

China's Real and Fake Economy

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China annoys its capitalist competitors because it seems to be doing so much better with respect to the pandemic and economic growth. As to Covid, that had more to do with fortuitous chance and the capacity of a well organized state to nip outbreaks in the bud. It is really their economy that elicits concern and condemnation from other major capitalist states because, although two-thirds of its GDP is derived from standard western-designed capitalist enterprises, it still maintains an interventionist state to limit the damage that the unrestrained greed of the free market system's business practice often engenders.

It is nothing but base hypocrisy for the West to condemn China. It long ago constructed its own free market economies through state intervention, as did Japan and South Korea more recently. Today in the US and European states private capital essentially controls national economic policy -- none more so than the US where what purports to be its state bank (the Federal Reserve Banking system) is actually an association of the country's major commercial banks weakly managed by bank-approved federal appointees.

Recently Soros lectured China on its lack of a really free enterprise system saying it will eventually lead to disaster because the free enterprise system weeds out the defective from the healthy. Actually the Chinese state has shown it can do the weeding, and whether it is free market or state intervention the results come after substantial damage has occurred.

As in all capitalist states it is impossible to accurately project future economic states when it is a brain dead system ('the invisible hand of the market') that can never project the future beyond its figurative nose. China's economy was booming. Many former rural workers would need housing in the new industrial cities or in older renovated

cities. Millions of structures were planned or actually built before China learned that it couldn't control the naturally random process of capitalist enterprise. Evergrande, China's largest developer accumulated a \$300 billion debt that it couldn't pay as the loans became due. The state bank had to intercede to prevent debtors from forcing the company into bankruptcy. There were grace periods and debts were paid as funds came from income or the sale of properties. Construction/development companies are one quarter of China's economy, and many beside Evergrande are in trouble

Local governments, being closer to the scene of failing or failed investments, take up the slack for what the state, because of its official optimistic pronouncements, refuses to take responsibility. Local government debt stands at \$4.7 trillion as of last November. On top of that there are also local unregulated banking systems that have accumulated a debt of \$8 trillion by the end of 2021. China has a debt to GDP ratio of 159%. The world average is 101%. For the US it is 85%. China ended the Stalinist one child policy with the plan to increase the population as expansion and the need for workers increased. But after an increase the population growth is now slowing. Growth was down 12 million in 2021 – the lowest since the 1959 to 1961. An extra burden for Chinese families is that the children are still responsible of their aged parents care.

But for all their problems, China still has the advantage of rapid policy changes unknown to other capitalist state. If not the state than the Chinese people. Perhaps a change to real communism.

The markets had a down week thanks to the idiot in the White House frequently proclaiming that Russia's invasion of Ukraine is about to happen. Perhaps there is some sense behind it – we shall know soon.

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