 80 percent arise from public tips, but almost two-thirds of those suggestions are discarded.³¹³ Of those considered, only about one in four tips were pursued, of which only 2.9 percent finally saw prosecution during 2004 – a telling figure regarding the efficacy of other much-publicized anti-corruption campaigns.³¹⁴ Many of those officials then tend to remain within the Party.³¹⁵ For the country as a whole, the implications of these political barriers are seeing greater recognition. In April 2015, China’s finance minister, Lou Jiwei, warned that China has a “greater than 50 percent chance” of falling into the middle income trap during the next five to ten years.³¹⁶

Hesitance to reform may be seen rather frequently. Even in the presence of harsh punishment, the opportunities to indulge within structurally necessary, yet illegal unofficial business deals fail to dissuade cadres in light of the present wave of anti-corruption policing.³¹⁷ The aforementioned blueprint held by Chinese state media and leadership as a major solution to China’s rebalancing and future prosperity provided limited action to change. While state firms would allow greater share sales to investors and follow pledges to “modernize and enhance state assets management,” the Party would retain the power to appoint all senior management above specific ranks and by continuing the operation of Party cells parallel to the SOE to police and collaborate with its staff. Further, all industry

³¹² Pesek; Editor-in-chief of the major state Chinese media outlet, *Caixin*, Hu Shuli: “Only by deepening reforms while building up the rule of law can China truly beat corruption.” “Cleaning up China’s state-owned firms must go beyond punishing the corrupt,” *South China Morning Post*, 29 May 2014.

³¹³ “Two-thirds [of respondents] reported reprisals from accused officials.” Pei, 150.

³¹⁴ *Ibid.*, 150-153.

³¹⁵ *Ibid.*, 151: “Only a small number of the [141,000] corrupt CCP members – 18 percent of those punished – were expelled from the CCP in the six-year period covered by the report (1992-1997).” The remaining approximately 82 percent “received no more than a symbolic reprimand carrying no substantive administrative or financial penalties.”

³¹⁶ “Nation must be alert to Middle-Income trap,” *China Daily*, 28 April 2015.

³¹⁷ Russell Leigh Moses, “Confession Raises Questions About Corruption Crackdown,” *The Wall Street Journal*, 26 Oct. 2015.

positions are either occupied or outranked by the Party operatives, including the chairmen and chief executives. “The question,” one observer writes, “is whether [at the current time] incremental changes... will be sufficient to fundamentally reshape the state sector.”³¹⁸

While this concern is grounded in clear attempts for consistency from political leadership, weak control over lower level agencies does little to assuage concerns surrounding policy implementation.³¹⁹ In the heat of the 2015 summer market rout, Premier Li Keqiang’s July 4th emergency order to buy up and stabilize collapsing stocks went unanswered by financial regulators after two days of steep losses and even an edict from President Xi Jinping.³²⁰ Even with the presence of Party cells within all state industry and agencies, overcoming divisions is remarkably difficult.

The appearance of several editorials in state media decrying the existence of “unimaginably” fierce opposition to Xi’s limited reforms suggests that, according to Xi Yaotong of the Chinese Academy of Governance (a senior leadership school), “central leadership has started to worry... The tone [of the commentary] reads furious.”³²¹ For reform in 2015, now two years after the major 3rd Plenary Session of the 18th Party Congress that solidified Xi’s leadership in 2013, unprecedented authority and a solid platform for future action, “The question today,” Minxin Pei saliently notes, “is not whether Xi has amassed enough authority to effect change in China (he has), but whether he has built a coalition capable of advancing his declared goal of revising pro-market reforms. And so far, the answer seems to be no.”³²²

³¹⁸ Jamil Anderlini, “Beijing Calls for Tighter Grip on State Groups,” *Financial Times*, 21 Sept. 2015; Gabriel Wildau, “China’s State-Owned Enterprise Reform Plans Face Compromise,” *Financial Times*, 14 Sept. 2015.

³¹⁹ “Minitrue: Don’t overhype Xinhua Commentary on SOE Reform,” *China Digital Times*, 21 Sept. 2015; “There are [still] no systematic, regular decision-making and monitoring institutions in China,” Yang Jiang, “This Explains why China is Taking so Long to Reform its Economic System,” *Washington Post*, 21 Sept. 2015.

³²⁰ Jeremy Page and Lingling Wei, “Crises put first dents in Xi Jinping’s power,” *Wall Street Journal*, 30 Aug. 2015.

³²¹ “The scale of the resistance is beyond what could have been imagined.” See Keira Lu Huang, “A Strange Editorial in China’s State-Run Newspaper is Spelling Trouble for Xi Jinping,” *South China Morning Post*, 21 August 2015.

³²² Xi established a national security commission with himself as its chair in 2013 that stripped and consolidated most of the security responsibilities rival Standing Committee member Zhou Yongkang possessed. Xi’s unusual strength also

Instead, President Xi's actions have aggravated the two major bases of support within the Party which may otherwise seek to exploit in the country. Harsh repression of public activists, intellectuals, journalists, and potentially reformist capital has alienated and disappointed many liberals that might otherwise have the capacity to influence ordinary Chinese with grand ideas.³²³ Simultaneously, Xi's willingness to pursue corruption continuously remains unlikely to win him friends within the bureaucracy, who will instead be resigned to resentment or fear of Xi, and thus willing to shirk responsibilities and stymie Xi's reform agenda. This poses a massive problem for Xi's reform efforts since his plans double down upon urban development, away from a more broadly-based nationwide campaign aimed at leveling the rural-urban gap. This leaves Xi only with the task of uprooting and converting a quarter billion Chinese into urban residents, workers, and consumers without provoking future social movements.³²⁴

By forcefully relocating so many Chinese while also freeing up the financial and commercial spheres, the hope is to maintain growth by means of the markets they create. While the direct expressions of Chinese political leadership is one of self-confidence,³²⁵ leadership is still tasked with creating an atmosphere which allows average Chinese to contribute more and more to the economy with nationwide gains to individual productivity, a task which it is currently failing to achieve. Gains in 'total factor productivity' (TFP) – or improvements to both workers' and capital's productivity and effectiveness at producing larger returns – are critical since, according to Louis Kuijs, a former World

allowed Xi to assume unquestioned control over the military promptly after his ascendancy to leadership in 2012, a feat not accomplished by his predecessor Hu Jintao until two years after his ascendancy to the Party's top position; see also Pei, 2014.

³²³ Mark Kitto, "You'll Never Be Chinese," *Prospect Mag.*, 8 Aug. 2012.

³²⁴ Wang Qian, "Anti-Graft Campaign to Last 'at Least Another 5 Years,'" *China Daily*, 5 Sept. 2014; Adam Tyner, "Can China's New Urbanization Plan Work?" *The Diplomat*, 17 Apr. 2014; Ian Johnson, "China's Great Uprooting: Moving 250 Million Into Cities," *The New York Times*, 15 June 2013.

³²⁵ Zhang Gaoli, vice-premier and member of the high-ranking Politburo: "[The Xi Jinping administration] We are fully confident in our future." Martin Wolf, "As The Economy Slows, the Demand for Investment is Likely to Fall More Than Proportionately," *Financial Times*, 7 April 2015.

Bank economist, plowing money into development has become the *modus operandi* of Chinese economics. With the ratio of returns in capital versus labor rising from 45 percent between 1978 and 1994 to 64 percent during 1995-2009, circumstances have to rebalance.³²⁶

For China to rebalance as it has pledged, it is generally regarded among experts that such a change will arise from shifts toward greater reliance upon liberated market fundamentals: property ownership and measures to reduce non-private property's influence and the ability to acquire money to transform those and other inputs into profitable commodities.³²⁷ The problem, however, lies in reality: the reforms necessary for such a future and their impediments have already been discussed. Politics, so central to the Maoist era which birthed and fueled China's Leninist bureaucracy and socialist vision may destroy the future envisioned for China by President Xi Jinping.

With various indicators of China's economic stability on curious footing, such as its shrinking industrial profits, manufacturing output, and service industry gains, concern grows.³²⁸ The likelihood that not only of the state sector's slowdown (finance and industry), but also that poor global demand is harming the internationally export-dependent sector of China's economy also contributes to this concern.³²⁹ Since the tendency to hype rapid growth is well documented, particularly in East Asia, the need for sobriety is enormous. Past success stories and bouts with Sinomania in the West accompanied the hyped and misunderstood developments of Japan, other Asian Tigers (Hong Kong,

³²⁶ Martin Wolf, "China Will Struggle to Keep Momentum," *Financial Times*, 7 April 2015; Martin Wolf, "How to Blow Away China's Gather Storm Clouds," *Financial Times*, 20 Mar. 2012.

³²⁷ Wolf, "China Will Struggle"; Dwight H. Perkins and Thomas G. Rawski, "Forecasting China's Economic Growth to 2025," in *China's Great Economic Transformation*, Loren Brandt and Thomas Rawski, eds, New York: Cambridge University Press, 2008, 829-881.

³²⁸ "Shao and Subler; Wang Yuqian, "More Manufacturing Shrinkage, Says China PMI," *Caixin*, 1 Oct. 2015; Wang Yuqian "China PMI: Marginal Growth for Services Sector," *Caixin*, 1 Oct. 2015.

³²⁹ China's economy since 2008 has been forced to retool to the global economy and scale up the capital intensity of it industries to "win a larger piece of a shrinking pie." David Barboza, "In Recession, China Solidifies Its Lead in Global Trade," *The New York Times*, 13 Oct. 2009; Martin Wolf, "The Curse of Weak Global Demand," *Financial Times*, 18 Nov. 2014.

Japan, Singapore, Taiwan, Korea) and the various players within the BRICs nations (Brazil, Russia, India, China).³³⁰

Conclusion

With stagnation, states typically experience variations of public unrest, and political manipulation and repression. In China, the public will experience twin pressures to organize and become politically active from both the major push to resettle hundreds of million in new long-term cities and the likelihood for investment capital to accept lower profits to exploit cheaper labor sources with the political drive to develop new consumer markets. As both tendencies converge, the possibility for unrest to balloon thanks to the relative ease of organizing nearby neighbors in cities than scattered villagers across Germany-sized provinces. For the PRC, stability may be seriously undermined unless the state is able to manipulate and repress its population into complacency.

If incomes fail to continue to rise as in the past, due to failed reforms, unrest is likely. The state's willingness to deploy popular nationalism to reinforce the state and divert its public, therefore has fresh precedent and a troubling potential to empower radical and militant nationalists. This group of nationalists will prove highly sensitive to perceived foreign slights, as well as the presence of 'foreign ideas' (i.e. reformers and activists). Given the rapacity of the current regime, both faces of the regime will remain unlikely to accept hesitation within its ranks or moderation from the public, so the power, influence, and frequency of state repression – already large both officially and within the public – is likely to be magnified.

³³⁰ Ruchir Sharma, "Broken BRICs," *Foreign Affairs*, 2012, Vol. 91, No. 6.

Chapter 5: The Neoliberal Order

Today's global order is defined by role of international capital and its major institutional representatives. Consequently, China's relationship with the United States, Europe, and the other giants in East Asia represent the crucial relationships within the large-scale functions of modern affairs. Their cooperation and tolerance for one another thus provide the basis for the future.

For China, capitalist transformations, however momentous, must not be overstated or held as the unique product of capitalist transformation. As shown previously, the countryside's industriousness was unparalleled during China's early reform period, but this success must not be handed fully upon the altar of the marketplace.³³¹ Instead China's transformation must be placed within a global story of capitalist integration and regional privilege. Without the many special treatments accorded to several East Asian countries by the United States as part of its post-war planning, the developmental state may not have appeared with such force on the global scene.³³²

However great China's modern success, we cannot be certain that Deng's reforms would have assumed the grandeur currently afforded to them without the parallel changes to the global economy beyond China's borders. At its most basic, China's success story places it within the annals and evolution of global capitalism, a system which had not fully included the Middle Kingdom at any time

³³¹ *Capitalism with Chinese Characteristics* and *The Deng Xiaoping Era* both contend that the best growth of 1980s China occurred within the countryside, though for fundamentally differing reasons: Meisner noted that objectively favorable policies injected much needed capital into the long neglected countryside. Free association – a relative impossibility under Mao – also played hugely, here, though for Huang, the two conclusions differ largely thanks to the entrepreneurial powers afforded under Deng's reforms.

³³² Namely, Japan, South Korea, and Taiwan. The developmental state may be characterized broadly by various types of strong political mobilization coordinating modernization of society so as to compete with or enter the capitalist core; 'conservative reform' economic and political is a primary feature. See Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, Stanford University Press, 1982; Stephen Haggard, *Pathways from the Periphery: The politics of Growth in the Newly Industrializing Countries*, Cornell University Press, 1990.

during China's past, yet also the same system which had only recently abdicated, grudgingly, the formal exploitation of colonies within its production processes.

The Context and Limits of China's Rise within the Contemporary World-System

While presenting and describing late dynastic China's formal hierarchy would provide a relatively simple method to describe the 19th century China's social situation, such a project would limit wider commentary upon the global implications of Chinese dynastic decline and collapse. At the beginning of the 1800s, China's civil administrators (scholar-administrators known famously as mandarins), the emperor's imperial court (whose rolls were filled exclusively by eunuchs – a group whose power had fluctuated greatly over Chinese history), and the emperor's personal advisors rode a system whose basic features had continued essentially unchanged for nearly two millennia. The entire dynastic system relied solely upon funds derived from some basic taxes upon valuables such as land or rice, as well as the bureaucracy's more elaborate resource monopolies.³³³ However, the major changes which essentially rendered them impotent by the beginning of the 20th century owed greatly to circumstances beyond the direct control of the imperial system's unitary government.

One of the most consequential changes of circumstance by the turn of the 19th century pertained to the sudden dramatic rise in China's total population. While China's already historically large population of 150 million in 1700 outnumbered all of those residing in Europe, improved farming methods, imported and adapted strains of various American crops, particularly corn, and new medicinal practices caused this steady base of people to more than double by 1850 to 410 million.³³⁴ The concomitant surge in commercial activity brought China's overall wealth to new levels, but this surge would not imbibe equivalent changes to the ruling Qing dynasty's major social institutions. With

³³³ Jonathan Spence, *The Search for Modern China*, New York: W.W. Norton & Company, 1999, 73.

³³⁴ John King Fairbanks, *The Great Chinese Revolution, 1800-1985*, New York: Harper & Row, 1986, 52.

much of the actual daily work of the empire powered by the Chinese peasantry's muscle power, the fabulously wealthy landlord and highly respected administrative cliques of previous generations existed atop them, and there existed little impetus to alter the country's larger social priorities. Even among China's emergent professional organizations and guilds, little surplus was left for China's masses.³³⁵

Although this stagnation created acute malaise and unrest among what was essentially China's upper-middle stratum and future leaders, the country's basic social institutions remained sound at the turn of the 18th century, even as their bases experienced the shifts and jolts of popular discomfort and economic alienation. Instead of policy or social change, there existed continuity; new productive investments by China's guilds often proved difficult since much of China's new wealth instead flowed toward the country's well-established monopolies, toward professional contacts (in the case of public servants, the norm was to do this with public funds), and toward the creation and maintenance of elaborate familial systems.³³⁶ As wealth concentrated, those potential administrators and working poor whose entry to the Qing dynasty's government and prosperity were denied instead organized interest groups and secret societies which appealed to and subverted provincial governments and the emperor, often without compensation or redress by the imperial system. Quite tellingly, the Qing's later collapse in 1911 arose from this extra-state organization. The future leader of the Kuomintang (an anti-monarchist republican party) that ruled the post-Qing China, Sun Yat-sen, organized much of his early affairs within a secret society he formed while in exile in Hawaii, the 'Revive China Society.'³³⁷

³³⁵ This led all sorts of sub-level administrators of varying specialty and ambition to crowd the entrance and advisory process of China's administrative system. The economic and social stagnation among potential entrants of China's basic and subsequent administrative level caused interest groups to proliferate which appealed to provincial governments and the emperor although they received little or no compensation by the imperial system. Fairbanks, 63-83.

³³⁶ Fairbanks, 52.

³³⁷ Spence, 226.

While the image of the West as an exploiter may in many cases proves true, that perception must be accompanied with the acknowledgement of the Qing dynasty's serious administrative failures and of the later Communist government's propaganda campaigns that sought to aggrandize the role of foreigners within the Qing dynasty's decline. The reversal and projection of China's ill fortunes among China's future leaders could be expected in the context of coming events. For the West, modern Chinese history often begins following the public destruction of British opium by the Qing imperial minister, Lin Zexu, in 1839.

Introduced in limited quantities to China by the British Empire during the early 1700s, opium usage exploded after the British Empire's absorption of northern India and converted it toward poppy cultivation between 1750 and 1800. By 1832, the opium trade had multiplied 39-fold to more than 23,000 chests.³³⁸ Usage by the end of the century appears widespread; indulgence within the narcotic among wealthy, yet uneducated, trophy-wives was a common method to escape boredom. Likewise, opium abuse among merchants and the emperor's eunuch guard, as well as the country's civil administrators, soldiers, and peasants proved common.³³⁹

While the Opium War's most grievous material consequences included the forfeiture of ports beneath the unequal treaty system, this forced the Qing government to adapt strategies used to buy off Western Chinese tribes to buy off foreign powers to sustain the dynasty's continued existence and influence. This in itself proved a problem and also perhaps the greatest consequence of the conflict for the Qing government. While in the past, the balance of power clearly lied with the Chinese government when acting in Central Asia, circumstances differed off the South China Sea, allowing the center of gravity to shift in favor of the 'barbarian' Europeans whose "diplomats represent[ed] a

³³⁸ Spence, 129-130.

³³⁹ Ibid, 131.

sovereign power... backed up by superior naval firepower... [which] claimed equality with the Son of Heaven.”³⁴⁰

For a power historically regarded as consistently the most powerful civilization in the world, the Qing dispute with and defeat by the British Navy and Empire sparked a crisis of confidence among the public at large.³⁴¹ As one scholar said of the dynastic system and its major figurehead, “Instead of being a universal ruler at the top of civilization, [the Chinese emperor] became a semi-colonial anachronism.” For the dynastic ruling ideology and the Qing government defeat undermined

the tradition of China’s central superiority when [new rulers] took state power at [Beijing]. Anyone who ruled there had to extract tributary obeisance from outsiders as part of being Son of Heaven. So the unequal treaties were a defeat that grew bigger as time passed.”³⁴²

Fundamentally, the dissonance caused by defeat and subjugation sapped the Manchus’ clout and broke the unity among the Chinese ruling elite and government. Infighting, famine, and decline characterized the splintered final years of the Qing government and the final decades of dynastic China’s global and regional affairs.

One major aspect of the late Qing’s defeat again returns us to major failures by its government to acknowledge the centrality of science and industry. The other major component of the ensuing malaise and debate within leadership circles and provinces concerned the role of industry and science during China’s future. Technologically, bested outright in 1842 by the British, the overall situation had not improved dramatically even by 1894 when they suffered a shocking defeat by Japan, who had only begun a concerted effort to develop less than twenty years beforehand.³⁴³ By comparison, consternation and internal divisions proved so intense that by 1896, more than fifty years after the Qing’s initial conflict with and subsequent commercial division among Western powers, no more than

³⁴⁰ Fairbanks, 85.

³⁴¹ Spence, 7-12.

³⁴² Ibid, 93.

³⁴³ Spence, 243-244.

370 miles of railway laid the basic foundations of any potential Chinese industrial network. In context, the two major powers of Western Europe – Great Britain and France – as well as the US, all sported over 20,000 miles of track, with the US leading the way at more than 180,000 miles of track.³⁴⁴

The lack of wide-reaching, organized social change and technological development in spite of the extreme pressure from foreigners pollinated the administrative calamities which repeatedly saddled the country's future beneath the presiding Empress Dowager Cixi. Of these, the anti-Western Boxer Rebellion's repression by an expeditionary coalition of European and American forces in early August 1900 seems notable since the later signature of the Boxer Protocol concluding conflicts in 1901 awarded an indemnity to Western combatants nearly twice the size of the entire Qing budget, 450 million silver taels.³⁴⁵ The lone scientific and cultural modernization drive of report was initiated by the subsequent Guangxu Emperor's "Hundred Days' Reforms" between June and September 1898. This reformist drive was throttled a year later when, on September 19, the previous Empress Dowager Cixi led a regressive coup which placed Guangxu under house arrest. His death, at the age of 37, by arsenic came only a day after the Empress Dowager's in 1908, placing the final nail in the late-Qing dynasty's coffin.³⁴⁶

In retrospect, the legitimacy crisis caused by foreign pressure would prove among one of many problems facing the Qing dynasty as the 19th century progressed. In 1850 a peasant uprising rocked China, seeking redress for the injustices and inequities of the Qing's unfortunate miscalculations and failed or preparations during the previous fifty years. Among the most important of the rebellions to

³⁴⁴ Spence, 248.

³⁴⁵ While the Chinese budget at the time of the Boxer Protocol's signature amounted to only a quarter billion taels, the repayment process was not to amortize until the conclusion of 1940. "With all interest charges factored in, total Chinese payments over the thirty-nine year period would amount to almost 1 billion taels [paid in gold]," Spence, 233.

³⁴⁶ "Many senior officials, viewing [Emperor] Guangxu's reform program with a jaundiced eye, saw it as detrimental to the long-term good of China and destructive of China's true inner values," Spence, 229; "Arsenic killed Chinese emperor, reports say," *CNN*, 4 Nov. 2008.

arise from the destitution which accompanied the country's population increase was the Taiping Rebellion which lasted until 1864. The Taiping Movement encompassed many social and ethnic groups, yet together they enunciated and acted upon the nativist sentiments which sprung up during the 1840s while the fight against landlordism deployed a new philosophical import from the West: egalitarianism.³⁴⁷

While these emancipatory sentiments centered upon ideas later exploited by the Communists, they were never fully mobilized by the Taiping rebels since their leadership broadly failed to organize a steady bureaucracy and provide a major alternative or critique of the existing regime.³⁴⁸ Simultaneously, the Taipings were not alone while sweeping across southern China. Other insurrections, such as the Nian and Muslim (also known as Dungan Rebellion in the West) rebellions occupied the country's north and its west. The conflicts ended intermittently of one another, before concluding finally in 1871.³⁴⁹ Even though the Qing successfully tamed the raging social turmoil, the attendant costs reduced the earlier foreign coercions to relative peripheral embarrassments and symbolic wounds against the Chinese emperor whose value compounded only during the dynasty's last years. All told, China's mid-century civil wars caused the deaths of tens of millions of people, lowering the population from 410 million in 1850 to 350 million by 1873, roughly equivalent to the entire death toll incurred during World War II.³⁵⁰

Communist Revolution

With the eventual collapse of the Qing dynasty in 1911 and the formation of a republican government thereafter, Nationalist (KMT) China faced many of the same issues as the Qing, albeit

³⁴⁷ Fairbanks, 73.

³⁴⁸ Ibid, 77.

³⁴⁹ Spence, 191.

³⁵⁰ Fairbanks, 81.

without the entrenched imperial institutions of dynastic rule, or the uncomfortable legitimacy questions that rendered the Qing catatonic. Now during the 1920s, many of the China's internal debates focused upon the merits and limits of foreign influence, and the role and response of the predominantly Han China within an interconnecting world. With such great uncertainty, little progress was made, and the post-Qing coalition, composed of an uneasy CCP/KMT alliance, collapsed in 1927 after the KMT consolidated their position in the country by breaking their coalition and expelling Communist influence from within.

While this split led to intermittent fighting between the two factions during the late 1920s, their conditional and spotty alliance to eject a common Japanese enemy again aligned the two parties following China's 1931 invasion.³⁵¹ As we already know, the human consequences of the ensuing conflict mobilized the mass of China to defeat the Japanese and the CCP's platform grew in strength as the conflict matured. By the war's end, decisive gains by the CCP helped them in 1949 to push out the KMT and the long-reviled compradore classes they tended to represent. More broadly, however, the social platform and political form expounded by the Communists enunciated an administrative vision which placed the CCP at the apex of Chinese strategy.³⁵² The CCP's broad need for new civil servants and upper level administrators as well as its dismissal of international cooperation (with historical aggressors) and their attendant commercial representatives, protections, and privileges produce a situation in which China independently tended to its own needs.³⁵³

China's and the CCP's successful recapture and assertion of its political and economic sovereignty posed a dramatic kink within the ascendant liberal world order – presided by the United

³⁵¹ The Russian Communist Party had recently scolded the CCP for 'ineptitude' during 1927 organizations and was subsequently suppressed by the KMT, now led by Chiang Kai-shek; meanwhile the KMT concerned itself foremost with wresting power from the Qing-era warlords.

³⁵² Placing their actual allegiances aside.

³⁵³ After the revolution, extensive ties to Western industry were essentially neutralized. For a list of holdings by Western states within Chinese industry, see Spence 362-363.

States, the primary victor of WWII. Distinct from other major powers, the United States' went largely unharmed by the events of the 1940s, yet also significantly strengthened. Significantly, the US proved the only major power capable of effecting planning on a global level that was in keeping with a pre-existing record of westward expansionism and conquest and proved remarkably well-suited to the task.³⁵⁴ Its primary vision accorded to the world measures the US had earlier impressed upon its European allies while they operated in China. The American world order would assume a generalized form of the Open Door policy, and its general political and diplomatic framework would be organized upon the principles of liberal democracy, as enumerated within the Atlantic Charter.³⁵⁵ Further, the world would exist beneath a single global "framework for capital and put an end to the dynamics of autarkic divisions and statist control that had precipitated the war itself, of which Hitler's Third Reich and Japan's Co-Prosperity Sphere had been the most destructive examples, but Britain's Imperial Preference was another retrograde case."³⁵⁶

With China's successful anti-systemic rebellion in 1949, fearsome anti-revolutionary posturing from the US soon supported regional forces identified as friendly or vital to the protection of the US trade order in addition to other fierce anti-Communists, namely Chiang Kai-shek's Taiwan and post-war Emperor Hirohito's Japan. In Korea, only a year after the PRC's declaration, and in Vietnam

³⁵⁴ Anderson, 16n23: "We need these markets for the output of the United States', Acheson told Congress in November 1944. 'My contention is that we cannot have full employment and prosperity in the United States without foreign markets'. Denied these, America might be forced into statism too, a fear repeatedly expressed at the time. In 1940, the Fortune Round Table was worrying that 'there is a real danger that as a result of a long war all the belligerent powers will permanently accept some form of state-directed economic system', raising 'the longer-range question of whether or not the American capitalist system could continue to function if most of Europe and Asia should abolish free enterprise in favour of totalitarian economics'. Concern that the us could be forced in such direction had already been voiced by Brooks Adams at the turn of the century, who feared that if a European coalition ever dominated trade with China, 'it will have good prospects of throwing back a considerable surplus on our hands, for us to digest as best as we can', reducing America to the 'semi-stationary' condition of France, and a battle with rivals that could 'only be won by surpassing the enemy with his own methods'. Result: 'The Eastern and Western continents would be competing for the most perfect system of state socialism.'"

³⁵⁵ Ibid, 17.

³⁵⁶ Ibid, 16.

early as 1955, to accompany French forces in the defense of France's Indochinese colonies, yet also the valuable Southeast Asian territories. In both cases, the fighting was catastrophic in its totality. In the three years of the Korean War, two million died as US carpet bombing punished the country's north for its transgression into the former Japanese – and now American – satrapy.³⁵⁷ Likewise, to China's south, modern estimates find that the American invasion led to the deaths of nearly four million Vietnamese beneath an air campaign unparalleled in history. In both cases, preemptive nuclear strikes were on the table as escalation into China played as a frequent possibility.³⁵⁸

China's experience with revolution mirrors that of others, hypothetical or otherwise, but the consequences consistently prove similar. When writing upon the Russian Revolution during the 1920s, British philosophe Bertrand Russell hypothetically suggested the futility of any potential British proletarian revolt; the accompanying embargo and sanctions regime which would follow would strangle their ability to hold out and sustain the revolution.³⁵⁹ Likewise, the solidarity among Europe's rulers following the French Revolution proved astonishing. The swift military assault upon France re-established the pre-revolutionary consensus while also re-establishing the "legitimacy" of reformist European monarchies.³⁶⁰ As the fundamental inequalities of the *ancien régime* remained, the monarch

³⁵⁷ For casualties, see Bruce Cumings, *The Korean War*, New York: Random House, 2010. Evidence suggests revolution was an inevitability on the peninsula after Japan's defeat in 1945; revolution would have swept the Korean peninsula sooner than China's were it not for the US' swift occupation to prevent such a loss following Japan's defeat. Among other factors, the presence of 75,000-100,000 Korean veterans who fought in China against Japan suggests ample reason to maintain expectations and continue fighting in home country. See Bruce Cumings, *Korea's Place in the Sun: A Modern History*, 1997; as will be discussed soon, Japan's reconstruction proved of greatest importance to post-war Pacific planning for the US; at the seminal peace accord in San Francisco, Japan's presence was requested/consulted without the presence of their victims. The massive debts which would accumulate thanks to reparations payments were never imposed upon the Japanese public. They instead received economic privileges

³⁵⁸ It is worth noting that the Vietnamese only numbered 17 million prior to the conflict and that the cited number is still considered to have major limitations; for an extensive study of the atrocities, see Nick Turse, *Kill Anything That Moves*, New York: Picador, 2013, 11-13; for potential nuclear conflict, see Virginia Brodine and Mark Selden, "Henry Kissinger's Diplomacy of Force," in *Open Secret: The Kissinger-Nixon Doctrine in Asia*, Noam Chomsky, ed., New York: Harper & Row, 1972, pp, 43, nuclear option: 51.

³⁵⁹ Bertrand Russell, *The Practice and Theory of Bolshevism*, London: George Allen & Unwin Ltd, 1920.

³⁶⁰ Henry Kissinger details this restoration to a great extent in his *A World Restored: Metternich, Castlereagh And The Problems Of Peace 1812-22*, Boston: Houghton Mifflin Company, 1957.

transformed into the bureaucrat and the politician, whose privileges were now codified and expressed by law.³⁶¹

By the time China reemerged in the global economy during the 1980s much of the world had rebuilt. The world's ongoing trade integration and development, a project of the American Cold War system, now operated beneath the aegis of free trade. Consequently, China's reforms

... would not have assumed the significance we now accord to them, nor would China's extraordinary subsequent economic evolution have taken the path and registered the achievements it did, had there not been significant and seemingly unrelated parallel shifts in the advanced capitalist world with respect to how the world market worked... [Global trade integration] opened up a space for China's tumultuous entry and incorporation into the world market in ways that would not have been possible under the Bretton Woods system. The spectacular emergence of China as a global economic power after 1980 was in part an unintended consequence of the neoliberal turn in the advanced capitalist world.³⁶²

Without the world America made, China's post-Mao success appears much less certain. To more greatly understand China's future in light of its past, we must consider the role China was made to fill upon its exit from the communist system with its incorporations within the neoliberal order.

The Previous Order, Its Evolution and Major Features

Capitalism as a system of production without national borders experienced repeated shocks as some of its members succumbed to popular revolt and alternative visions for the future. However, capitalism also reformed as a whole when key centers of power within the liberal order deflated the appeal of revolution by pursuing specific reforms only during the 1930s and thereafter. At the time, fascist and Communist movements engulfed powerful countries whose strength and intensifying rivalries bucked against or entirely resisted British imperial supremacy and the trade order it represented. In the US, compromise between the two radical movements formed beneath the

³⁶¹ Peter Kropotkin, "Law and Authority," *The Essential Kropotkin*, Emile Capouya and Keitha Tompkins, eds., New York: Liveright, 1975, 27-45.

³⁶² Harvey, 121

continued auspices of the liberal government with President Franklin Roosevelt's New Deal, yet its effects upon the world would not be felt until after the conclusion of World War II. With US political and economic consolidation accomplished, "Such an economic order would be not only a guarantee of peaceful relations between states, but allow the US to assume its natural place as first among them."³⁶³

For America to secure its economic agenda globally it also had to dissuade countries around the world from rejecting Washington's gambit. In order to do so, the US also had to guarantee the safety and alliance of regions crucial to restraining the Soviet Union, so immediately this meant that Washington would have to develop and convert its former enemies Germany and Japan into prosperous bulwarks of anti-communism, serving as loadstones of the Free World's military power. For American planners this objective was imperative and an all-consuming concern. While the US largely abandoned the Soviet Union – a strategic US ally during WWII – to the superior German war machine, entering the European theater only at the last moment possible in 1944, the Soviet Union managed to turn the tides and dominate Germany in light of the odds, thus morphing the Soviet Union into more than a simple opponent to capitalism, but also an enormous military threat. For Western Europe and Japan to achieve parity with the Soviet Union on both sides of the Eurasian landmass while Washington checked Moscow with the nuclear bomb, special developmental programs became an absolute necessity to achieve balance with the Soviets and to create new powerful centers of capitalist production as well as complacent social elites.

³⁶³ Anderson, 17.

*Progression of Post-War US 'Grand Area' Planning*³⁶⁴

To rebuild Western Europe, the US in 1948 committed \$13 billion (roughly \$120 billion in today's terms) to reconstruction aid beneath the Marshall Plan. These funds, however, would contain conditions. Critically, the program's desire was "to help restore a Europe which can and will compete with us in world markets."³⁶⁵ For Marshall funds, the path to such a future proved telling. In the near-term, American leadership dropped its insistence of establishing free trade through the abolition of tariffs and currency exchange controls and instead made Marshall funds conditional upon European political integration and balanced budgets.³⁶⁶ Consequently, electoral outcomes needed to mirror these expectations: "The Marshall Plan sent a strong message to European voters that American largesse depended on their electing government's willing to accept the accompanying rules of multilateral trade and fiscal conservatism."³⁶⁷ Europe would be spared the embarrassment of drastic wage cuts and currency devaluations and thus saved from the specter of social unrest or revolution.

Overall, the task of uniting Europe beneath the single banner of America's post-war system proved relatively painless. Military force or coercion, sometimes necessary in the case of Japan, was altogether unnecessary in Europe since European business elites were natural allies of the US. While Europe's class makeup broadly mirrored America's, additional efforts to were needed to ensure a social contract was established that secured the prosperity of European labor. For the US, this meant pacifying Europe's indigenous labor movement by greasing the wheels of anti-communist unions

³⁶⁴ The "Grand Area" was a strategic concept enunciated by the US corporate sector through the New York-based, and Rockefeller-founded Council on Foreign Relations in 1941 to describe the entirety of the non-Communist world and the United States' preferred course of action to assume its stewardship. See Laurence Shoup and William Minter, *Imperial Brain Trust*, New York: Monthly Review Press, 1977, 117-177.

³⁶⁵ As cited in Leo Panitch and Sam Gindin, *The Making of Global Capitalism*, New York: Verso, 2012, 89.

³⁶⁶ Which culminated in the development of the European Common Market.

³⁶⁷ Thomas McCormack, *America's Half-Century: United States Foreign Policy in the Cold War and After*, Baltimore: Johns Hopkins University Press, 1995, 78-79.

committed to healthy symbiosis with the American commercial establishment.³⁶⁸ This support arrived primarily by means of the American AFL and CIO's establishment of specifically anti-communist and non-communist astro-turf labor unions – with CIA funding.³⁶⁹ Altogether, the US security and nuclear umbrella over Western Europe accompanied the imposition of Marshall Reforms, without which many feared America's free enterprise system would not survive.³⁷⁰ Much later, W.F. Duisenberg, the first head of the European Central Bank, reflected upon the Marshall Plan during its 50th anniversary in 1997 by noting, laudably, that its approach was “similar to the approach followed in later years by the International Monetary Fund in its macroeconomic adjustment programs.”³⁷¹

As structural adjustments occurred in Europe others accompanied it Europe's reformation the Third World and the global south. Material resources crucial for global American supremacy arrived in waves following the 1950s. As early as 1943, Franklin Roosevelt issued the finding that “the

³⁶⁸ Perry Anderson, 47n81: “From the outset, Roosevelt had backed Churchill's dispatch of British troops in 1944 to crush the main body of the Greek resistance. Under Truman the country became the Very light for American advance to the Cold War, Acheson telling Congressmen that failure to maintain a friendly government in place might ‘open three continents to Soviet penetration. Like apples in a barrel infected by one rotten one, the corruption of Greece would affect Iran and all to the East’. Nothing less than the fate of ‘two thirds of the area of the world’ was at stake. Marshall was soon instructing the American embassy ‘not to interfere with the administration of Greek justice’, as mass execution of political prisoners proceeded. Twenty years later, with a junta in power in Athens, Acheson instructed locals that there was ‘no realistic alternative to your colonels’, since Greece was ‘not ready for democracy.’”

³⁶⁹ The outcome was the “welding together the reformist unions in the North Atlantic area, and isolating the Communist or class-conscious Socialist elements.” These developments “were the most conspicuous achievements of the Marshall Plan with respect to the Western European working class.” Van der Pijl, *Making of an Atlantic Ruling Class*, New York: Verso, 2012, 155.

³⁷⁰ Anderson, 16n23: “‘We need these markets for the output of the United States’, Acheson told Congress in November 1944. ‘My contention is that we cannot have full employment and prosperity in the United States without foreign markets’. Denied these, America might be forced into statism too, a fear repeatedly expressed at the time. In 1940, the Fortune Round Table was worrying that ‘there is a real danger that as a result of a long war all the belligerent powers will permanently accept some form of state-directed economic system’, raising ‘the longer-range question of whether or not the American capitalist system could continue to function if most of Europe and Asia should abolish free enterprise in favour of totalitarian economics.’ Concern that the US could be forced in such direction had already been voiced by Brooks Adams at the turn of the century, who feared that if a European coalition ever dominated trade with China, ‘it will have good prospects of throwing back a considerable surplus on our hands, for us to digest as best as we can’, reducing America to the ‘semi-stationary’ condition of France, and a battle with rivals that could ‘only be won by surpassing the enemy with his own methods’. Result: ‘The Eastern and Western continents would be competing for the most perfect system of state socialism.’”

³⁷¹ As cited in Panitch, 96.

defense of [the recently courted] Saudi Arabia was vital to the United States.”³⁷² “With one of the world’s greatest treasures,” *a priori*, the United States became open to dispensing extra oil among its allies and imperial predecessors.³⁷³ Franklin Roosevelt even noted to the British Earl of Halifax, “Persian oil is yours. We share the oil of Iraq and Kuwait. As for Saudi Arabian oil, it’s ours.”³⁷⁴ With the Iranians’ submission extracted less than ten years after the US’ WWII victory, in 1953. Following a CIA- and MI6-coordinated putsch, clear precedent illustrated the US’ willingness to pursue its strategic objectives.

In Southeast Asia, US support stood similarly; the then Dutch colony of Indonesia was forced from the Netherlands’ hands toward independence on the grounds “the Dutch hand over power to those who had demonstrated ‘unexcelled skill’ suppressing communists, on pain of being deprived of Marshall funds.”³⁷⁵ After such a concession, the new Sukarno regime wiped out the largest Communist party in the world, liquidating half a million of its members and their families in 1965, earning the subsequent Suharto regime extravagant aid from the United States.³⁷⁶ While checking Moscow’s peripheries with technically sophisticated and wealthy neighbors, Washington busied itself with integrating the rest of the world not beneath Communist management into its global economic system. Broadly speaking, greater problems existed within George Kennan’s idea of containment than its simple restraints located at either side of the Eurasian landmass. Instead, limiting Soviet power demanded an overall recognition by American strategists that that the overall battlefield was wider.

³⁷² David Painter, *Oil and the American Century: The Political Economy of US Foreign Oil Policy, 1944-1954*, Baltimore: Johns Hopkins University Press, 1986, 37.

³⁷³ Cordell Hull, as cited in Anderson, 61.

³⁷⁴ As cited in Leffler, *A Preponderance of Power*, Stanford: Stanford University Press, 1993, 113.

³⁷⁵ Perry Anderson, 60: “[Indonesia] was the only government in the Far East to have crushed an all-out Communist offensive,” the primary form of nationalism indigenous to East Asia at the time. The Dutch, meanwhile, had little room to maneuver after the US NSC-51 determined that the Dutch hand over power to those who had demonstrated ‘unexcelled skill’ suppressing communists, on pain of being deprived of Marshall funds.”

³⁷⁶ Anderson, 60.

Beyond East Asia and Europe, vast territories in Asia, Africa and Latin America possessed no major centers of industry and had populations with substantial amounts of illiteracy far weaker governments. Yet they “were a treasury of the natural resources needed to run advanced economies and develop powerful military technologies.” With precious metals in South America and Africa, rubber in Southeast Asia, oil in the Middle East, and the bulk of the world’s population, it was imperative that they be integrated with the global US trade order.³⁷⁷

On the other side of Eurasia, the Japanese prospered beneath reformed management, privileged market access, and vast security guarantees. For much of East Asia, fate assigned itself to conditions meted out after Japan’s surrender in 1945. The regional apparatus which largely governed East and Southeast Asia’s prosperity and incorporated it within the US’ post-war planning has been termed the “San Francisco System” after the 1951 San Francisco Peace Treaty that assigned the region’s interweaving and sometimes seemingly contradictory military and economic arrangements. The San Francisco System’s broad features were characterized broadly by the system’s basis upon an extensive ‘hubs and spokes’ network of bilateral relationships radiating from Washington whose larger architecture feature no cooperative multilateral organizations. Additionally, the system proved highly asymmetrical in its distribution of protections and favors, economic or military, while, also granting special regional precedence to Japan, the prior regional war’s primary aggressor and criminal power.³⁷⁸

In Japan’s post-war reconstruction, privileges seemed commonplace and exceptional: America accorded Japan unusually favorable trading and investment arrangements, many of them informal, that Europe did not enjoy. While Japan was shielded from the reparatory demands of its neighbors,

³⁷⁷ Ibid, 53; Shoup and Minter, 135-140.

³⁷⁸ Kent E. Calder, “Securing Security Through Prosperity: The San Francisco System in Comparative Perspective,” *The Pacific Review*, 2004, Vol. 17, No. 1, 138-139.

as in the German case in 1947 when rejecting similar Russian demands,³⁷⁹ the United States tolerated Japanese trade protectionism and their substantial discrimination against foreign investment.³⁸⁰ Likewise, as the San Francisco system matured, “the central political priority – for both the elite and to a larger degree, for the broader citizenry as well – was consistently economy.” While the larger European community provided Germany, Britain, and France the markets for one another, East Asia and Japan lacked a similar relationship, so the US stepped in to fill the gap and tighten its bond with the Japanese. With US support and aid preferring Japan’s (and later, South Korea and Taiwan) exports, expanding US demand allowed the East Asian developmental state to adopt export-led development strategies that stacked up enormous trade surpluses.³⁸¹ In effect, these massive trade surpluses would create a cycle for capital flows into and out of the US that provided America a means to spend massively and incessantly while expanding and financialize its economy and credit market – and demand – and a means to the support military-centric budget deficits and adventures.³⁸² Since the San Francisco Treaty’s signing in 1951 to the current date, the current system has, impressively, likely far exceeded the expectations of its primary architect, the former Secretary of State, John Foster Dulles.³⁸³

³⁷⁹ A defining feature which prompted the beginning of the Cold War. See Perry Anderson, pp. 45n79.

³⁸⁰ Calder, “Securing Security Through Prosperity,” pp. 144.

³⁸¹ “High household savings, plus high corporate debt/equity ratios, plus bank-firm-state collaboration, plus national industrial strategy, plus investment incentives conditional on international competitiveness, equals the ‘developmental state,’” Robert Wade, “The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex,” *New Left Review* 228, 1998; See also Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, Stanford: Stanford University Press, 1982.

³⁸² Calder, “Securing Security Through Prosperity,” pp. 149; “To the extent that these Treasury IOUs are being built into the world’s monetary base they will not have to be repaid, but are to be rolled over indefinitely. This feature is the essence of America’s free financial ride, a tax imposed at the entire globe’s expense.” Michael Hudson, *Super Imperialism: The Origins and Fundamentals of U.S. World Dominance*, London: Pluto Press, pp. 12 see also Michael Dooley, David Folkerts-Landau, and Peter Garber, “The Revived Bretton Woods System,” *International Journal of Finance and Economics*, 2004, Vol. 9, 307-313.

³⁸³ Kent E. Calder and Min Ye, *The Making of Northeast Asia*, Stanford: Stanford University Press, 2010, 73.

For the region, the captive and US-occupied Japan was as susceptible to enforced rounds of apology as Germany after WWII, but American geopolitical needs during the period instead demanded the opposite to maintain divisions and antagonisms between Japan and the rest of East Asia. The major effort to exacerbate and continue “the same separations that in the 1930s were the intellectual and philosophical barrier to the constitution of any greater East Asian community” were preserved through the protection of the Japanese emperor, “and became the liet motif of both Western scholarship and much of Japanese self-perception.”³⁸⁴

Notably, works which would stress the “unique, non-Asian, ineffable qualities of Japanese identity” saw direct organization beneath the pre-CIA US Department of War Information. Therein, publications such as Ruth Benedict’s famous 1946 *Chrysanthemum and the Sword* cast celebratory, yet hazy visions of cultural ubiety unparalleled in significance until the text’s cultural repetition by Sam Huntington in his *The Clash of Civilizations*. So long as the Japanese state could convince enough of its public to believe in Japan’s unique identity, Japan would find it unnecessary, and even repugnant, to embrace any regional community that might try to diminish Japan’s sense of superiority among its peers and within the region.³⁸⁵

European and Japanese Integration

By the 1970s, major administrative changes became necessary for US’ liberal order to advance onward. Military goals notwithstanding, America’s economic needs would have proceeded with or without the Cold War. The NSC-68 – the US’ National Security Council’s 1950 foundation document for containment strategy – noted that the “overall policy at the present time may be described as one

³⁸⁴ Gavan McCormack, *Client State: Japan in the American Embrace*, New York: Verso, 2007,9.

³⁸⁵ Ibid; Sam Huntington, *The Clash of Civilization*, New York: Simon & Schuster, 1997.

designed to foster a world environment in which the American system can survive and flourish... a policy which we would probably pursue even if there were no Soviet threat.”³⁸⁶

With the guarantees and privileges afforded to both Europe and Japan during their development beneath the larger Bretton Woods monetary system the former Axis powers now routinely out-competed American firms: steel, auto, machine tools, and electronics, all lowering profitability greatly. These benefits included tolerant industrial sponsorship by American planners through privileged access to US consumer markets, borrowed US technology, more advanced industrial facilities, vast pools of cheap, pliable labor, and nationally protected markets.³⁸⁷ In response to America’s potential upstaging by its subordinates, Nixon in 1971 jettisoned the Bretton Woods system – cutting the link of the dollar to gold – imposed a tariff surcharge on all imports, and decreed a price freeze.”³⁸⁸ Meanwhile, America’s business elite “launched the most extensive organization campaign of private capital since the Committee on Economic Development in the 1940s” through the 1972 foundation of the Business Roundtable, an organization “committed to the aggressive pursuit of political power for the corporation” to counter the militant labor and social movements of the late Vietnam era which successfully passed new sets of regulations upon worker, environmental, and consumer protection.³⁸⁹ A 1971 memo written to the US Chamber of Commerce written by Lewis Powell, then to be elevated to the Supreme Court by President Nixon, went further stating, “the time had come for the wisdom ingenuity and resources of American business to be marshalled against those who would destroy it.” In order to sway the prevailing attitude, Powell argued, it was necessary that

³⁸⁶ *United States Objectives and Programmes for National Security*, NSC-68, Part IV, Section A.

³⁸⁷ See Robert Brenner, *The Economics of Global Turbulence*, New York: Verso, 2006. For major account of post-war adjustments, 99-142.

³⁸⁸ Anderson, 69.

³⁸⁹ Early organizational successes came in the 1973 defeat of the Foreign Trade and Investment act, which planned to place limits upon foreign imports and US corporations’ export of capital abroad, Panitch 164; Harvey, 43. Alongside industry lobbies, policy tanks such as AEI, the Heritage Foundation, and the Hoover Institute emerged with corporate backing to arguments and policies in keeping with neoliberal policy, Harvey, 44.

the National Chamber of Commerce lead an assault against the academy, public schools, the media, publishing, and the courts to alter the perceptions “about the corporation, the law, the culture, and the individual.”³⁹⁰

Following the dollar’s devaluation and the eventual exhaustion of its attendant boost to US export competitiveness, the US Treasury under its new Chairman, Paul Volcker, moved to make short work of the country’s inflation problem, something compounded by the sloppy management of the OPEC oil crisis domestically, by raising interest rates to the “painfully high” peaking interest levels at 21 percent in 1981.³⁹¹ While Volcker’s interest shock is credited with reducing inflation, it also had the ancillary effect of disciplining sources of US antagonism, both domestically and internationally through the trigger of a massive debt shock.³⁹² The Third World’s debt crisis (felt throughout the 1980s) acted to force much of the Non-Aligned Movement – long ambivalent to US impositions and economic priorities – into line with the US, which had only recently indicated it was ready to break the back of labor to embrace neoliberalism during the 1980s.³⁹³

As post-war capitalism outgrew the cradle of Bretton Woods and ascended beyond the labor militancy of its national borders, capital was now free to shift uninhibited into the borders of its now developed allies. Alongside Nixon’s startling abandonment of the Bretton Woods exchange regime, whose basis accepted US dollar supremacy and its pegging to gold equally unexpected and momentous

³⁹⁰ As cited in Harvey, 43; Powell: “Strength lies in organization, in long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in power only available through united action and national organizations.”

³⁹¹ See Joe Stork, *Middle East Oil and the Energy Crisis*, New York: Monthly Review Press, 1975; Robert Vitalis, *America’s Kingdom*, Stanford: Stanford University Press, 2006. Toby Jones: “There was actually no shortfall of supply and it was domestic manipulation of natural gas markets and President Nixon’s over-reaction in mandating hard-hitting austerity measures that stressed American consumers the most,” in “Energy Security: Genealogy of a Term,” *MERIP*, Summer 2014, 271. Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, New York: Metropolitan Books, 2007, 159.

³⁹² Inflation in 1983 stood at 3.2 percent, down from 13.3 in 1979 at the beginning of Volcker’s ‘October Massacre’ of inflation, “To Treat the Fed as Volcker Did,” 4 Nov. 2008, *The New York Times*.

³⁹³ Klein, 159-160. Notably, the Democratic Party’s conditional dispersal of loans to Chrysler in 1979 and the earlier New York City fiscal crisis became early examples of future policy, Harvey, 44-48.

was his announcement of plans to travel to Beijing. The US-China meeting in 1972 foreshadowed China's re-engagement with the world it embraced only six years later after Mao's passing.

As China moved to reintegrate itself within a system of global capital on a gradual basis, observing closely the Singaporean Prime Minister Lee Kwan Yew's example of state-managed capitalist development, Chinese elites rapidly found themselves ingratiated within a regional and global production system wherein final product assembly largely occurred in China, but little else.³⁹⁴ While the higher value-added portions of a given item's development occurred outside of China, this tended to prove the rule within China's economy, particularly after its signature to the World Trade Organization in 2001, solidifying its position relative to other economies in the region. Again, however, this development should not prove shocking: as a late Tiger to begin capitalist development during the 1980s, accelerating during the 1990s, China fit itself neatly within the post-war export system whose 'flying geese' pattern relied upon a technological and economic hierarchy which had already accorded to Japan and South Korea the most lucrative positions. Likewise, as the San Francisco System shifted toward a more Sino-centric model with China's growth by the mid- to late-1990s, inter-operability grew more important as regional economic integration increased.³⁹⁵ Unlike other regional export regimes' growth, the fact that Chinese consumer demand was so weak that incomes rose so slowly, and represented so little of China's total economic output only deepened the geopolitical patterns established by its predecessors: America would continue to be provided cheap

³⁹⁴ Vogel, 291.

³⁹⁵ The degree to which was evidenced very clearly after US consumer demand flagged after its 2008 financial meltdown: "Asian exports plunged immediately [following the 2008 crash], while those of the PRC dived to a similar extent only about three months later." To see the increasing levels of Asian-Chinese trade, see Table 2 in Hung Ho-Fung, "America's Head Servant," *New Left Review* 60, 2009.

credit and low-cost imports as part of a cyclical yet growing process of cycling investment capital throughout across the entire Pacific, deepening global and regional interdependence.³⁹⁶

Undermined Bretton Woods System

As an important marker of the San Francisco system's success – and the East Asian developmental state's later demise – Japan's and others' experience with liberalization bears enormous implications for China's future. By the 1980s, Japan showed signs of outgrowing the national framework which had delivered its industry and finance success and strength. Japan's domestic mix of a well-to-do labor force and a powerful managerial and administrative class together produced the country's export regime (through ready access to cheap state credit) and the development of Japanese corporations and finance by the 1970s. Coupled with the strong base of support from within Japan and access to the massive American market during the 1970s, Japanese manufacturing profits rose to such a degree that the overwhelming financial support Japanese industry received from the national Ministry of Finance eventually became extra money, giving Japan's institutional investors the confidence to invest abroad.

Consequently, Japan's 1949 Foreign Exchange and Foreign Trade law – restricting all cross border capital flows except those permitted by administrative decree – so greatly burdened Japan's fledgling commercial activities in Taiwan and Korea³⁹⁷ that by 1980, Japan loosened its restrictions, which instantly became the “most prominent turning point in the history of Japanese finance.”³⁹⁸ Soon thereafter, the large surpluses gained in Japan by its export regime rapidly allowed the country to overtake both the United States and Germany in terms of cross-border capital flows. Indeed,

³⁹⁶ Ibid; Michael Pettis, *The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy*, Princeton: Princeton University Press, 2013, 77.

³⁹⁷ Harvey, 107.

³⁹⁸ As cited in Panitch, 206

Japanese finance's eagerness to invest abroad led the country to possess at least \$132 billion worth of long-term investments by 1986, up from only \$3 billion in 1977.³⁹⁹ Meanwhile, Japan's mass purchase of US treasury bonds, as well as loans rated by their comparison with US treasuries, facilitated the explosion of financial activity on Wall Street (particularly asset securitization) during the 1980s.⁴⁰⁰ While Japan's financial liberalization sustained a new burst of US deficit spending (this time focused upon economically exhausting the Soviet Union's military), the scale of Japan's foreign ventures and the trade surpluses it registered vis à vis the United States mainly flagged the depth of Japan's integration within global capital and that of its reliance upon US markets.⁴⁰¹

Japan's integration was not without its kinks; the country's 1980 liquidation of currency rules coincided with the US' Volcker shock, which, while successful in dragging the dollar from its recession trough back to strength, forced US manufacturers and labor unions to pay the price.⁴⁰² Subsequent ad-hoc meetings intended to forcefully reassert the competitiveness of US exports shed Washington's preferential treatment of Japanese industry and clinched US economic recovery during the 1980s. Much as today, the United States' preferred method of addressing its trade imbalances with Japan remained largely artificial in focus, yet in line with previous efforts toward liberalization. The 1984 Yen-Dollar Agreement (which ended limits upon currency-swap transactions) failed to provide the intended relief to US manufacturers, instead fulfilling only the US Treasury's long-held desire to open

³⁹⁹ Panitch, 206.

⁴⁰⁰ "[I]n all the blizzards of financial paper that blew through Tokyo during the 1980s—the Canadian and Australian dollar twofers, the reverse dual currency bonds, the Samurai bonds, the Sushi bonds, the instantly repackaged perpetuals, the zero-coupon bonds, the square trips and double-dip leveraged leases—US Treasury notes bills and bonds held pride of place. These securities . . . backed by the full faith and credit of the US government . . . formed a liquid market of great depth: the securities were traded around the world, and buyers and sellers were thus available twenty-four hours a day. Most other dollar debt securities were priced off Treasuries. The yields in non-dollar markets were systematically compared with Treasuries, and with the development of interest and currency swaps, non-dollar markets would be linked directly to Treasuries," R. Taggart Murphy, *The Weight of the Yen*, New York: W. W. Norton & Company, 1997, 144-145.

⁴⁰¹ US trade deficits with Japan mounted during the 1980s following the post-Bretton dollar boost from \$31 billion in 1983 to \$56 billion in 1985, Panitch, 208.

⁴⁰² Ibid, 207.

Japan's capital markets to financial penetration.⁴⁰³ Other US-led attempts to appease domestic manufacturers broadly featured the same effects, if only their attempts to declared goals this time finally proved successful: two years after a meeting known as the Plaza Accord, later described as the “most impressive coordinated multi-national attack on currency markets by governments in history,”⁴⁰⁴ the dollar's value declined 60 percent relative to the yen. While the scale of the US dollar's decline immediately indicated a drastic transfer of wealth to Japan, the measure liquidated a currency regime which even Japan's finance minister regarded as a “subsidy to Japan's exports to the United States and an import-surcharge on US exports to Japan.”⁴⁰⁵

Even so, Japan's lending and foreign investments continued. At a time when observers suspected Japan's success may have allowed it to challenge the dollar's international supremacy, the financial uneasiness caused by the yen's boost, alongside the country's liberalization, tended to push the country in a more conservative direction that instead supported the US financial supremacy in times of crisis, such as during its 1987 Savings and Loan Crisis.⁴⁰⁶ With real-estate prices tripling during the 1980s coinciding with a financial internationalism on the part of Japanese creditors, Japan's 1987 decision to lower its interest rates only inflated Japan's already precarious financial position, “which, by the late 1980s, had begun to look like one of the great financial manias in global financial history.”⁴⁰⁷

⁴⁰³ “...never before has one country so pressed another to integrate its financial market with the rest of the world and to internationalize its currency,” as cited in Panitch, 208.

⁴⁰⁴ R. Taggart Murphy, “A Loyal Retainer? Japan, Capitalism and the Perpetuation of American Hegemony,” in Leo Panitch, Greg Also, and Vivek Chibber, eds., *The Crisis This Time: Socialist Register 2011*, London: Merlin 2010.

⁴⁰⁵ Yoishi Funabashi, *Managing the Dollar: From the Plaza to the Louvre*, Washington, DC: Institute for International Economics, 1988, 40.

⁴⁰⁶ As noted by the chief economist of one of Japan's leading banks, the Japan's role was “to assist the United States by exporting our money to rebuild your economy. This is the evidence that our economy is fundamentally weak. The money goes to America because you are fundamentally strong.” As cited in Panitch, 210. Likewise, Japanese finance cooperated with the Federal Reserve to supply extra liquidity, globally and regionally, restoring stability to international markets; FDI ballooned from \$2.1 billion in 1985 to \$21.2 billion in 1989, Ibid, 210.

⁴⁰⁷ Murphy, *Weight of the Yen*, 236, 263.

When Japan's Ministry of Finance later predictably moved to tighten the excess, the country's bubble burst. Since Asia's other success stories had for years relied upon Japan for guidance, the manner and magnitude of Japan's bubble proved telling for other similar countries, namely, the nearby 'tigers,' as they were called (South Korea, Taiwan, Hong Kong, Singapore). Generally reliant upon many of the same mechanisms as Japan, South Korea's implosion after Japan in the late 1990s followed broadly the same route. Korean industry became strong and prosperous globally and had increasingly less need for financial support from home to turn profits abroad. However, success did not suggest that the South Koreans would move to shelter or isolate the vestiges of their decades of eager state support, which were represented primarily by substantial amounts of non-performing loans. With Korean industry's financial exposure increasing and broadening throughout the 1990s at US urging,⁴⁰⁸ foreign financial support collapsed in the face of repeated attacks by outsiders upon the region's currency pegs to the dollar. The consequent structural reforms hoisted upon South Korea by the IMF obligated the country to slash spending upon the bulk of its public spending to focus upon shoring up its currency against speculators through ramped-up exports. As noted by Martin Feldstein, later a major proponent of President George W. Bush's unsuccessful bid to partially privatize Social Security in 2003,⁴⁰⁹ during the 1997 Asian financial crisis, "What Korea needed was coordinated action by creditor banks... to help meet its interest obligations," but instead it received IMF funds contingent upon major structural changes to its economy during a time of extreme crisis.⁴¹⁰

In Korea, as in Japan, pressure to shed public assets to rapidly repay debts led to the privatization and breakup, or dissolution, of its largest firms. Daewoo – a firm as important within

⁴⁰⁸ Korea's incorporation into the OECD was accompanied by a strong dose of financial liberalization. Harvey, 110.

⁴⁰⁹ Christine Dugas, "Bush Renews Call for Privatization of Social Security," *USA Today*, 2 Sept. 2004.

⁴¹⁰ The standard package of privatizations – high interest rates, high taxes, and reduced government spending – contained mainly contractionary policies during Korea's struggles. Martin Feldstein, "Refocusing the IMF," *Foreign Affairs*, 1998, Vol. 77, No. 2.

Korea as Samsung – was liquidated and absorbed by foreign capital in 1999 as others rapidly witnessed foreign financial conglomerates become major stakeholders.⁴¹¹ Likewise, Japan’s liberalization cemented their own success when the current Prime Minister Shinzō Abe’s predecessor, Junichirō Koizumi, reorganized the publically-held Japan Post, the world’s largest bank and pension-holder, for later privatization in 2007.⁴¹²

Essentially, the 1997 East Asian financial crisis forced upon East Asia the structural adjustment previously levered upon Europe gently and the world much more suddenly. As a result, the crisis served as the final major footnote enabling East Asia’s full integration within global capital markets and America’s liberal order. Liberalization detonated the contradictions between East Asia’s isolated developmentalism and their US sponsor’s open corporate model. With capitalism now operating in a post-Soviet world without opposition, the US system was free to expand and neutralize the trading barriers separating nations. The caveat, of course, was that this liberation ultimately bestowed the major benefits of the new borderless world upon multi-national corporations whose investments now found no boundaries. Organized labor worldwide, meanwhile, was dismantled and corporatized.

China, the Modern Liberal Order, and the Reconfiguration of Global Power

The PRC’s economic performance will undergo a decline during the next ten to fifteen years if administrators fail to enact comprehensive reforms today. By conforming to the international market, China pursued a specific model which made high-level industrial development difficult to achieve and placed severe handicaps upon working class social mobility, let alone any major

⁴¹¹ “The Death of Daewoo,” *The Economist*, 19 Aug. 1999.

⁴¹² A deceptively named outfit, the Post was the largest holder of personal savings in the world, worth \$3 trillion, which included \$1.2 trillion in personal pension funds. Anthony Faiola, “Japan Approves Postal Privatization,” *The Washington Post*, 15 Oct. 2005.

restitutions to remedy the rural-urban divide. By mid-century, the consequences of today's decisions will be writ large across China and the world and inform global activity, trends, and conflict.

Elites React Irrationally

For China, stability depends upon the CCP's ability to reorient the country's activities toward domestic development and end the global financial imbalances which have driven not only China, but Germany and Japan since the 1980s. In the event that these states prove incapable of reversing their export-driven economies will continue enabling the basic processes of corporate globalization and likely exacerbate the already angry and repressed pro-China nationalists, as well as the general public to seek retribution for national slights incurred at global and foreign hands. Moreover, this nationalist pressure sees ample ground to combine with pro-CCP leftists urging for controls against trade and the light redistribution of wealth, against neoliberal market demands. Such a pro-Party leftist sentiment and nonexistent anti-capitalism, however, will not undo the current system or challenge its structural inequalities, but instead minimize its worst effects.

As we have seen in many parliamentary systems around the world, left-wing governments seeking social guarantees for their publics see tremendous roadblocks to achieving their popular mandates since there is no guarantee that their national programs will overcome a global financial veto.⁴¹³ In China, as previously elaborated, the New Left does not seek to dispense with either the CCP or China's wholehearted embrace of the global economy, but instead seeks to exploit the social power of the Cultural Revolution's populism and grandstanding to affect their social platform. Similarly, redistribution of wealth is not on the table in any meaningful way and neither is any form of political or industrial democracy.

⁴¹³ Karl Stagno Navarra, Ian Wishart and Rebecca Christie, "Greece Capitulates to Creditors' Demands to Cling to Euro," *Bloomberg*, 13 July 2015.

In the face of China's powerful police forces and a scattered left still mired by its common heritage and continued association with Mao Zedong, China's reaction against both its trade form, which has concentrated wealth among its trading and administrative elite, and the country's failure to achieve wealth and power is likely to pursue a highly statist form. Since institutional turns toward what is perceived as leftism in China may spread, the pivot toward deeper, Bo Xilai-style statism is instead likely to produce neither a leftist government nor a more representative government. Likewise, any mass movement seeking such changes within China have to overcome the country's strong anti-foreign bias.⁴¹⁴ Further, for such a movement to earn success, China will need to be mired in crisis and susceptible to social polarization. Without this, CCP leadership will in all likely events remain united. Action that may split the leadership and thus finally throw the CCP off balance is likely the only factor which may impede in the creation of a virulently nationalist Chinese government in the near- to medium-term should an alternative from government and global leadership not arise soon.⁴¹⁵

In the event that the Chinese government proves broadly unsuccessful reforming the economy, that a mass social movement fails to materialize and demand major changes, and that the New Left is able to rally China behind its platform and vision of the future and change, Asian governments should prepare for a China that differs vastly from its present form. This future government is likely to be more confrontational in its regional demands, less willing to permit concessions to foreigners, and chauvinistic in its dealings with neighboring countries, the United

⁴¹⁴ Hong Kong's reception by the mainland and the international community in 2014 proves indicative, here, alienating even mild emancipatory movements. Keith Bradsher and Chris Buckley, "Beijing Is Directing Hong Kong Strategy, Government Insiders Say," *New York Times*, 17 Oct. 2014; Keith Bradsher, "Some Chinese Leaders Claim U.S. and Britain Are Behind Hong Kong Protests," *The New York Times*, 10 Oct. 2014; "Big Four Accounting Firms Warn Investors Could Leave over Occupy Central Protests," *Reuters*, 27 June 2014.

⁴¹⁵ This movement could form a coalition of left-nationalist thinkers convinced, rightly, of the Chinese state's allegiance with foreign powers marching alongside erstwhile democrats and socialists. As the movement spins out of control, Chinese leadership could easily split as to the proper course of action, unlike the case in Tiananmen Square, 1989, yet still fall prey to violence.

States, and those perceived as US allies. As China's capacity to muddle through its accumulated contradictions thins, this scenario's likelihood balloons, but it remains far from a certainty. The appeal of sheer repression and a reckless China may easily be matched by stasis: the brief strategic venting of nationalist rage may be used to avert the surety of an existential crisis and signal the case-by-case intent of the regime.⁴¹⁶

International Activism Increases

Substantively, such a future China will prove remarkably destabilizing and potentially violent for East Asia. Aggressive ultranationalism will push China to assert its goals and the demands it perceives as necessary to overcoming its past forcefully until success. As Chinese theorist Ye Zicheng argues in his treatise on Chinese grand strategy, "There is a close connection between the rejuvenation of the Chinese nation and China's becoming a world power. If China does not become a world power, the rejuvenation of the Chinese nation will be incomplete. Only when it becomes a world power can we say that the total rejuvenation of the Chinese nation has been achieved."⁴¹⁷ Under current circumstances, preludes to future aggression may yet be establishing themselves. Defensive build-ups of China's navy ("purely a self-defense force")⁴¹⁸ represent an important development due to the presence of several immediate potential flashpoints with the US and its regional allies to China's south and east. Specifically, China's claims to the island of Taiwan (held by the Republic of China), the Senkaku/Daioyu Islands (contested territory with the Japanese), and its sovereignty over its southern waters, directly adjacent to key Chinese naval bases on the nearby Hainan Island (contested by the United States) all represent zones of contention ripe for escalation.

⁴¹⁶ Jessica Chen Weiss, "Authoritarian Signaling, Mass Audiences, and Nationalist Protest in China," *International Organization*, Vol 67, No. 1, 2013.

⁴¹⁷ Ye Zicheng's analysis represents an important strain of thinking within China due to his role as Chairman of the prestigious Peking University's Academic Committee in the School of International Studies. *Inside China's Grand Strategy: The Perspective from the People's Republic*, Lexington: University Press of Kentucky, 2011, 72.

⁴¹⁸ Edward Wong, "Chinese Military Seeks to Extend its Naval Power," *The New York Times*, 23 April 2010.

However, as scholar John Mearshimer has pointed out, the continued prospect of peace stands upon the realistic distinctions between offensive and defensive military capabilities and states' motives for their expansion. As it so happens, such distinctions are often menial and do little to deter conflict.⁴¹⁹ Since China's entry to the modern Great Game – a 19th century strategic rivalry and conflict between British and Russian Empires for supremacy in Central Asia – conflict with the United States and its satrapies suggests conflict of far wider proportions than those limited to the Chinese coastline, especially if enflamed through the arrival of any erratic Chinese nationalism.⁴²⁰

The fear, of course, is that China's swelling nationalism may soon translate into a more active militarism. China's past ability to deploy and restrain popular outbursts of nationalism has today receded. Since 2008 following the financial crisis, the PRC's receptiveness and inability to deter nationalist sentiments has led senior military officers to urge vocally that the government push back against the US on its foreign policy goals. In 2010, Colonel Liu Mingfu's *The China Dream* called upon Chinese military strategy abandon its modesty and restraint to become the world's largest, to the degree that the United States would be incapable of deterring a Chinese attack upon Taiwan. Instead, he wrote, "if China's goal for military strength is not to pass the United States and Russia, then China is locking itself into being a third-rate military power."⁴²¹ Increasingly, Chinese strategists have concluded that the United States has been in decline since start of the 2008–09 financial crisis that the is declining, and that China is rising much faster than anticipated. When married with the self-

⁴¹⁹ "Negotiators at the 1932 [World] Disarmament Conference tried to make these distinctions and found themselves tied in knots trying to determine whether particular weapons like tanks and aircraft carriers are offensive or defensive in nature." John Mearshimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics*, Vol 3, 2010, 383.

⁴²⁰ The Shanghai Cooperation Organization is a geopolitical bloc which may conceivably bring the three major poles of anti-US geopolitics – Tehran, Moscow, and Beijing – into cooperation and regular conference. The Silk Road fund was established to aid its development. "With China's Silk Road initiative, SCO eyes bigger global role," *Xinhua*, 11 Mar 2015; Pepe Escobar, *Empire of Chaos: The Roving Eye Collection*, Nimble Books, 2014. See also Zbigniew Brezezinski's *The Grand Chessboard*, Basic Books, 1997 for US strategy's emphasis upon controlling the Eurasian landmass and central Asia.

⁴²¹ Chris Buckley, "China PLA Officer Urges Challenging U.S. Dominance," *Reuters*, 28 Feb 2010.

confidence and enthusiasm of the Chinese public, of their futures, belligerent nationalism appears commonplace, especially among the young.⁴²²

Should China's underlying triumphalism reverse, as now appears possible with economic decline,⁴²³ the PRC could endure further unrest if the country's performance legitimacy falters in the coming years and decades without a replacement.⁴²⁴ Consequently, concerns that China may become trapped by its failure to reform highlight China's recent efforts to bolster its security apparatus. In order to "muzzl[e] Chinese civil society and corral the influence of Western institutions and ideas," new laws extending regulations upon politics, ideology and culture have been created alongside a flurry of others that further centralize the country's security agencies beneath the Party Secretary and limit foreign influence within the country.⁴²⁵ Altogether, the PRC's recent efforts to strangle its internal society and foreign influence strengthen the state's authoritarianism and reflect the CCP's bid for longevity as the regime shows its initial signs of strain.

To the extent that China's economy expands, albeit slowly and unevenly, its security needs will shift to include the protection of China's shipping lanes for strategic resources, such as oil, of which the bulk of its supply arrives from the Middle East. To compound this firm reality, US and Chinese planners will have to further account for twenty to thirty years of technological and political development and decentralization. While the United States is likely to possess an economy whose

⁴²² Aaron Friedburg, "The Coming Clash with China," *The Wall Street Journal*, 17 Jan 2011.

⁴²³ Economic triumphalism proved a major aspect of Chinese celebration after 2008; with fortunes potentially reversing as China's future becomes more uncertain, the United States' rebalance may prompt anger. See Pettis' predictions, 185-190; Sam Fleming, "US Economy Bounces Back with 2.3%," *The Financial Times*, 30 July 2015; Megan Cassella, "U.S. Fed Likely to Raise Interest Rates Twice this Year: Reuters Poll," *Reuters*, 13 August 2015.

⁴²⁴ "Finance Minister Lou Jiwei's warn[ed] that the country has a 'greater-than-50-percent' chance of falling into the middle-income trap in the next five to 10 years;" "Nation Must Be Alert to Middle-Income Trap," *China Daily*, 28 April 2015; Kevin Yao, "Reforms at Risk as China Eyes 2020 Growth Goal," *Reuters*, 3 June 2015. One economist interviewed noted, "The trend of economic slowdown looks inevitable. There could be big pressures if we target 7 percent growth... [reaching growth targets] is more of a political issue than an economic issue."

⁴²⁵ Edward Wong, "Chinese Security Laws Elevate the Party and Stifle Dissent. Mao Would Approve." *The New York Times*, 29 May 2015.

technological achievements and range of military commitments and experience will remain unmatched, China will possess the power of proximity and relative firepower in any match-up. By 2045, after three decades of further development, China's military spending will surge upward alongside the United States'. All considered, China's military influence in East Asia will be far greater in the future than today, and it will be able to use its weight much more successfully and easily.⁴²⁶

Militarism's Alternative

Since China's transformations engender many alternatives for the future, not all need suggest a violent future. As neoliberalism matures and world trade integrates beneath today's trade treaties,⁴²⁷ it stands to reason that the backlashes experienced presently against corporate globalization will steadily expand. In order to curtail the influence of non-state actors, governments will seek to expand their own powers to limit, repress, or exploit those pressures as necessary. Should the PRC successfully stay afloat in the coming decades by muddling through its own reform efforts, adapting only as necessary,⁴²⁸ the PRC may yet survive with the core of its sanity intact. But to the extent that the post-2008 world economy rebalances, the locus of reform will originate from within US policy circles.

On the heels of US reform, China will likewise find freedom to organize its economy without the incessant input of foreign demand urging the country's sole focus upon exports. In such a scenario – which the current President Xi Jinping now shepherds – the PRC's economic development will become insular but not isolated from the global economy. The challenge, of course, is the reformation of China's major economic institutions (namely its finance and state sector) to accommodate and feed

⁴²⁶ Mearshimer, 394-395.

⁴²⁷ The Trans-Pacific Partnership and Transatlantic Trade and Investment Partnership today represent the two major cornerstones of future trade.

⁴²⁸ David Shambaugh, *China's Communist Party: Atrophy and Adaptation*, University of California Press, 2009.

such widespread changes, so even if Xi proves capable of even partially reforming the Chinese economy during his tenure, its future will be secured for further changes, even though this future remains in perpetual uncertainty.⁴²⁹

Since any Chinese rebalance will inherently require the empowerment of a broad base of freely organized capital, capitalist development and accumulation will be free to pursue its own goals and terms while also lobbying for the reformation of government under more friendly terms. Since Chinese reform will essentially embolden an incipient liberalism at China's foundation, urging for greater success and influence as it grows, China's illiberal economy will more and more reflect the liberalism of its European, Japanese, and Western counterparts, although still bearing its 'Chinese characteristics' and the dictatorship of the Communist Party.

Globally, such a fundamental reorganization of capitalist production will force not only East Asia to adapt as production demands change, but also the flow of global resources.⁴³⁰ Implicit within any measure of China's successful reform stands a larger question about what such a rise entails for the international market and, by extension, the distribution or availability of surplus profit. With so much of global manufacturing already set within China, the flood of the coming generation of job seekers suggests that the service industry will expand to absorb them, exploding in both scale and

⁴²⁹ Martin Wolf: "With growth substantially slower, excess capacity will be chronic. What do people do when they have excess capacity? They stop investing. That is also why China's government needs to keep growth up: if it fails to do so, investment might collapse, with devastating effects." "China Will Struggle to Keep Its Momentum," *The Financial Times*, 7 April 2015.

⁴³⁰ Michael Heath, "China Is Set to Lose Manufacturing Crown," *Bloomberg Business*, 28 April 2015; Minqi Li: "it is necessary for the core states to shift their capital out of certain economic sectors with declining profit rates [to restore the profit rate and reinvigorate capital accumulation] and relocate these sectors to geographic areas in the periphery and semi-periphery where the wage and taxation costs remain sufficiently low." *The Rise of China and the Demise of the Capitalist World Economy*, New York: Monthly Review Press, 2008, 107. Petrol, coal, concrete, precious metals, iron ore, bauxite form the major resources of global value.

importance, while pushing the degree of geographic polarization and overall need for surplus resources even higher.⁴³¹

Alongside these trends, it already appears broadly evident that the CCP desires greater respect for its power internationally. Indicators of this may be found in the establishment of the AIIB in 2014, China's dual creation and expansion of both the Shanghai Cooperation Organization in 1996 (whose recent inductees include two states of great strategic significance, India and Pakistan)⁴³² and the renewed Silk Road,⁴³³ as well as continued expansion into its over southern waters and eastern islands against the wishes of its neighbors all tend to point toward the ambitious China commentators frequently describe as seeking war.⁴³⁴ However, this need not be the case.

The 2001 Hainan Island incident provides a useful starting point for further considerations. Broadly speaking, the incident was provoked when a US spy plane collided with a Chinese military aircraft midflight over Chinese waters. Instead of the incident concluding with a renewal of Cold War-era hostility, the affair ended with the mutual admission that escalation was not worth the costs of lost cooperation or and mutual interests. As one critical representative of the US intellectual establishment sounded in the midst of the April Hainan stand-off, "the Bush administration is trying

⁴³¹ "By 2025, [McKinsey Global Institute] projects that about two-thirds of the population – 64 percent – will live in cities." Moreover, "Projecting current trends forward... the proportion of China's GDP generated by cities will rise from 75 percent today to 95 percent by 2025." Jonathan Woetzel, et. al, "Preparing for China's Urban Billion," *McKinsey Global Institute*, 2009, 18.

⁴³² Two states of significant strategic importance, India and Pakistan, will become full members to the organization by 2016. "India, Pakistan become full SCO members," *The Hindu*, 11 July 2015.

⁴³³ He Yini: "China announces plans to boost the Belt and Road trade by creating economic corridors and investing nearly \$900 billion in countries along the route... Corridors are set to run through China-Mongolia-Russia, New Eurasian Land Bridge, China-Central and West Asia, China-Indo-China Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar." "China to invest \$900b in Belt and Road Initiative," *China Daily*, 28 May 2015.

⁴³⁴ David Alexander, "U.S. Says China's Island-Building Erodes Security; Beijing Angered," *Reuters*, 30 May 2015; Mearshimer.

not to get back into the old days. They've got an awful lot riding on decent relations with China, as every administration has for 20 years."⁴³⁵

Indeed, both states stood to gain in the events of later that year. US multinationals and finance stood to gain greatly from the expansion of China's liberalization process; they might be afforded attractive new investments and sources of profit, especially as China's market matured to allow the full penetration and colonization of domestic assets by foreign capital – a process that indeed has shown its initial stages only recently.⁴³⁶ Concurrently, the US government's successful signature of the PRC to the binding trade arrangements of the World Trade Organization in 2001 assured China's commitment to the international economy. On the other hand, China gained access to unprecedented amounts of foreign investments, which it used to fund its own development.

President Clinton's efforts to smooth over the kinks created by the 1989 Tiananmen massacre proved successful by the mid-1990s.⁴³⁷ Thereafter, investment within China ballooned and ruled out regression to Stalinist central planning or major revisions toward its relations with the United States. President Bush's rapid willingness to conclude an uncomfortable brush with escalation in favor of a much larger trade treaty reflected his administration's and the US establishment's eagerness to spread trade unencumbered around the world.

With both the United States and the PRC saddled by deep economic complications and rising social discontent at home, both countries in 2015 possess ample reason to demonstrate restraint upon

⁴³⁵ The Incident ended formally with the 'dual apologies' for the role of their pilots in the preceding events and the risks encountered during the pursuant stand-off. Jake Tapper, Daryl Lindsey, and Alicia Montgomery, "War of Words," *Salon*, 12 April 2001; Robert Beisner is professor emeritus of history at American University, "Spy plane showdown," *Salon*, 4 April 2001.

⁴³⁶ The continued demand of China's current account liberalization likely mirrors the intentions US finance possessed toward the Asian Tigers during the 1990s. Similarly, liberalization of SOEs proves an indisputable step toward wide-ranging market processes – and US financial penetration. Fayen Wong, "Foreigners to Be Mostly Kept out of China's Privatizations," *Reuters*, 6 Mar 2014.

⁴³⁷ Thomas Friedman, "U.S. Is to Maintain Trade Privileges for China's Goods; Clinton Votes for Business," *New York Times*, 27 May 1994.

the scope of their more assertive world visions. However, between the two states, the flashpoints which repeatedly arise stem largely from issues particular to Northeast Asia. These potential flashpoints by no means suggest that global or even regional struggle between the United States and China is a predetermined fact, but instead suggest the viability of alternatives. As in the past with the resolved Hainan Island incident, the future of the China-US relationship – a symbiotic one of trade, shared prosperity, and global geopolitical predictability – may be secured peacefully, as in the past. The particularities drawn up by Professor Charles Glaser of George Washington University point toward significant US accommodations (namely, the closure of US support for Taiwan) to China, becoming of the PRC's renewed stature regionally and globally, in exchange for balance, surety, and continued relations. While inconceivable in the minds of many US hawks and US allies,⁴³⁸ the proposition would sit ably within China's and the United States' liberal trade and policy establishments.

Immediately, such a strategic arrangement may render the passing of special anti-China trade deals such as the Trans-Pacific Partnership irrelevant or counterproductive to sustained relations.⁴³⁹ Further, a more firm peace accompanied by further friendly trade arrangements and economic rebalancing and provides greater stability for China's coastal development. Together, such measures may give China the room to satisfy the nation's storied returned to 'wealth and power,' thus deflating the PRC's hawkish and militaristic circles. In the event of such an admittedly unlikely scenario, the US would gain an invaluable ally in global management, even as the liberal order's bearings sheered and weakened beneath the weight of another economic juggernaut.

⁴³⁸ Charles Glaser, "A U.S.-China Grand Bargain?" *International Security*, 2015, Vol 39, No. 4, 49-90; Isaac Stone Fish, "We Face a Very Serious Chinese Military Threat," 10 June 2013.

⁴³⁹ David Pilling, "It Won't Be Easy to Build an 'Anyone but China' Club," *The Financial Times*, 22 May 2013.

The Persistence of the International San Francisco System Framework

The future East Asia thus possesses a myriad of differing scenarios with global implications. Beneath any major US accommodations to the Chinese, the US grand strategy remains unlikely to uproot the moorings of its now sixty year-old San Francisco framework.⁴⁴⁰ While major accommodations to the Chinese may damage the US regional allies' interest in a future relationship, as Glaser notes, they possess few alternative options at their disposal, since, "to avoid intensifying military competition and worsening political relations [and potentially their own destruction]... a geopolitical solution to Northeast Asia's disputes is likely required."⁴⁴¹

Naturally, this will see a number of differing scenarios. As already outlined, PRC leadership could be reassured through the support of the New Left, likely emboldening the regime to take a more aggressive foreign policy. Having already extricated itself from such a flashpoint as Taiwan, the United States may avoid a major confrontation 6,000 miles away, but then, the scope of the PRC's intent will be largely unknown. Elsewhere, economic failure could cause the CCP to again become victim to another major uprising from its population of the scale experienced in 1989. If we assume then that the CCP successfully subdues popular pressure, it is likely to endure a future already imagined by the likes of Minxin Pei. China's 'trapped transition' will force the PRC to limp along as a massive, stagnant, and imbalanced middle-income giant, generally unable to achieve political unity, until collapse. "[F]or hard-nosed realists," Minxin writes, this renders "a China incapable of mounting a real challenge for global prominence, [wasting] the tens of billions of dollars in military spending justified as a response to China's rising military threat."⁴⁴² To that end, a governmentally weak and decentralized would

⁴⁴⁰ With the continued devotion to Japanese security and a generally assertive security architecture against a potential military challenger, many of the framework's key points would be maintained. Calder, "Securing Security Through Prosperity," 138-139.

⁴⁴¹ Glaser, 90.

⁴⁴² Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy*, Cambridge, Mass: Harvard University Press, 2008, 213-214.

prove entirely incapable of producing a unified vision for necessary reforms and instead remain within the nexus of Western trade demands, unable to shift its domestic spending practices properly, but also unable to shift internal spending meaningfully toward either higher consumption and liberalization or to care of its abandoned interior. Without the capacity to effect either change, China would prove captive to both external demands and its own predatory elite – now fully resembling the compradore-ridden Kuomintang the CCP endeavored to topple almost a century ago.

Altogether, hypothetical US strategic accommodations will serve primarily to legitimize China's importance within the global system beyond that of a service station along the neoliberal caravan to riches. Conversely, maintaining the present status quo, which has already serviced the Chinese regime mightily during the last thirty years, will allow relations to shift as necessary; in either scenario, however, the framework will prove largely identical, plus or minus a few uncertainties. Historical tensions will remain and intensify if aggravated purposely unless intermediated preemptively, though the prior retains the tendency found in history.⁴⁴³

The Fate of the Neoliberal Project

Today's economic system was itself arranged during the 1970s and expanded during the 1980s. As a reorientation in government policy, such changes arrived thanks to Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom and marked a departure from the New Deal Keynesianism which preceded it. The major accomplishment of the Keynesian phenomenon was the creation of institutions that allowed the onset of a liberal reformism – a willingness and ability on the part of governments concede to the demands of their public.

⁴⁴³ Organized efforts to make the Japanese serve as a primary hedge against an internationalism in the region on par with the Europeans has made it more sensitive and prone to militaristic policies. Japan recently ended its ban on deploying military forces abroad. See Chalmers Johnson, "No Longer the 'Lone' Superpower," *TomDispatch*, 15 March 2005; Linda Seig and Kiyoshi Takenaka, *Reuters*, "Japan Takes Historic Step from Post-War Pacifism, OKs Fighting for Allies," 2 July 2014.

China's serious inclusion within the world labor force during the 1980s coincided with the reversal of such a reformism. Neoliberalism arrived as a method of continuing and expanding the liberal trade order by shifting West European, American, and Japanese investments out of their home countries and markets.⁴⁴⁴ This export of Western investments occurred in order to exploit the poor populations of destitute countries of their resources and their willingness to work for a pittance. However, China's inclusion, exploitation, and newfound wealth within the global marketplace, alongside that of India's, also represents a further global expansion of the general division of labor found within individual countries. The United States used the post-war trauma to protect and cultivate Western Europe and East Asia and afforded them the massive privileges attendant with the US' possession of half of global GDP.⁴⁴⁵ However, these regions frequently downplayed their structural privileges and became major proponents of neoliberal orthodoxy contrary of their own development stories.

These major post-war regions – the US-dominated triad – represent what are known in world-systems analysis as the 'core' states of modern capitalism. The centrality of the US triad is reflected by the types of services and outputs they produce, as well as the decisive roles their governments and economies play internationally. As the 1970s and 1980s passed, other governments aspired to the same prosperity found in Japan and Western Europe without the same US sponsorship, ensnaring them within systems constructed to enrich and service the US triad – who collectively possess slightly

⁴⁴⁴ This occurred much to the contrary the observations of neoliberal orthodoxy's highest saint: "Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade... By preferring the support of domestic to that of foreign industry, he intends only his own security [and by intending] only his own gain, he is... led by an invisible hand to promote an end which was no part of his intention." Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, New York: Alfred A. Knopf, 1991, 397, 399.

⁴⁴⁵ Joseph Nye, "American Hegemony or American Primacy?" *Project Syndicate*, 9 Mar. 2015. Even with the US' massive annual GDP of nearly than \$18 trillion today, it represents only 22 percent of global GDP, as of 2014. World Bank data, GDP.

more than half of global GDP today.⁴⁴⁶ When those states peripheral to the capitalist core attempt to service the core's demand by supplying it with manufactures or raw materials to become proficient in the mass production of or distribution of certain finished goods, their interactions mirror the unequal imperial exchanges of other nations in the past. The processing and transformation of raw materials from locations around the world into finished goods for sale and export back to the capitalist core with technology only made available to them by those more advanced economies defines the nature of the relationship – one from which they benefit far less than the final purchasing core state. The relative sophistication of these new, post-1970s East Asian manufacturers and – more broadly – of states referred to generally as the 'BRICs' (Brazil, Russia, India, China, and South Africa) have allowed them to become middle-rung managers and exploiters within the global system beneath the core states. These middle managers' role internationally and privileges at home depend upon the continuity of preserving the core's global trade. This stasis, however, leaves them yet also financially exploited by the impossibility of achieving higher-end productive mobility. These manufacturing states, also known as the 'semi-periphery,' rank above the 'peripheral' regions of capitalist accumulation and production, represented mainly by the raw material producers found throughout the Middle East, Central Asia, Africa and South America. While none of the states explicitly submits to or agrees with the predetermined global order or distribution of wealth, they remain incapable of either exiting the system or seeking to undermine the market processes and profitability inside or outside their borders without also critically undermining themselves. Similarly, governments' responsibilities obligate them to continually pursue more expansion and yet greater exploitation to sustain growth while shunning actions which might otherwise depress their tax receipts upon

⁴⁴⁶ The sum of Japanese, American, and EU economic activity amounts to almost 52 percent of global GDP. See World Bank data, GDP.

corporate profits.⁴⁴⁷ The above presents a general ordering and hierarchy for governments and economies within the presently and historically organized global economic system, or ‘world-system.’

Broadly speaking, many of these tendencies may be found within the problems of the world’s two largest – but categorically differing – economies. While the United States and China may perceivably share a mutually imbalanced trade regime, along with its pursuant social vices, China does not wield similar positions within the global economy as the United States, nor does their economic record suggest parity. As discussed in Chapter 2, US economic supremacy is reflected, among other things, within China’s own dependency upon US technology and industry-leading research and development; few original discoveries occur within China and many of its new developments are adaptations of US tech. Between 1996 and 2005, China’s export development strategy serviced primarily the capitalist core, with the US accounting for roughly 30 percent of China’s exports, with 26 percent to Japan, and another 16 percent to the EU.⁴⁴⁸ Moreover, the concurrent rise in China’s foreign currency reserves (\$3.6 trillion in July 2015) and Treasury securities (nearly \$1.3 trillion in June 2015) have purchased China little influence in the US economy, to the chagrin of Chinese leadership.⁴⁴⁹ Rather than China possessing a controlling hand over the most powerful economy in the world, instead “to paraphrase John Maynard Keynes, when the United States owes China tens of billions, that is America’s problem[, but] when it owes trillions, that is China’s problem.”⁴⁵⁰ Moreover, “China

⁴⁴⁷ “...to [instead] characterize them as ‘emerging countries’ is an ideological farce; these countries ... far from ‘catching up,’ are building the peripheral capitalisms of tomorrow.” Samir Amin, ‘The South Challenges Globalization,’ *Pambazuka News*, 5 April 2012; Robert Brenner, ‘What Is, and What Is Not, Imperialism?’ *Historical Materialism*, 2006, Vol. 14, No. 4, 79–95, esp. 83–85.

⁴⁴⁸ Shaun Breslin, *China and the Global Political Economy*, New York: Palgrave Macmillan, 2007, 110.

⁴⁴⁹ “The Time-series Data of China’s Foreign Exchange Reserves,” *State Administration of Foreign Exchange*, People’s Bank of China, accessed 20 Nov. 2015; Former Chinese Prime Minister Wen Jiabao: “We have lent a huge amount of money to the U.S. Of course we are concerned about the safety of our assets. To be honest, I am definitely a little worried,” in Michael Wines, Keith Bradsher, and Mark Landler, “China’s Leader Says He Is ‘Worried’ over U.S. Treasuries,” *The New York Times*, 14 March 2009.

⁴⁵⁰ Daniel Drezner concludes: “[T]he power of [China’s] credit has been inflated beyond its true worth.” “Bad Debts: Assessing China’s Financial Influence in Great Power Politics,” *International Security*, 2009, Vol. 34, No. 2, 43, 10.

is integrated into both American finance... and dependent on exporting to US and EU markets. Thanks to these relations China has a stake in maintaining 'dollar hegemony' and supporting the continuation of the dollar as world money." Thus, to the extent that China reforms, its future will remain beneath a structurally US-oriented global economy.⁴⁵¹

If China's productivity slouch is overrun during the future through the CCP's reform effort even partially,⁴⁵² with some economic growth projections placing the scope of reformation until 2020 between 6 and 3.9 percent,⁴⁵³ other similarly driven regional producers will have few non-artificial options to maintain their standard of living or place of importance within the global economy.⁴⁵⁴ Conversely, however, China's success may also prove incapable of meaningfully dislodging the most powerful states from their position within the region's hierarchy of production. Rather than China defeating South Korea or Japan outright in trade, a sub-market may form wherein China proves successful, though at the expense of both the United States' post-war economic creations, subsequently allowing China to become more sophisticated and to challenge increasingly incumbent

⁴⁵¹ James Parisot, "American Power, East Asian Regionalism and Emerging Powers: In or Against Empire?" *Third World Quarterly*, 2013, Vol. 34, No. 7, 1167.

⁴⁵² Zhu Xiaodong, "Understanding China's Growth: Past, Present and Future," *Journal of Economic Perspectives*, 2012, Vol. 26, No. 4, 103-124. Another report noting that the non-economic allocation of resources by the state for political purposes represses productivity gains which may otherwise increase as much as 30-50 percent. Hsieh Chang-Tai and Peter J. Klenow, "Misallocation and Manufacturing TFP in China and India," *Quarterly Journal of Economics*, 2009, Vol. 124, No. 4, 1403-1448.

⁴⁵³ Should the CCP's reliance upon investment-led growth instead continue against the pressure to reform, it would crowd out most other productive investments which "would mean a hard landing in 2020: no better than 3% annual GDP growth. Falling productivity could easily pull private investment down with it, leaving GDP growth even lower at 1%, surely a crisis." Daniel Rosen, "Avoiding the Blind Alley: China's Economic Overhauled and Its Global Implications," *Asia Society Policy Institute*, 2014, 8; David Hoffman and Andrew Polk, "The Long Soft Fall in Chinese Growth: White Paper," *The Conference Board*, Oct 2014.

⁴⁵⁴ "China is likely to become an international player for an increasing range of products and to move up the value chain... The bottom line is that China's surplus labor is three times the labor force in the manufacturing sector of OECD countries, meaning that it can absorb the world's manufacturing sector without causing much wage inflation. In our view, China's prices are becoming global prices, while other Asian producers have to accept prices," Denise Yam and Andy Xie, "Any Hope for Export Pricing Power?" *The Morgan Stanley Global Economic Forum*, 16 Oct 2002; Andy Xie: "[o]ther East Asian economies can't maintain the same living standard without deflation. Deflation in this context isn't about productivity gains; it's about depleting wealth to pay for an unsustainable living standard." "In Search of Pricing Power," *The Morgan Stanley Global Economic Forum*, 16 Oct 2002.

industry titans. As profits and incomes rise, however, the market never substantively changes, so there is less surplus for all those involved, forcing a downward conversion of prices, profits, and wages across northeast Asia, rendering “the peripheralization of the semi-periphery.”⁴⁵⁵

Such a scenario, as it were, remains highly unlikely. Further growth will compel the CCP to assume greater responsibilities globally that it is not simply organized to handle. In forcing deep changes within China’s consumption patterns, Xi Jinping would have to fundamentally dismantle China’s significant capital controls that are key to Communist Party rule to support credit liberalization, at a time, no less, when its banking system is experiencing repeated blows by the global financial system.⁴⁵⁶ Such a change would involve a restructuring of the country’s coastal industries, which would have to face off against powerful vested interests among Chinese capitalists and regional officials. After changing that dynamic, persuading households to spend their savings on consumption would also require the development of a substantial welfare state to cover their expected living expenses and ongoing wages increases. And, “Given the redistribution of income that this would entail, which could only happen through a substantial shift of power to the working class, all of this—while certainly possible in the long run—would meet resistance that would go well beyond just those firms involved in exporting low-wage goods.”⁴⁵⁷

China’s future remains fundamentally bound by its internal systems and logic. Consequently, its degree of success and influence upon the world stage will continue to lag and offer primarily partial

⁴⁵⁵ The markets to which Mercedes-Benz, Lexus, or even Ford cater (the core and segments of the semi-periphery) will never expand to those living in poor countries. They are the products of the wealthy countries, so the ‘democratization’ of big brands to poorer countries will instead dilute the amount of total profits for the world’s entrenched institutions; Li, 110, 111: “The problem, again, lies with China’s huge size. Should the Chinese workers generally receive the semi-peripheral levels of wages, given the size of the Chinese population, the total surplus value distributed to the working cases in the entire well-to-do semi-periphery would have to more than double. This will greatly reduce the share of the surplus value available for the rest of the world.”

⁴⁵⁶ Andrew Colquhoun, “The Yuan Isn’t Ready to Be a Global Reserve Currency,” *The Wall Street Journal*, 12 August 2015.

⁴⁵⁷ Panitch, 336-337.

resistance against the core states, instead ‘forever emerging.’⁴⁵⁸ In fact, the great hype surrounding China’s rise rested upon the hope that it would provide a new center for widespread markets which may sustain and reproduce global capital.⁴⁵⁹ Instead, even following decades of major reforms to their economies, China and India’s consumption expenditure in 2010 was dwarfed the US alone who spent more than triple that of China and India combined.⁴⁶⁰

System-Level Problems: Climate Change, Social Inequality and Income Apartheid

To the extent that the world market and world-system possesses an order and hierarchy should by this point lie beyond repute. The problem in the early 21st century beyond these inequalities, however, lie in the social and ecological impacts of global capitalism’s development since the conclusion of World War II.

Notably, global capitalist development after World War II left a physical mark around the world due to its growing exploitation of fossil fuels. Projections in late-2013 placed average global temperature increases due the CO₂ emissions of industry, commerce, development, and daily life is projected to range between 3C and 6.4C over the next century.⁴⁶¹ When average temperatures rise above a threshold of 2.5C it is projected that global ecosystems will begin to collapse and prompt the loss of between 20 and 50 percent “of all living species on earth.”⁴⁶² In the meantime, abnormal temperatures will “systematically increase the risk of conflict [globally];” together, such risks lead to serious questions, and underestimations, regarding the longevity of either the human species or

⁴⁵⁸ This position is concurred by Ruchir Sharma: “A problem with thinking in acronyms is that once one catches on, it tends to lock analysts into a worldview that may soon be outdated... Other than being the largest economies in their respective regions, the big four emerging markets never had much in common.” His opposite is embodied by Philip Golub, “From the New International Economic Order to the G20: how the ‘global South’ is restructuring world capitalism from within,” *Third World Quarterly*, 2013, Vol. 34, No. 6, 1000-1015.

⁴⁵⁹ Martin Jacques, *When China Rules the World*, New York: Penguin Books, 2009.

⁴⁶⁰ Panitch, 336.

⁴⁶¹ Damian Carrington, “Planet Likely to Warm by 4C by 2100, scientists warn, 31 Dec 2013.

⁴⁶² Elizabeth Kolbert, *Sixth Extinction: An Unnatural History*, New York: Henry Holt & Co, 2014.

organized civilization.⁴⁶³ To begin to undo and limit the entire mess, the fossil fuel industry, which presently receives \$5.3 trillion in worldwide government subsidies annually, must abandon \$10 trillion in undeveloped reserves. Due to the magnitude and need for rapid, forceful change toward alternative renewable energy sources, the challenge has been likened to the abolitionist movement against slavery in the American South that helped lead to the Civil War. Beyond even ecological concerns, several major studies indicate that petroleum and natural gas will be exhausted entirely in little more than fifty years; coal will likewise disappear after slightly more than a century.⁴⁶⁴

These global issues then encounter individual concern for self-preservation on a massive scale: the basic necessities to life in a capitalist system usually arrive to a public through the form of wages (or salaries) in exchange for labor which might then be exchanged for goods; consequently, the automation of most labor within society without recompense could prove devastating. Within just the United States since the end of the 1970s, major losses to household and personal incomes have been driven primarily by losses in workers' pay relative to their gains in productivity over the same period and the increasingly valuable objects workers produced. Consequently, wages have stagnated for the last thirty years. As labor's and pay detached from the work they performed, the surpluses from labor's toil drifted up the bureaucratic ladder, swellings it in size, and raising the remunerations

⁴⁶³ "For example, across 19 studies, Burke and his colleagues found 24 separate estimates of the relationship between temperature changes and various kinds of conflict outcomes, and in every case, that relationship was positive. 'The probability of getting 24 positive values if there was in fact no relationship between temperature and conflict ... is less than 1 in 100 million,' Burke said in an e-mail. 'It's like flipping a coin 24 times and getting heads each time.' Chris Mooney, "There's a Surprisingly Strong Link Between Climate Change and Violence," *The Washington Post*, 22 Oct. 2014.

⁴⁶⁴ Not without reason, either. If considering the ferocity and magnitude with which the US fought to ensure the security of Gulf nations, or for the procurement of a new base of operations in Iraq, the sums spent rise quickly. David Coady, Ian Parry, et. al, "How Large Are Global Energy Subsidies?" IMF Working Paper, *International Monetary Fund*, 2015, 5; Christopher Hayes, "The New Abolitionism," *The Nation*, 22 April 2014; Joseph Stiglitz, *The Three Trillion Dollar War*, New York: W.W. Norton & Co., 2010; "This investigation comes to the conclusion that the war has, directly or indirectly, killed around 1 million people in Iraq, 220,000 in Afghanistan and 80,000 in Pakistan, i.e. a total of around 1.3 million... The total number of deaths in the three countries named above could also be in excess of 2 million, whereas a figure below 1 million is extremely unlikely." "Body Count," *Physicians for Social Responsibility*, Washington D.C., March 2015, 15; "BP: World Reserves of Fossil Fuels," *Knoema*, 16 Sept. 2015.

of the top 1 percent of households by 275 percent since 1979. During the same time, middle class families witnessed little of that prosperity, with incomes rising less than 40 percent even with the widespread inclusion of women into the workforce.⁴⁶⁵ Personal debts – made simpler with the rise of flush foreign credit – the financialization of the economy during the 1980s, and Reagan’s loose tax policies and hot money flows were meanwhile used during the same period to accommodate losses of personal income on a societal level against the pressure of rising inflation and consumer prices to the extent that total consumer debts ballooned by nearly 1,000 percent.⁴⁶⁶ In the future, as the noted physicist and futurist Stephen Hawking has observed,

If machines produce everything we need, the outcome will depend on how things are distributed. Everyone can enjoy a life of luxurious leisure if the machine-produced wealth is shared, or most people can end up miserably poor if the machine-owners successfully lobby against wealth redistribution. So far, the trend seems to be toward the second option, with technology driving ever-increasing inequality.⁴⁶⁷

Since government and industry are generally unwilling to forfeit their wealth voluntarily to the broader public, few plausible options exist for most citizens in the future. The opposite threat posed by robotics stands in its militarization for domestic policing and warfare: “autonomous weapons have been described as the third revolution in warfare, after gunpowder and nuclear arms.” According to a major open letter urging the worldwide ban of militarized AI, signed by nearly 3,000 industry

⁴⁶⁵ Braden Goyette, “America’s Growing Income Gap, by the Numbers,” *ProPublica*, 3 Nov. 2011; “The compensation-productivity gap,” *Bureau of Labor Statistics*, U.S. Department of Labor. Meanwhile, one in two working Americans make less than \$30,000, placing many households near the poverty line: “Wage Statistics for 2014,” *Social Security Administration*, November 22, 2015. Up to 47% of jobs may be computerized in the next 10 to 20 years; when combined with inequality, this radically diverts from Keynes’ predictions for the current state of humanity in the new century, Carl Benedikt Frey and Michael A. Osborne, “The Future of Employment: How Susceptible are Jobs to Computerisation?” *Oxford Martin Programme on the Impacts of Future Technology*, 17 Sept. 2013; John Maynard Keynes, *Economic Possibilities for Our Grandchildren*, Yale Department of Economics, 1930.

⁴⁶⁶ Federal Reserve Economic Data, “Total Consumer Credit Owned and Securitized, Outstanding,” *Federal Reserve Bank of St. Louis*, Sept. 2015.

⁴⁶⁷ Chris Matyszczyk, “Stephen Hawking Says We Should be more Frightened of Capitalism than Robots,” *CNET*, 8 Oct. 2015; see also Illah Reza Nourbakhsh, “The Coming Robot Dystopia,” *Foreign Affairs*, 2015, Vol. 94 No. 4.

specialists in 2015, the deployment of robots capable of killing while untethered to human operators is “feasible within years, not decades.”⁴⁶⁸

As a selection of course, these issues leave aside entirely the implications of 30 additional years of technological proliferation and advance, spreading and deepening popular movements and unrest, the diffusion of power from the state, mass global migration and human suffering as standard resources fall prey to climate change, along with the many other unknowable consequences of ecological collapse.⁴⁶⁹

Democratic Detachment

Quite importantly, the 1970s shift toward neoliberal organization has engendered major changes for human wellbeing. As the Pew Research Center notes, “The first decade of [the 21st] century witnessed an historic reduction in global poverty and a near doubling of the number of people who could be considered middle income.” However, “the emergence of a truly *global* middle class is still more promise than reality... most of these people still lived in the economically advanced countries in North America, Europe and the Asia-Pacific region.”⁴⁷⁰ Instead, the advancement of neoliberalism has presaged massive global polarization. While in the United States, neoliberal reforms permitted the real hourly compensation of private-sector wages to rise only 0.6 percent between 1983

⁴⁶⁸ Basic responses in the US to Piketty’s suggested global tax proposal – a weak one, no less – led to his labelling as a Marxist, Paul Krugman, “The Piketty Panic,” *The New York Times*, 24 April 2014. Seemingly, other measures, such as a universal basic income, rest even farther away “Autonomous Weapons: An Open Letter from AI & Robotics Researchers,” *Future of Life Institute*, 28 July 2015.

⁴⁶⁹ National Intelligence Council, *Global Trends 2030: Alternative Worlds*, Washington, D.C., 2012.

⁴⁷⁰ “In 2011, only 16% of the world’s population was living on \$20 or more daily, a little above the U.S. poverty line. By global standards, that constitutes an upper-middle or high-income existence. And most of these people still lived in the economically advanced countries in North America, Europe and the Asia-Pacific region... In particular, China, South America and Eastern Europe are home to some of the biggest increases in middle-income populations. By contrast, Africa and much of Asia, including India, have lagged behind.” Rakesh Kochhar, “A Global Middle Class Is More Promise than Reality,” *Pew Research Center*, 8 July 2015.

and 1999 (while CEO salaries increased by 650 percent), one study recently found that the 85 richest people in the world possesses wealth equal to that of the poorest 3 billion.⁴⁷¹

As a social system, neoliberalism's "main substantive achievement [...] has been to redistribute, rather than to generate, wealth and income."⁴⁷² While not altogether surprising, such a position was expounded upon dramatically by the major publication of the liberal economist Thomas Piketty of the elite French academy Sciences Pos, who then placed the observation in wider historical context. The concentration of capital and wealth "will again become the norm in the twenty-first century, *as it had been throughout history until the eve of World War I.*" Further, "[i]n the twentieth century, it took two world wars to wipe away the past and significantly reduce the return on capital, thereby creating the illusion that the fundamental structural contradiction of capitalism [to centralize] had been overcome."⁴⁷³ Such concentrations of wealth exacerbated the tensions of post-feudal Europe and pushed the century into conflict.

For the core and the world-system, such major social and economic transformations have not remained isolated the periphery; instead the widespread neglect of public needs across North America and Europe in the name of austerity after the financial crisis reflects the widespread poverty and social dislocation common to the global periphery.⁴⁷⁴ Consequently, the fundamental reorganization of global financial power, sensitive to the shifts experienced worldwide, gradually affects the core states as its popular wealth and sovereignty is transferred to a virtual senate of global investors that form a community independent of nation-states and their publics. In this virtual senate's desire to attain greater power over its investments and profits, the democratic standards of the core nations become

⁴⁷¹ For wages and labor compensation, see Economic Report of the President, Washington, DC, 2002, Tables, B-47, B-48, and B-60. For CEO compensation, see Emmanuel Saez and Thomas Piketty, "Income Inequality in the United States, 1913–1998," *Quarterly Journal of Economics*, 2003, Vol. 118, No. 1, Table b4, column 6; "Working for the Few," *Oxfam*, 2014.

⁴⁷² Harvey, 159.

⁴⁷³ Emphasis mine. Thomas Piketty, *Capital in the Twenty-First Century*, Cambridge, Mass: Belknap Press, 2014, 572.

⁴⁷⁴ "Up to 25 Million More Europeans at Risk of Poverty by 2025 if Austerity Drags On," *Oxfam*, 12 Sept. 2013.

increasingly suspect. Neoliberals therefore tend to favor governance by experts and elites to protect against the dangers of majority rule. A strong preference exists for government by executive order and by judicial decision rather than more publically malleable democratic and parliamentary decision-making. Importantly, “neoliberals prefer to insulate key institutions, such as the central bank, from democratic pressures.”⁴⁷⁵

Consequently, juridical practice is central to the resolution of disputes in the modern world. Opposite popular decision making, the massive drop-off in participation rates within popular elections among the advanced democracies and the corresponding rise in far-right movements and parties reflects “skepticism about how we are governed... that is at least partly fostered by the increasingly limited scope for opposition within the system.”⁴⁷⁶ The current levels of democratic detachment and elite technical management suggest increasingly less space for the state to manage or deliver accommodations to the disaffected in the future.

To change humanity’s future requires some actor in global affairs capability to proclaim a far-reaching goal and then see its fulfillment. Within the reformation of global capital, such a task has indeed been achieved twice in modern history: via the Bretton Woods regime after World War II, and then following its dissolution in the 1970s. In both cases, the United States commanded the lead role, reforming capital globally to “prevent the tyranny of small decisions” by lesser powers, and thus to provide “system-level solutions to system-level problems.”⁴⁷⁷

While the US remains the primary actor within the modern world-system, its singular hegemony since the conclusion of the 20th century has declined precipitously. In particular, the

⁴⁷⁵ Harvey, 66.

⁴⁷⁶ Peter Mair, *Ruling the Void*, New York: Verso, 2013, 140.

⁴⁷⁷ Giovanni Arrighi and Beverly J. Silver et al., *Chaos and Governance in the Modern World System*, Minneapolis and London: University of Minnesota Press, 1999, 28

collapse of Soviet Union in 1991 “sounded the knell of US global power” as it was burdened with managing not only the liberal space, but also the former Communist space.⁴⁷⁸ This was ultimately reflected in the positions and actions of both the United States and its major allies after 9/11. One major US study from 2000 sought to preserve its international power through major military expansionism: “[although] at present the United States faces no global rival[,] America’s grand strategy should aim to preserve and extend [its] advantageous position as far into the future as possible.”⁴⁷⁹ As many of the thinkers behind that report filed into the White House following George W. Bush’s inauguration, the White House in 2002 produced a strategy with similar directives: “The war against terrorists of global reach is a global enterprise of uncertain duration... [T]o deny them sanctuary at every turn... the United States will, if necessary, act preemptively in exercising our inherent right of self-defense.”⁴⁸⁰

With the political pressure of the Cold War no longer upon their shoulders, French and German leaders in 2003 acted without precedent by repudiating US calls to join its ‘coalition of the willing’ against Saddam Hussein and the Iraqi government. Much later as the Iraq war wound down, the Iraqi government altogether rejected US coercion by refusing it the permission to maintain either its bases or its presence within the region, delivering a major strategic blow to the US “security order.”⁴⁸¹ Similarly since 2008, unable to independently force capital into line, the US relied upon coordination with an expanded community of countries to mediate crisis, as reflected by the G20’s (instead of the

⁴⁷⁸ Immanuel Wallerstein, *The Decline of American Power: The U.S. in a Chaotic World*, New York: The New Press, 2003, 40.

⁴⁷⁹ Thomas Donnelly, “Rebuilding America’s Defenses: Strategy, Forces and Resources for a New Century,” Washington, D.C.: *Project for a New American Century*, 2000.

⁴⁸⁰ “Of the twenty-five signatories of the PNAC’s Statement of Principles... ten went on to serve in the George W. Bush administration, including Dick Cheney, Donald Rumsfeld, and Paul Wolfowitz, among others.” Yichi Funabashi, *The Peninsula Question: A Chronicle of the Second Korean Nuclear Crisis*, Washington, D.C.: Brookings Institution Press, 2007; The White House, *The National Security Strategy of the United States of America*, Washington, D.C., 2002.

⁴⁸¹ Ewen MacAskill, “Iraq Rejects US Request to Maintain Bases after Troop Withdrawal,” *The Guardian*, 21 Oct. 2011.

G7's) 2008 emergency meeting in Washington to hammer out a coordinated response to the global financial crisis.⁴⁸²

US Rationality, Systemic Competition, & Brinkmanship

Even as the US appears less capable than ever of effecting a clear worldwide vision, its continued stability and rationality are vital to global reform. Given its recent record, ample concern remains. In the near-term, US elections place the end of the next eight-year cycle into the mid-2020s. By that point, many of the world's major climate deadlines will come to fruition, which makes today's decisions absolutely crucial for global survival. Simultaneously, such a timeframe will allow the possibility of global rapprochement to become a serious potential, although uncertainty remains profound. The two primary political candidates slotted for victory in the 2016 US elections are Hillary Clinton from the Democratic Party and, less and less, Jeb Bush from the Republican Party. Although considerable room exists upon either side of the political spectrum for further developments, movements to the right are only likely to solidify Bush's already far-right positions and Clinton's establishment credentials, while even intensifying them in others. Bush's own positions are likely to re-endorse the older positions of his father and brother; all but two of his 21 foreign policy advisors are original to his potential administration. The others occupied posts within his brother's and father's administrations. He and several of his advisors share signatures to the Project for the New American Century's statement, the primary loadstone for Bush II strategy and the intellectual vanguard of Iraq's invasion.⁴⁸³ Domestically, the situation is equally familiar. In July 2015, Bush suggested that in the future it will be necessary to "phase out" Medicare. Meanwhile, other candidates' plans to locate, organize, and deport 11 million Latinos from the country while erecting massive walls along the US'

⁴⁸² "Statement From G-20 Summit," *The New York Times*, 15 Nov. 2008.

⁴⁸³ Philip Bump, "Jeb Bush's Foreign Policy Team is Eerily Familiar, in One Venn Diagram," *Washington Post*, 18 Feb. 2015.

nearly 4,000-mile northern border and 2,000-mile southern border has urged Bush to tread closer toward legitimizing the Fourteenth Amendment's popular revision, which has long guaranteed the right to birthright citizenship within US borders.⁴⁸⁴

As the originating source for the US' strategic rebalance toward East Asia, Hillary Clinton is despised throughout much of Chinese leadership. Accordingly, her overtures to the inviolability of human rights toward Beijing, in the face of considerable US violations since 9/11, serve little more than to patronize the Chinese diplomatically.⁴⁸⁵ Instead, her husband's principled choice to discount the US' verbal commitment to human rights after the Tiananmen Square massacre to protect what would soon grow into a multi-trillion-dollar trade arrangement with the Chinese will largely continue. During a 2011 interview, Hillary Clinton said that, "[the US won't] walk away from dealing with China because we think they have a deplorable human-rights record. We don't walk away from Saudi Arabia." Clinton's reincarnation of Fukuyama-esque language signals the major disappointment felt among US liberal internationalists since 2003 and their willingness to sustain the US' global presence in the face of setbacks. Speaking of China's future, Clinton reflected that "[the Chinese are] trying to stop history [by repressing democracy], which is a fool's errand. They cannot do it, but they're going to hold it off as long as possible."⁴⁸⁶ In the event of heightening tensions, precedent calls into question Clinton's willingness to oppose or criticize a groundswell of establishment pressure seeking war in favor of grounded principles or expert opinion. Clinton's 2002 vote in favor of the Iraq War to

⁴⁸⁴ Paul Krugman, "Zombies Against Medicare," *The New York Times*, 27 July 2015; Heather Haddon, "Donald Trump Says He Would Deport Illegal Immigrants," *The Wall Street Journal*, 16 Aug. 2015; Eliza Collins, "Bush Calls for Greater Enforcement Against 'Anchor Babies,'" *Politico*, 19 Aug. 2015.

⁴⁸⁵ Hillary Clinton, "America's Pacific Century," *Foreign Policy*, 11 Oct. 2011; Project for a New American Century, East Asia: "Statement of Principles," *Project for the New American Century*, 3 June 1997.

⁴⁸⁶ See David Schmitz, *Thank God They're on Our Side: The United States and Right-Wing Dictatorships, 1921-1965*, University of North Carolina Press, 1999; Noam Chomsky and Edward Herman, *The Washington Connection and Third World Fascism: The Political Economy of Human Rights, Volume I*, Boston: South End Press, 1979; Jeffrey Goldberg, "Danger: Falling Tyrants," *The Atlantic*, June 2011.

extinguish a certifiably non-existent WMD program and her later willingness to stay the course and “promote democracy” in Iraq sustain this concern.⁴⁸⁷

For any major political and military confrontation between the United States and China to surface, major breakdowns in global cooperation and lost confidence within either government’s leadership remain fundamental prerequisites. Since Bush and Clinton both feature extensive records favoring the aggressive application of military power, and both represent militaristic trends from either side of the US establishment, pressure from the margins of US domestic politics should become a cause for concern. As 2015 moves to conclude, the early Presidential field for the 2016 elections place real estate mogul Donald Trump at the top of the GOP bracket by a large margin, well above Jeb Bush. Hillary Clinton is meanwhile attempting to snuff the recurrence of another electoral defeat: the insurgent Bernie Sanders, a social democrat, poses a challenge from Clinton’s left.

In both cases, the potential for conservative backlash mounts ever greater as popular pressure rises from below. Particularly, the presidency of Barack Obama (2008-2016) represents the pinnacle of the anti-reformism to develop after the 1970s. In many cases, Barack Obama has proven among the most progressive presidents in recent history. Under his administration, the country has solidified social reform, uncorked a potential war with Iran following the passage of a stringent nuclear non-proliferation deal (and in the process potentially dismissed Israel’s strategic importance over the long term), begun major work on climate change, and finally reaccepted Cuba internationally (all in 2015). Indeed, with institutional realignment achieved, the reemergence of liberal reformism may yet find

⁴⁸⁷ “President Discusses the Future of Iraq,” *The White House*, 26 Feb. 2003; Chris Patten, “Democracy Doesn’t Flow from the End of a Gun,” *Foreign Policy*, 30 Oct. 2009. The findings of one major 2015 study that would likely inform her foreign policy team bears considerable links to the Washington-based military and foreign policy establishments and the US corporate sector suggests intense anti-China preparations and retrenchments to shape much of the world’s future. See Robert Blackwill and Ashley Tellis, “Revising U.S. Grand Strategy Toward China,” *Council on Foreign Relations*, March 2015.

daylight. However, such reform should continually be understood as isolated from popular will or from many other meaningful changes.

While generally happy to cooperate or acknowledge the existence of many center- to far-right Republicans – now described by two major experts within the US establishment as a “radical insurgency” within the parliamentary process – Obama has systematically refused the privilege to left-leaning critics and advisors, instead pursuing their elimination and potential moderating effect against the congressionally incumbent GOP.⁴⁸⁸ Senator Elizabeth Warren’s disavowal of the proposed Asia-Pacific ‘free trade’ zone in 2015, the Trans-Pacific Partnership, prompted a swift rebuke from President Obama on national television (“I love Elizabeth. We’re allies on a whole host of issues, but she’s wrong on this”).⁴⁸⁹ Elsewhere, it is clear that non-right criticism damages much of the administration’s preferred partisan discourse. During a relative lull and point of weakness in 2010, Barack Obama received heavy criticism for refusing to abide by electoral pledges and reverse the widespread abuse and disregard of American civil rights, international criminal law, and the Geneva Conventions by closing the Guantanamo Bay detention center. In response, Obama’s then-White House Chief of Staff, and present mayor of Chicago, Rahm Emanuel, referred to left-liberal reformist White House critics as “fucking retarded.”⁴⁹⁰

In the face of recent changes to US electoral funding, the political influence of extreme wealth suggests that oligarchic pressure will rule out any reformer.⁴⁹¹ With Hillary Clinton’s nomination by

⁴⁸⁸ Thomas E. Mann and Norman J. Ornstein, “Finding the Common Good in an Era of Dysfunctional Governance,” *Dadalus*, 2013, Vol. 142, No. 2.

⁴⁸⁹ “Pres. Obama: Elizabeth Warren ‘wrong’ about TPP deal,” *MSNBC*, 21 April 2015.

⁴⁹⁰ Garry Wills, “Entangled Giant,” *The New York Review of Books*, 8 Oct. 2009; Peter Wallsten, “Chief of Staff Draws Fire from Left as Obama Falter,” *The Wall Street Journal*, 26 Jan. 2010. See also for an extensive review Tariq Ali, *The Obama Syndrome: Surrender at Home, War Abroad*, New York: Verso, 2010, esp. 75-117.

⁴⁹¹ “The real market for political parties is defined by major investors, who generally have good and clear reason for investing to control the state... Blocs of major investors define the core of political parties and are responsible for most of the signals the party sends to the electorate.” Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems*, University of Chicago Press, 1995, 206; The Editorial Board, “A Trickle-Down Effect of Citizens United,” *The New York Times*, 13 Oct. 2014.

the Democratic Party all but certain by this point – and the GOP still a minefield of uncertainty – we are generally left to our previous observations of US policy. Since the country’s rationality remains questionable in the future, we are left to question the implications of domestic trends from all players. The US military establishment remains global and highly aggressive, and it is projected to increase in size dramatically by mid-21st century to roughly \$1.3 trillion annually. Alongside a Chinese balance, whose military budget is similarly projected to hover just beneath \$1.3 trillion, the US has increasingly sought to compel Russia’s subordination to US and European political, economic, and military power.⁴⁹² Now almost a quarter century after the fall of the Soviet Union, the Russian Federation, according to the incoming top general of the US military, has reclaimed their former role as “the greatest threat to [America’s] security,” in the eyes of the US’ top military commander, a path which “may tempt the use of nuclear weapons in a way the US-Soviet one did not.”⁴⁹³

The Future

To sustain the US position in the future, responsibilities will increasingly be delegated to regional powers whose success is linked to the US’ global ‘open door.’ Repurposed slightly, Joseph Nye reflections upon East Asia are telling if applied to Eastern Europe and the Middle East: “[balancing potential aggressors] requires a policy that welcomes... respectable stakeholder[s] but hedges against possible hostility by maintaining close relations with other countries... that welcome an American presence.”⁴⁹⁴ Similarly, direct military costs to the US remain financially sustainable in lieu of major changes to US priorities. In the event that all remains roughly the same, “even the most draconian cuts in the defense budget would produce annual savings of only \$50 billion to \$100 billion,

⁴⁹² Ministry of Defense UK, *Strategic Trends Programme: Global Strategic Trends - Out to 2045*, London, 2014, 94.

⁴⁹³ Phil Stewart and David Alexander, “Russia Is Top U.S. National Security Threat: U.S. Gen. Dunford,” *Reuters*, 9 July 2015; Stephen F. Cohen, “The New Cold War and the Necessity of Patriotic Heresy,” *The Nation*, 12 August 2014.

⁴⁹⁴ Joseph Nye, 233: “This requires a policy that welcomes China as a respectable stakeholder but hedges against possible hostility by maintaining close relations with Japan, India, and other countries in Asia that welcome an American presence”

a small fraction—between 4 and 8 percent—of the \$1.5 trillion in annual deficits the United States is facing,” which suggests ‘large-scale cuts’ will instead arrive at the expense of the public’s welfare.

Consequently, omnipotence remains upon the agenda; reducing the US’ global footprint sees little support within the US political establishment or its future representatives in an era absorbed by visions of US failure. Since the alternative to US hegemony among policymakers is invariably thought to invite chaos, the historian Robert Kagan writes, “Some of the costs of reducing the American role in the world are, of course, unquantifiable. What is it worth to Americans to live in a world dominated by democracies rather than by autocracies? ... As a simple matter of dollars and cents, it may be a lot cheaper to preserve the current level of American involvement in the world than to reduce it.”⁴⁹⁵ Visibly, liberal democracies’ protection and perpetuation upon the world stage remain central to US global power – though at what cost?

During an important flourish, Kagan notes, “The cost of remaining the world’s predominant power is not prohibitive... [Instead,] The runaway deficits projected for the coming years are mostly the result of ballooning entitlement spending.” In the near- to mid-term, such a vision aligns with voices and forces calling for the mass delay of the retirement age and the eventual elimination of Social Security. President George Bush’s attempt to privatize Social Security back in 2003 mirrors his brother Jeb Bush’s 2015 suggestion to privatize Medicare. The strength of these calls ought to be viewed ominously thanks to Barack Obama’s past willingness to negotiate the status of Social Security altogether, thus aggravating measures intended to lessen social inequality and falling in line with Thomas Piketty’s modern warnings of wealth concentration.⁴⁹⁶ Weighed together, the social priorities of US citizens will be likely be overwhelmed by its government’s larger structural compulsion to

⁴⁹⁵ Robert Kagan, “Not Fade Away,” *The New Republic*, 11 Jan. 2012;

⁴⁹⁶ For the GOP’s alignment with plutocratic interests, see Paul Krugman, “Republicans Against Retirement,” *The New York Times*, 17 Aug. 2015; W.W. Houston, “Chained, Chained, Chained,” *The Economist*, 5 April 2013.

protect and sustain its trade advantages, extend its strategic and economic dominance into the future, and – much later – to set the global standard for future governments, in whatever shape it takes.⁴⁹⁷

⁴⁹⁷ This future is likely highly state-centric, monopolistic, anti-market, and thoroughly extractive, with additional help arriving from the now-upcoming ‘free trade’ deals. As a man fully aware of the privileges bestowed upon him by government largesse, the world’s wealthiest man, Bill Gates, makes the needs of the future very clear in a recent interview: “Yes, the government will be somewhat inept. But the private sector is in general inept. How many companies do venture capitalists invest in that go poorly? By far most of them... The original Internet comes from the government, the original chip-foundry stuff comes from the government... So I’d say the overall record for the United States on government R&D is very, very good... [as for business] without a substantial carbon tax, there’s no incentive for innovators or plant buyers to switch.” James Bennet, “We Need an Energy Miracle,” *The Atlantic*, Nov. 2015.

Conclusion

For China and the United States, reform today fundamentally demands greater balance around the world. Much of the US experience in East Asia since WWII has revolved about the uneven distribution of favors and the creation of regional networks to satisfy those goals. China's time, meanwhile, has proven far more local. Primarily concerned with domestic reform and survival after Mao, Deng deepened China's gambit with the United States which allowed it to abandon the atrophying Soviet Union by providing the Party-state a new means to sustain itself. In the process, however, this entailed China's absorption into pre-established US systems constructed since the end of WWII, as well as the adoption of the US order's primary logics.

This demanded that China orient itself toward exporting to the United States and Europe, alongside South Korea and Japan before it. In the ensuing events, the reorientation of Chinese industry and the Chinese economy around the exclusive pursuit of profits and exports by 2012 made the PRC among the largest net recipients of foreign investment, the largest exporter, and the second largest economy in the world. Integration, however, also had its costs. As part of a larger chain of businesses, bankers, and suppliers performing a variety of tasks, China became a major tool for global producers, and East Asia reshuffled accordingly during the 1980s to exploit the opportunity. As the final point of departure within this global production chain, China engaged in trade and generally exported finished products to the world's core countries. The PRC thus earned profits from the trading and export process, generating trade surpluses.

The problem for China is that much of this trans-Pacific system of exchange is lubricated almost entirely by two fickle and malleable factors: easy credit and global demand. As it so happens, for the past forty years, the trade imbalances which generated such freely accessible credit around the world and an inflated artificial demand drove the development of export-dependent economies, such

as China. When enormous piles of cash form wherever it is cheapest to manufacture and export, large imbalances form not only within the exporting country, but the international system as a whole. For China in particular – as well as many others – these imbalances form within the country because the profits gained from those exports almost invariably return to the state as industries exchange dollars for local currency to continue operating. As this process continues, the state eventually faces a massive build-up of foreign currency. Unable to deploy these excesses domestically without compromising its own currency's value at home, China, like the rest of East Asia, has poured many of its trillions in US dollar surpluses from trade back into the United States by purchasing US Treasury bonds, which itself then artificially generates excess demand, credit and debt, depressed savings, and artificially high consumption in the United States, thereby expanding and repeating the cycle.

The 2008 financial crisis began to realign these many factors as the value of debt became an open question within the United States. With the United States' slow rebalance, China, now deprived of limitless foreign demand, can no longer rely indefinitely upon servicing the purchases of foreigners, and China now has to address its lack of internal balance and reorganize itself to accommodate this sea change in events. Since the PRC now lacks the pressure of foreign demand and may now see it reasonable to promote domestic consumption and markets to feed itself and its massive debts, the CCP has begun to tackle its low incomes to boost consumption while raising the country's overall productivity. With the weight of entrenched interests restricting most action within the PRC – such as the liberalization of state sector activity or the major reinvestment and development of its countryside – big-picture changes to state finance, such as currency account liberalization, stand as the opposite opportunity. Currency liberalization offers both the promise of greater financial leverage around the world (since the yuan may finally be included within the IMF's currency basket), but also the great risk that toxic assets will be exposed to international scrutiny and potentially detonated.

Should the PRC move too quickly without resolving its debt problems or establishing a steady basis for the future with reforms, its future becomes an open question.

Debt and internationalization together stand as problems and opportunities which may be managed, yet China cannot afford to persist with its previous activities without heaping more weight upon its future generations. China, unlike the United States, does not set global trends and serve as the center for the reproduction global capital; China has merely serviced and aided the core's expansion. Without addressing this concern by reversing banking policies that explicitly repressed popular consumption to provide a mountain of cheap credit to local provinces and state industry, Chinese slowdown will not, as some have suggested, be managed simply through reforms that provide peripheral market discipline. Instead, reforms will need to strike at the fundamentals of China's economic operations while providing a clear exit for the future from today's debts.

As the growth position hawked by CCP officials undergoes continuous revisions, the PRC's expectations, as well as that of several scholars, of a relatively prosperous 6 to 8 percent growth in GDP faces great uncertainty.⁴⁹⁸ The economic theorist and financial strategist Professor Michael Pettis, based in Peking University, has suggested that the major changes which have occurred outside of China to the dynamics which have driven Chinese growth will lead the economy to slow from its standard 10 percent year-to-expansions to only 3 to 4 percent – but with relatively minor costs to Chinese incomes, which would now rise appropriately. But without major changes, it remains likely that this situation could be far worse, and that China could easily face an extended version of Japan's twenty-year-long 'lost-decade,' though with greater costs incurred than even Japan.⁴⁹⁹

⁴⁹⁸ Prasad, 2015.

⁴⁹⁹ Pettis, *The Great Rebalancing*, 184.

The alternative scenario available to the PRC, should it fail to push through reforms, lies in the country's formal reformation as an opposite pole of capitalist accumulation to the US and a major reproducer of global capitalism, fully beholden to an alliance of necessity between its exporters and its expansion-minded radical nationalists, resistant to rebalancing its internal logic. Through the rapid and organized export of investments abroad and the shifting of its exports to other states beyond the US, the EU, and Japan, the PRC could afford to build massive external appendages to rally and weight its own position, much like Europe and Japan have served for the US since the 1940s. Insofar as the United States has witnessed success since the fall of the Soviet Union, integration increasingly has relied upon the community and powers afforded by the World Trade Organization's 1994 formation, China's accession to it in 2001, Europe's deepened integration in waves after the 2002 launch of the euro currency, its deepened hold across the continent with further additions through the decade, and the continued material exploitation of the Middle Eastern and African states.

Since 2013, China's "One Belt, One Road" strategy has proven more than platitudes and begun to shift its investments away from endless stores of US treasuries toward the physical construction of new satellites and new markets to sustain its exports. One major study found that more than half of the \$49.4 billion in loans dispersed by China's Development, and Export-Import Banks – or half the total relative sum of the United States' infamous Marshall Plan – have already been dispensed to areas defined by Xi Jinping's new foreign policy strategy. With more than \$4 trillion in foreign exchange reserves, Beijing will undoubtedly expand this position in the future.⁵⁰⁰

⁵⁰⁰ James Kynge, "Chinese Overseas Lending Dominated by One Belt, One Road Strategy," *The Financial Times*, 18 June 2015. Additional work remains necessary to bring One Belt, One Road to fruition, but it remains a promising option for Chinese leadership. George Magnus, "China Must Prove Silk Road Plan is Serious," *The Financial Times*, 4 May 2015.

The future, therefore, appears as an open canvass for intense global struggle.⁵⁰¹ With the PRC already possessing a large number of relationships upon the African continent – mainly to gain specific resources for its industries – its establishment of a formal military outpost in the East African nation of Djibouti in late-November 2015 represented a significant milestone.⁵⁰² With the PRC now beginning to mirror the activities of the United States both worldwide and upon the African continent, China’s political autonomy from the US – a concern of Western observers for decades – now forebodes a classic return of the pre-WWI-style inter-imperialist struggle, writ-large across the modern age. “An essential feature of imperialism,” Vladimir Lenin wrote in 1917, “is the rivalry between several great powers in the striving for hegemony... not so much directly for themselves as to weaken the adversary and undermine his hegemony.”⁵⁰³ While much of China’s foreign influence now remains contingent upon its ability to survive the current decade relatively unencumbered, the future appears increasingly set – in lieu of total collapse – for global conflict, and, more broadly, the bifurcation and unraveling of the US liberal order and the modern world-system.⁵⁰⁴

⁵⁰¹ Vladimir Lenin, *Capitalism, the Highest Stage of Imperialism*, Marxists.org, 1916: “Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital.”

⁵⁰² Jane Perlez and Chris Buckley, “China Retools Its Military With a First Overseas Outpost in Djibouti,” *The New York Times*, 26 Nov. 2015. A recent Chinese National Defense White Paper established the defense of overseas assets and interests as an inevitability back in 2013. See Information Office of the State Council, “The Diversified Employment of China’s Armed Forces,” Beijing, *Xinhua*, April 2013.

⁵⁰³ Lenin; see also Turse, *The Changing Face of Empire*, 2012 for extensive documentation of US military activity – and bases – on the African continent for potential for entanglement with the Chinese.

⁵⁰⁴ For related literature, see Immanuel Wallerstein, *The Essential Wallerstein*, New York: New Press, 2000, 435-453.

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