

## China's *Smychka* Crisis

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Following the failure of communist revolution to spread to Germany and other European nations, largely because Lenin decided to surrender to German imperialism rather than to advance revolutionary conditions for his German comrades, it was necessary for the Soviets to restore the remnants of capitalism, keeping it under communist control, in order to recover from the devastation of the two wars (world and civil). This was planned to be a temporary measure.

In 1923 Trotsky wrote in *The New Course* of the difficulty in reconciling the dominant communist planned economy with the small but insidious capitalist market economy. State planning had been working quite well when conditions and its newness are taken into account, but how does one get it in sync with a market economy. Trotsky: "The state can and should act upon it and push it forward, but it is still absolutely incapable of changing it according to a single plan. No such harmonized plan is possible in a market economy." The popular term for the attempt unify the two systems was *Smychka* (alliance or union).

A very little known fact is that neither the USSR nor any of its Stalinist clones was ever able to free themselves from the capitalist strain. In *The Revolution Betrayed* Trotsky predicted that unless the Stalinist usurpation was reversed by a workers uprising the Stalinist bureaucracy in alliance with the ever present bourgeoisie would restore a capitalist economy, which is exactly what happened.

China, having seen what a mess the transition was in Russia, almost resulting in an imperialist conquest, has taken strict measures to covert its bureaucratic dictatorship over a miserably planned economy to one that benignly supervises the transition to a free market capitalist economy. It has succeeded in crossing the threshold until China now has an inchoate capitalist economy scheduled to be fully formed by the WTO in 2030.

Things went well until 2008. China had the second biggest neo-capitalist economy thanks to the massive influx of foreign capital. At first it thought it could use some of its accumulated trade surplus to subsidize internal development until world capitalism got itself back on its feet. That has not happened and it's quite possible it never will recover more than the power to claim one that doesn't in fact exist. Meanwhile China has accumulated huge debts and its major economic indicators have slowed to levels not seen in decades. China may well be the one capitalist economy that cannot, because of its communist veneer, survive a decline in growth that crosses the positive to negative boundary.

Thus China is experiencing the same predicament as did Russia following the revolution with the critical exception that the elite of the pseudo communist bureaucracy has wholly signed on to capitalism. It has accumulated much wealth from the exploitation process to be passed along to family, friends, cronies, etc.

There are signs that factions in the apparatus may be turning on the elite. A curious article in Thursday's SCMP with the trenchant lead *Marx or market?* wrote this about an interview Jia Kang, the former head of a research institute under China's finance ministry, had with *Caijing*: *Jia said China needed to find a new theory to explain how it would support private enterprise when the Communist Manifesto – written in 1848 by Karl Marx and Frederick Engels – called for it to be eliminated.* Jia is currently chief economist for a private think tank with the laughable Reagan economics like name of, China Academy of New Supply-Side Economics. Clearly for Jia a new theory would entail the elimination of all talk about communism and Marxism.

But then in the same issue we also have this from Zhou Xincheng, a professor of Marxism at the Renmin University published in a party paper: *“the theory of the Communists may be summed up in the single sentence: abolition of private property”*. So here we have two utterly simple minded and stupid evidentiary examples of the ignorant state of what passes for Marxism in China. One must quote from a pamphlet written in 1847 that most of the human race has heard at least a phrase or two, which is then repeated by a Professor of Marxism. The most likely source of what they are getting at is Capital Volume 1; after the death knell of private property, *the expropriators are expropriated*. Those are the key words if one must have a brief summary, and they would mean the root and branch overthrow of the system that now prevails in China.

It's not surprising that we discover more intelligence from a bona fide capitalist: *In September, investment banker Wu Xiaoping achieved instant notoriety when he posted a short essay on Chinese social media arguing that the nation's private sector had played its historical role in assisting the leap forward of the public sector and should now be phased out.* That would be the most perfectly executed victory of communism over capitalism; trick them into directly and indirectly spending trillions to develop the most advanced form of industry, and then kick them out. But if Wu is serious he will have to call upon the working class for the phasing out.

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According to Gabriel Zucman, UCal-Berkeley Economics Professor, the US loses \$70 billion (20% of the total) of tax revenue due to profits being stashed in offshore repositories. This is perfectly legal. \$8.7 trillion of the loot accumulated by the ultra wealthy (that's 11.5% of the world GDP total) is stored in 'secret',

hidden in plain sight, tax dodges. That is defacto legal. But the many workers who do a little cash work on the side to make ends meet are branded criminals if they don't obey a law that is uniquely applied to their class. Work and pay taxes to fund a system that robs you coming and going.

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The mess that constitutes the current Italian government announced that they are staying with their budgetary plan of 2.4% deficit and 1.5% GDP growth despite its rejection by the official overseers of the Italian people in Brussels. The normal debt limit is 3%, but because Italy has a debt to growth ratio second only to Greece in Europe and a leadership outside of the mainstream, the banks have given their political lieutenants the rules of engagement with respect to what Italy can and cannot do. Will the Italians follow in the steps of chicken shit Syriza? Probably. But it would be interesting to see what happens if they don't.

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