

China Versus US & Europe

06-12-2020

Perhaps it's as much a product of jealousy and envy, or the fact that that China seems about to be profiting from a horrendous pandemic that began and spread from one of its cities, but there is no doubt that much of the world is in a deep economic slump because of it, and the ruling elites need something to hide the fact that they are largely responsible for the predicament they now find themselves in.

Most of the developed world economies adopted Japan's highly profitable just-in-time method of production. No expensive stockpiling and fewer hindrances to make quick changes because they own stuff that must first be used. Then along came China's very efficient capitalism that made the components of everything readily available in addition to having the capacity to make and ship the entire product in China.

All was fine until China went into lockdown and cut off the parts and products used and sold by its customers, thus causing immense damage to foreign economies.

Then China used its efficiency and organizational ability to defeat Covid relatively quickly along with comparatively less human damage. Less than 5,000 died in a nation of 1.4 billion. Germany is the best example from the West -- 9,000 dead so far in a nation of 80 million.

The West learned from that costly lesson that just-in-time must be supported by multiple sources and with a decent cushion of supplies, and that more vital manufacturing should be done at home.

China must now develop a much larger domestic market because foreign trade will certainly decline. But a program for that purpose will be hugely expensive and will never suffice for a major world economy. Autarchy has always failed as the Stalinist learned when they were cut off from highly developed capitalist states.

Sufficient world trade is a necessity, and for all the speculation that China can make the yuan a substitute for the dollar, there was no sign of any progress toward that end when China had a robust economy, and there is little likelihood that it will happen now except where China can compel those nations participating in their Belt and Roadway initiative to accept the currency.

The U.S. is actively tightening China's access to dollars and may ramp it up a notch when a measure censuring China for its move toward taking more direct control of Hong Kong. While China does have large reserves they are shrinking and must be held for other purposes. In any case, they cannot easily be converted to dollars.

But China still can make policy changes to their advantages. One is by tying American companies to their economy by permitting controlling interest in Chinese firms. Another scheme are financial reforms that make domestic portfolios attractive to foreign investors. Still, last year China had a \$29.7 billion current accounts deficit, meaning that more dollars flowed out rather than in. That trend will likely continue for some time.

So China is hunkering down for economic war and, of course, as in all capitalist countries, it will be the working class that will bear the burden. Unlike the West following a socialistic approach of releasing a flood of liquidity, including cash to the working class, China has done nothing to make up for their losses, as described in an SCMP article: *“China’s government subsidies are more for worker retraining than mere worker retention. Fully recognising the capitalistic logic of creative destruction, the pandemic being the latest impetus, China has saved its bullets for supporting enterprises amid the downturn.”* The battle of the two capitalist behemoths is a must see show. Hopefully they will neutralize each other.

– Quiz: Guess which country has the hottest stock market? Wrong! It's none other than Iran's Tehran exchange. Even with all the damage done by foreign embargos, etc., the market is ultra hot because the cleric-ruled country had decided to neo-liberal by opening up the economy and privatizing industrial firms. Allah now supports usury.

– Everyone is aware of the rise in unemployment because of the pandemic made worse by an already slumping economy. More than 42 million Americans filed for unemployment compensation over an 11 week period. With that massive loss of income meagerly covered by the dole, and with virtually nothing in savings, many Americans were in desperate straits. But not all of them. During that 11 weeks American billionaires 'earned' (wealth increase) \$565 billion. That's a 19.15% boost in what they already had in hand. In just that 11 Bezos pocketed \$36.2 billion, Zuckerberg \$30.1 billion, and Musk a measly \$14.1 billion. But billionaires are a closely knit community. Should Musk or the poorer need a helping hand, the total wealth of US billionaires as of June 4, 2020 was \$3.512 trillion.

<http://unrealeconomy.org>