



Economic Update: The Phenomenon of China

This transcript may not be 100% accurate due to audio quality or other factors.

Richard Wolff (RW): Welcome friends, to another edition of Economic Update, a weekly program devoted to the economic dimensions of our lives and those of our children. I'm your host, Richard Wolff. Before jumping into today's topic, which, by the way, is called the Phenomena of China, I want to remind you that we have a volunteer, Charlie Fabian, who's ready, willing and able to receive your suggestions, materials and so on by email, if you have ideas for segments we might construct for this program. Just send them in to Charlie at the following email address charlie.info438@gmail.com.

Okay, why am I devoting this program to China? Is it because China is extremely important in the world today? Partly. Is it because China is kind of the new thing changing the world today? Yep, that's another part of it. Is it because China is poorly understood, particularly in the United States, but in the West generally? Yes, yet that's yet another reason. China is changing and shaking the world in ways that are going to be central to our experience for the foreseeable future. It deserves a great deal more attention than it's getting, or to be a bit more precise, it deserves attention that is balanced, that is trying to understand what's going on, and that is not propagandistic; painting them bad so that we in the West look better by comparison. It's a childish game, it's dangerous, and it's not what we're here to do. What we're trying to do is get an overview that makes some sense. Whether you then end up supporting China, criticising China or some mixture, that's left to you.

Okay, first of all, let's begin by saying it really is a phenomenon what China has done. It deserves everyone's awesome recognition of that fact. What do I mean? Well, this is the greatest story of economic growth that we probably have in the history of the human race. Here was a country over the last 70 years, the largest by population in the world, with well over a billion and approaching a billion and a half people, in unspeakable poverty as little as 70 years ago, one of the great horror stories of poverty in the world. And in those 70 years, this country has raised a billion or more of those people out of abject poverty and into the modern world. With that size population, that's never been done before. If you take all of

Europe together, which is a quarter of the population of China, it took them 200 to 300 years to do something comparable to the economic growth record of China in 70 years. It is extraordinary. Many other features of China are less extraordinary. There are good things and bad things one can say about it. No one is denying that. But when it comes to economic growth, to escape from poverty, to produce a modern economic reality in terms of the production and distribution of goods and services, that goal, which is the major goal of most people on this planet and has been for the last 70 years, there's one outstanding performer, and no one else comes close. That's the People's Republic of China. And whatever else you may think about or decide about this society, pretending that what I just said isn't the case, is not going to make your understanding one wit better. It's going to make it worse. And how is it different and unique in still other ways? Well, it's not like the competition, for example, that the United States has with other capitalist countries, we are now competing with China, we in the United States. Western Europe and the United States on one hand, China and its allies, the so-called BRICs on the other, these are the two great competing blocs. And I mean really competing. China out-produces the United States in many commodities. China has achieved levels of technological sophistication with which the United States really has to struggle to keep up. That's why President Biden is throwing money at semiconductor chip producers. That's why we have a 27.5% tariff against the Chinese electric vehicles, because they are the dominant electric vehicles being produced in the world today in terms of quality and price. So there's stiff competition, but it's unlike anything the United States has before, because before our competition was in other capitalist countries: Britain, France, Germany, Italy, Japan. Now the competition is with a society that doesn't call itself capitalist, that calls itself socialist. That has an enormous role for the government and one for a Communist party that is clearly in charge. That's new and that's different, and that's going to produce different outcomes.

It's also a competition, not like the one the United States had with the Soviet Union. Why? Because China has, for most of the period of the last 70 years now for more than half of it, openly welcomed capitalist enterprises to develop inside China. Both those owned and operated by Chinese individuals, private capitalist enterprises, and those brought over from Western Europe, Japan, the United States. There is a private sector, roughly half the economy, and there is a state sector, the other half. This is unlike anything that existed in the relationship between the United States and the Soviet Union. So you have a peculiar relationship. There's really more collaboration between the United States and China, than there ever was economically between the United States and the Soviet Union. But there's also economic competition, much more profound than existed between the United States and the Soviet Union. In other words, the Chinese experience, especially in its relationship to the United States and to the larger private capitalist world of Western Europe, North America and Japan is unique in many, many ways. And that has to be understood, given that China is now the second most developed and powerful influence on the world economy, and might very well, before the end of this decade, be the number one shaper of world economic events.

To get us to understand this extraordinary achievement and this extraordinary reality that we live in, as always, we need to do some history. And the history I'm going to be doing with you briefly in the rest of the first half of today's programme is designed to get us set to

understand the economics and politics of China today. Xi Jinping, the current leader in China, speaks of 100 years of humiliation. Roughly 1850 to 1950, 100 years during which China felt itself to be then and now humiliated, as Western countries, particularly, took over bits and pieces of China, fighting wars, taking over whole cities and plunging the society into levels of poverty much greater than what they had seen before. On the other hand, there never was a full colonialism. China kept its independence, unlike India or Indonesia or most of Africa, and so on. So you have a mixture of humiliation and independence. There were never settler colonists. No Europeans settled in the large parts of China. Yeah, they had places in cities along the coast, but they never took over the country the way, for example, they did in South Africa or New Zealand or Australia or the United States or Canada and I could go on. More modern and once the 20th century came, two terribly interesting things happened almost at the same time. A final war defeating the Chinese, known as the Boxer Rebellion, saw the Europeans come together to deal a pretty devastating blow and to show that they were the dominant power, even if they didn't settle into a colonial relationship. And not so surprisingly, very few years after the Soviet revolution in Russia in 1917, a few years after that, the Chinese do a revolution, too. Chinese communists, inspired in part by the Russian Revolution, begin the Long March, begin the movement led by Mao that would eventually in 1949 lead to the victory of the Communist Party and its army over the friendly to the West army of Chiang Kai-shek. The little bit of capitalism that had been implanted in China after the Boxer Revolution by the Western powers, who apparently hoped over the long run to develop a more complacent, subordinated capitalism in China, their plans were defeated. A civil war brought the communists to victory in 1949. They were in alliance with the Soviet Union from 1949 to around 1960. Then the Soviet Union and China split with bitter, difficult, even occasionally, military, conflict between them. The Chinese then undertook a development of their own. Different from the Soviets in Russia. Yes, socialism has many forms. And for the last 60 years China has gone its own way to produce its own distinctive version of socialism or communism, depending on which word you think fits better. And it's in these last 60 years, and particularly in the last 40 or so, that the achievements with which I began today's program were made. It became a powerful country. It became a socialism with Chinese characteristics. I'm about to go in them, as soon as we go to the second half of today's program, but I want to stress that it was against the humiliation of those 100 years that the Chinese undertook to prioritise becoming, once again, the un-humiliateable. Powerful enough, rich enough, productive enough to not be humiliated by the West again. That is their central theme and that they have achieved. Stay with us, we'll be right back for the economics and politics of this phenomena of China.

Welcome back friends, to the second half of today's Economic Update. We're talking today about the phenomena of China. We did some overview. We did some history. And now we're going to turn to the economics and the politics of this remarkable phenomenon. First, the economics of the last 30 to 40 years. Economic growth has been nothing short of stupendous. If we use the measure known as GDP, gross domestic product, a rough measure of the total output of goods and services in the year, then for most of the last 25 years, if you rank the countries of the world according to how much they were able to grow their total output, to grow the wealth they were able to produce, then number one on that list, year in and year out,

was the People's Republic of China. No one else has a record even close to that. Remarkable as the last few years are of economic development in India in terms of the long flow of years, not close to what the Chinese did. And let me be clear, it's not just that the growth of output is number one. Raising the average wage of their people was equally stupendous. It's gone up between four and five times in 40 years. Let me compare that with the United States's level of wages; real wages, as we call them, adjusted for prices. Where the Chinese quadrupled or better the wages, people actually got the real wage of goods and services they could consume, the real wage in the United States went up, I don't know, 10 to 20%. 4 to 500% in China, 10 to 20% – again, understand, not even close. If you want to understand the satisfaction of the Chinese working class with its experience, there it is. A level of economic well-being achieved in record time, the likes of which have never been seen in the world before. Even taking into account the spectacular growth that had existed in the United States in the late 19th and early 20th century, or in Japan at the end of the 19th century, or Germany. The Chinese outrank them all. The role of China in world trade, unbelievable. It became the manufacturing centre for the whole world in this period. It has become the crucial player in world trade. The crucial carrier of goods and services on all the oceans of the world. It's an extraordinary arrival at super power in economic terms, status literally bested only by the United States and then by a shrinking amount of difference between China and the United States in terms of economic growth. The uniqueness of China is also that it did not go either to be overwhelmingly a private enterprise economy, the way the United States and Britain had become, nor overwhelmingly a state owned and operated enterprise system, the way the Soviet Union had become. That split with the Soviet Union in the 1960s that I mentioned before our break had enormous consequences, so that over recent decades China has become a nation roughly one half private capitalist enterprises and one half state enterprises. With both halves sharing the old capitalist structure of employer employee. Which is probably why the Chinese wisely don't call this society communist. The name of the party is communist, but what it has achieved, they call socialism, something that is more and different from capitalism, but not yet communism. Which is rather an interesting way of understanding how China literally redefines what the words mean by the way it has chosen to develop.

I want to mention some of the things that are distinctive about China, because they follow from the way they've organised their economy, whereas in Western treatments they are often dealt with as though they show that the Chinese are fumbling or stumbling or making mistakes. Let me give you some examples. In China because the economy is planned by the government and by the Communist Party that shapes the government, they build housing before people need it. So if you see a photograph of areas of some city where there are lots of apartment buildings that are empty, this is not because they don't know what they're doing or they're making mistakes, they plan their economic growth. Where they want this city to be, how big it will be is all done in relationship to the rest of the society's growth. So they build before people need it. So when they can, people can then move from wherever they are into waiting apartments that are all set for them. You may not like the outcome, that's another question. But it's not a mistake or it's not a flaw. It's the way they organise things. Likewise, they have managed to move hundreds of millions of people out of the rural, agricultural parts of China to the urban industrial. Modern industrialisation took centuries in Europe. It took a

century or two in the United States. It took 30 to 40 years in China. And they moved a larger population that was in a more backward agriculture into modern industry. A transformation that could have and should have and would have exploded other societies because of the tensions and the difficulties and the pain of social change. They managed all that to become what they are today.

Again, full of mistakes along the way, of course. Dead ends, trials, errors, but achievements that have to be recognised in what has been produced at the end. They really ended mass poverty and have been recognised by the United Nations for having done that. Again, all kinds of frictions and problems for sure. But ending poverty is no minor achievement in a world which still has vast amounts of it on all the continents remaining. And then finally they committed themselves after they had developed the basic industrial, modern society, they targeted the United States as their model to surpass, as their model to overcome. And that they have worked ceaselessly to do. So, that they are the place where the best modern electric vehicles are produced, and they are the only part of the world that can compete with Google, with Apple, with Intel, with any of the other highest levels of technological modernisation that have been achieved in the West. Yes, the neocons that control the government here in the United States portray them as the great evil. Yes, they have certainly surpassed the Soviet Union, and quite long ago in the being economically more developed and therefore with a greater base for whatever military they've thought to do.

So let me turn then to the politics of China. Yes, China has a dominant political reality and that is the Communist Party of China. It is the dominant political party, no question. It is against capitalism and for socialism. But before you rush to whatever that might mean to you, think about this. In the Chinese view, the United States has a political dominance of a pro capitalist political party. For them, it has two wings, Republican and Democrat, two different wings that agree that capitalism should be, could be and must be the dominant reality of the United States. Well, the Chinese argue that's exactly their view for socialism. So yes, they exclude capitalism, but they point to the United States as excluding socialism. You could like one and not the other, but you can't pretend that they're all that different. The Communist Party in China has one wing. The capitalist party in the United States, they argue, has two. And the Americans get to choose between those two and nothing else. No one else is allowed to intrude on that monopoly except on the edges. And that's where they're kept, and that's where they've been for the last 70 years. Just like the monopoly the Chinese Communist Party operates, the capitalist party in the United States operates the same. The Chinese are also proud of having faced up to uneven development. The fact that in capitalism, one part of a country is developed and another part is allowed to languish behind. They have focussed on overcoming that uneven development, something Marx originally understood about capitalism. It always creates prosperous area over there, poor area over there, good neighbourhood in this city over here, terrible neighbourhood over there, etc. etc.. The Chinese said, no, we are going to develop. We're going to give special emphasis to the poorest areas. Either bring the people out of there and move them to better areas or transform those areas and basically they've done a good bit of both. It's a very interesting new way of understanding the task of politics, to offset the uneven development that flows out of capitalism. And

politically they have tried to build an alliance. They didn't want to be isolated the way the West wanted them to be. And they have been spectacularly successful with the Belt and Road Initiative of building a trade route from China to Europe, replicating the old Silk Road. They've tried very hard to placate Western Europe and the United States when they are discriminated against, as they have been by Western Europe and the United States. They've been relatively slow and moderate to respond. They have the better quality output at the lower price. They've shown that for 40 years. That's what they use to penetrate the West economically. And their politics is therefore to go very slow. In case you haven't noticed, the Chinese have not developed military bases around the world the way the United States has. Even though they have the money, they could, but they don't. And they haven't been engaged in any foreign wars. Chinese soldiers are not located anywhere else the way American soldiers are located literally everywhere. So it's quite different. The BRICs versus the G7 is the creation more of China than of anybody else. It's the way the Chinese express their phenomenal economic growth.

Finally the future. Well, there are two futures that China has laying before it, and they will probably decide more than anybody else, even though the whole world will play a role. They will decide between these two roads. And that's what's going on now. And that's what we're going to be living through in the years to come. Road number one, China becomes the new hegemonic empire. Just as we saw the rise and fall of the Roman Empire, the Greek Empire, the Persian Empire, the Ottoman Empire, and all the others, and more recently, the British Empire in the 18th and 19th century, and the American Empire over the last century. China may become, that's one option, the new empire. But there's an alternative. And the Chinese talk about it: to not do it again. Not have another Empire; say goodbye to the history of empire after empire. Maybe the BRIC's could become not the empire of one country, but for the first time, a global collective alternative for organising human society. It's been a dream, that's why it was called the League of Nations or the United Nations. The Chinese may make that dream a reality. The idea of not another empire, of a collective community of nations being the next phase of human history, is an idea that inspired the League of Nations and the United Nations, and maybe now we actually have it. If the Chinese were to go in the direction outlined by BRIC's of doing this collectively rather than one country like the United States. The United States dominates the G7 in a way, the Chinese do not yet dominate the BRICs. Those are the two roads into the future that China is now deciding between. I hope you have understood the value and the worthwhileness of this discussion of the phenomena of China. And as always, I look forward to speaking with you again next week.

END

Thank you for reading this transcript. Please don't forget to donate to support our independent and non-profit journalism:

BANKKONTO:
Kontoinhaber: acTVism München e.V.
Bank: GLS Bank
IBAN: DE89430609678224073600
BIC: GENODEM1GLS

PAYPAL:
E-Mail: PayPal@acTVism.org

PATREON:
<https://www.patreon.com/acTVism>

BETTERPLACE:
Link: [Click here](#)

The acTVism Munich e.V. association is a non-profit organization with legal capacity. The association pursues exclusively and directly non-profit and charitable purposes. Donations from Germany are tax-deductible. If you require a donation receipt, please send us an e-mail to: info@acTVism.org