

# China's State Owned Enterprise

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A capitalist state led by former Stalinist counter-revolutionaries is well aware of the naive flaws in the current strain of the system they are competing against. Because of the economic difficulties made more severe by the Covid pandemic many large enterprises in Europe and North America have cut or eliminated dividends in order to retain the means to cover their costs, most importantly the wages of workers they retained for maintaining a real economy income.

Another reason is that it is politically hazardous for Western capitalists to receive billions and trillions in state assistance while still doling out huge sums of excess profits to themselves and fellow capitalist parasites at home and abroad. The massive underclass is angry enough having to bear another crisis of capitalism without having their bosses greed rubbed into their faces.

Not so for the Chinese model. They still have a very large, though steadily declining, reserve to maintain at least a moderate level of production in hard times for private capitalists which is now responsible for 70% of the GDP. The immense role they played in modernizing the Chinese economy certainly makes them important members of the new ruling class.

But what of the old Stalinist bureaucracy that's still in charge of the overall running of the country – what's in it for them? We know that the grand daughter of Deng Xiaoping, the lead conductor on the road to capitalism, married a billionaire, much like a princess with little more than a valuable title, and the media has reported and shown many relatives of the bureaucratic elite living lives much like the wealthiest of capitalists. How is that possible?

A great deal of production and financial schemes still function in the form of state owned enterprise. The bureaucrats are the state and they de facto can use them according to their plan. Under Stalinism the bureaucrats had to extract a little extra for themselves on the sly, after all, they were supposedly communists. But now China has *Socialism with Chinese Characteristics*. With respect to state owned enterprise that means the state elite operates them for dual purposes – as a vital segment of China's economy, and as the elite's personal cash cow.

That does not mean they do nothing of worth to earn their keep. Far from it. They have used the pandemic to not only show the world their skill in defeating it, but also to demonstrate a critical difference between Western capitalism which has a state apparatus that is little more than an executive committee owned and operated by the elite of private capitalism. A unique characteristic of Chinese capitalism is that a core sector of the economy is controlled by the state. Being and integral part of world capitalism does not give the state leadership the free rein to do what they will as they could under Stalinism, but they have far more room to maneuver than do their counterparts in the West.

Even though China suffered its first quarterly decline since 1992, its state owned enterprises are strongly oriented toward drawing in funds from foreign and domestic institutional investors. They have offered very high dividends, and now while Western banks and other businesses have cut or eliminated dividends China has managed to work their distress to its benefit. Investors do not care where or how they can increase the value of their investment.

According to, Catherine Yeung, an investment director at Fidelity International based in Hong Kong, *“Big dividend payers tend to include the largest SOEs, which are often financial firms, energy producers and real estate developers with cyclical profits...”* State owned China Mobile increased its dividend even though its net profits declined 9.5% last year. State owned banks pay out more than 30% on average.

The obscene wealth of the 'communist' ruling class is not enjoyed in secret like the minimal theft from oppressed workers during the Stalinist period. Their vulgar brood travels the world to enjoy the now legally institutionalized theft from the working class. But the strangest thing of all is how those on the receiving end of the miseries created by the world capitalist economy are locked into clearly seeing without indicating any sign of understanding what they have seen. Over time commonly held untruths drift so far apart from the realm of reason that they become little more than a reflect acceptance. A habit of persistent questioning is the only antidote.

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