

# **THE STRUGGLE AND MEANS TO ALLEVIATE WORLD POVERTY IN THE 21<sup>st</sup> CENTURY**

## **Section Titles**

- I. Two Approaches to Economic Development: Collective Public Interest vs. Privatization**
- II. The Right Wing of the USA: Champions of Privatization With No Social Conscience**
- III. Beyond the Liberal Development Model: Linking Social Capital with State Capacity**
- IV. One World-Two Systems**
  - a. The Principle of Sharing Wealth: “Fair Trade” vs. “Free Trade”**
  - b. Historicity of Social Change and the Asian Experience**
  - c. Remaking Socialism in China**
  - d. Asiatic Socialism**
  - e. What is Socialism: A Short Description of the Ideal**
  - f. What is the Reality of the Ongoing Struggle for Socialism?**
- V. State Intervention in the Economy to Avoid or Cushion the Threat of Recessions: China’s Study of World Economic Cycles (2002)**
- VI. China’s Reaction to the Danger of Economic Crisis - An Innovative Offense/Defense Against the Threat of Economic Contradictions and Collapse**
- VII. Interchange Among American Observers of China**

**September 28, 2004  
New York, NY**

**Sidney J. Gluck**

**Former Chairman, New York Chapter, US- China Peoples Friendship Association  
Retired Member Social Science Faculty, New School For Social Research  
Currently, Chairman, US-China Society of Friends**

## Section I

### **TWO APPROACHES TO ECONOMIC DEVELOPMENT: Collective Public Interest vs. Privatization**

The world is on the cusp of a new century in which imperialist globalization is under serious challenge. The instruments of world domination, the International Monetary Fund (IMF), World Trade Organization (WTO) and World Bank (WB) are under open challenge to bend to the need of alleviating the dire economic conditions of former colonial countries seeking a road of development to bring their people out of deepening poverty and indebtedness to the dominant G7 countries. By example, at this very moment, the apparent success of the Chinese experience in development, despite its problems yet to be solved, has injected a new dimension to the struggle against poverty.

As we write today, we hold a release from Montreal dated September 30<sup>th</sup> from the Inter Press Service News Agency, which reads:

Unless the debts of the poorest African nations are completely forgiven, those countries stand no chance of achieving the world's development goals by the target date of 2015, says a United Nations report released Thursday.

Today ministers from the seven most industrialized countries (the capitalist G7) are meeting in Washington where they will also participate in deliberations with the IMF and the WB. The issue of debt cancellation long urged by non-governmental and debt-ridden, underdeveloped nations is expected to be the main topic.

The specific conditions of African countries, which are drained by the cost of servicing their accumulated debts is central on the agenda since they would have to attain a 7-8% growth to halve poverty by 2015, an impossibility under present indebtedness.

Ironically, China, whose representative has been invited this year as a guest of G7 has already, last December, forgiven 31 African nations their full indebtedness, wiping the slate clean to allow for the development of fair and equitable trade and investment to buttress an opportunity for the African countries to plan their development strategies with a view to caring for their people. Beyond that, China has demonstrated in this last year that it is possible for a government to intervene in economic planning to guarantee the use of capital investment for maximizing its effectiveness by avoiding disproportionate developments that ultimately create recessionary interludes that shift the burden to increase poverty. Furthermore, they established the concept of "collective" consideration of a country's economy by its government, ministerial officials and its professional leaders in economics, finance, management and technology as the effective method and instrument for planned development. This is in contrast to centuries of experience in the growth of capitalism and imperialism where decisions on capital investment are in the private domain of particular capital formations that are but segments of the whole and tend to develop unequally, creating cycles of "relative

overproduction” and “relative underconsumption,” ultimately resulting in the impoverishment of segments of the population. This is the challenge of the 21<sup>st</sup> century – “social direction” of an economy as distinct from fragmented, individualistic, privatized decision making for a country and the world as a whole. What has emerged is a demonstrated method of dealing with economic planning through consensus involving all economic groups in the society, giving consideration to the living standards of ALL.

While Great Britain has indicated a willingness to pick up 10% of the African burden, there is strong opposition by all others. The US, this week, paid lip service to debt reduction but made no specific proposals.

The impact of China’s change in its development approach injecting macro-planning of capital allocations and concerns for the working population is momentous. This followed an intensive study of the cause of economic cycles in Western experience that reverberates in the entire global economy. Exercising governmental capabilities, China created mechanisms and directives to correct imbalances in sectoral growth and the disregard for conditions of the labor force. In the last analysis this is an exercise of “social responsibility.” While it echoes some elements of Keynesism and a reflection of liberal and social democratic approaches, it goes significantly beyond the class nature of demand-side economics, liberalism and social democracy in Western experience.

At this moment it appears relatively successful, though there is “class” division over central regulation and control with pressure to allow “free market relations” to finish the job of redirecting the economy. The government, on the other hand, has made the alleviation of income and living standard disproportions a major objective. For the first time last year, the government reported an increase in poverty in China; but this is in pockets in the Western regions, not absolute poverty but definitely a relative poverty in many villages where the income from migrant and emigrant family members engaged in other parts of the country and overseas has benefited family living. This shows up with improvements for parts of villages on an uneven basis, but clearly as a trend.

A fundamental change in the entire agricultural program has been proposed by economic planners that will entail a shift from the dominance of basic grain production, which requires large tracts of land and a small number of farmers to produce high labor intensive crops, which use a minimal amount land (since China generally suffers from a 7-8 % availability of agricultural land). This will feed high value crops into new agricultural industries for domestic consumption and export. Obviously it will create jobs, relieve poverty and bring the region into a high technological level of production.

The arena for achieving independence of former colonial countries has shifted from confrontation between the dominant and the exploited country to a world-wide arena of a movement that has coalesced the struggles for release from the power of wealthy industrial nations which achieved their supremacy in an era of capitalist exploitation and textbook impoverishment of colonial populations that still suffer from diminishing living standards in the penury of international debt with no way out but to pressure for a change in the privatization of the planet and the introduction of socially responsible economic relations.

This is not a new struggle. It began almost a hundred years ago when the industrialized countries battling among themselves for world supremacy, in their momentary weakness suffered the loss of 1/6 of the world's territory in the victory of the Russian Revolution. The history of the rest of the 20<sup>th</sup> century was a preoccupation with the ultimate success of the imperialist countries defeat of the Soviet system; but in doing so and in their effort to use the Chinese revolutionaries against the Soviet Union, they opened a window of opportunity to China to recreate their way of building Socialism with Chinese Characteristics, modernizing their industry and opening to the West. This allowed a period of time for China to develop a highly competitive and technologically efficient section of their country, which has become a strong player in world economic interplay. China cannot be disregarded, pushed under a rug, or decoupled from worldwide economic and political relations. It has become integral to the needs of the capitalist world, creating interdependency within world economy.

The stability of China adds to the stability of the West. The instability of the West threatens the stability of China. The disproportions of income in the Western dominated world is challenged by the very existence of an independent China and especially by the new approach of the Chinese to development that has been recognizably successful and today is again reorganizing itself satisfying many of its vast population that have not benefited from its success.

There is a "class struggle" in China between the new entrepreneurial class of private owners and the interests of foreign owned enterprises all following the ideology of privatization in a mixed market economy and the governmental and political decisions to follow a socially motivated economic development under the political ideology of collective decision-making as distinct from the freedom of individual capital formations to function as an unregulated segment of a planned economy.

We are witnessing a shift in planning within China to defend its modernization from economic recessions caused by private interest inputs that have invited to participate in economic development but not to direct or distort it. The "fourth generation" leadership, installed 2 years ago, has undertaken the redirection of their economic development to avoid cyclical recession cause by disproportionate development and more importantly to direct the consumption in their society for the benefit of the whole of its people. There lies the challenge and perspective of epochal changes possible in the 21<sup>st</sup> century, if through diplomacy, military conflicts can be averted as social change is achieved.

## Section II

### **THE RIGHT WING OF THE USA: CHAMPIONS OF PRIVATIZATION WITH NO SOCIAL CONSCIENCE**

#### **The Textbook Character of Karl Marx's Version of Capitalism Without Benefit of Liberalism or Social Democracy**

The ascension to power of the right wing in the USA has exposed the overstuffed belly of a raw capitalist system unfettered from liberalism, Keynesism, social conscience or social democracy's class opposition.

The unilateralism of a single imperialist world power is a new stage of imperialism, hopefully its last, as almost all sovereign people are on the offensive to protect their interests and/or to demand "fairness" from the "free trade" harness imposed on underdevelopment.

The drive of privatization is gobbling public assets and pauperizing former colonial (so-called "freed") peoples.

Yet, religious compassion and a moral sense of fairness and caring are alive, bolstered by the marching millions on all continents for freedom from penury, greed and the triage of stagnation and underdevelopment.

Debt ridden people ("freed" colonials), victims of "free trade" agreements, milked and ecologically plundered, cry out in a universal wail for alleviation of unequal conditions of exchange and superimposed rights to economic Gulleiters. Former colonialist countries are on the defensive against USA super-power re-colonialization and unilateralism.

Even in the USA, where truth struggles for recognition, the voice of masses have thundered in the streets and on campuses for a return of societal responsibilities towards working families and so-called middle classes who cannot afford to send their children to college or the fear of being suspected of terrorism for speaking out. Increased poverty in the USA is an anachronistic historic turn since the recession that has marked the economic history of the Bush Administration.

The Far Right uses "terrorism" as a shield and a weapon to disregard hard won and cherished civil rights to deflect criticism with a screen of misinformation and innuendo (detention, incarceration, denial of legal procedure). Voices of reason are maligned, denigrated and ridiculed. The truth is distorted and replaced with outright lies. It is a threat of white-gloved fascism with American covert activism.

## **CARNEGIE COUNCIL – A LIBERAL VOICE**

### **An Unscheduled Presidential Debate...**

“The forces of globalization have made us freshly aware of inequalities among nations. How should the United States address issues that have exacerbated by global economic integration: specifically, vast poverty and development needs, public health issues, and human trafficking? The Global Policy Innovation Project of the Carnegie Council suggests that alternatives exist for promoting economic growth while upholding social justice aims. Debt relief, social safety nets, accountability in development policy, the need for setting international labor and environmental standards increased concerns for delineating human rights—all of these proposals are now on the table for leaders in government, civil society, and business. What are the most promising ideas you have heard for promoting a just global marketplace?”

In posing questions such as these to the candidates (and ourselves), we can take advantage of the opportunity an election season provides for thinking harder, further, and more imaginatively about how to pursue a morally desirable agenda in a world of relentless power politics.”

- Joel H. Rosenthal, President, Carnegie Council

## ROBERT RIECH

- Former U.S. labor secretary Robert Reich said he was confident that liberal values will triumph in what he calls the “battle for America.”
- “According to the *Economist* correspondents John Micklethwait and Adrian Woolridge, however, the battle to defeat the liberal element in American politics has already been won. Even if Kerry wins, “it will not change the fact that America will remain an exceptionally conservative nation.” Nowadays conservatives (in both parties) control not just the White House and the Congress but most of the governorships and state legislatures.
- But while others agreed that America is a land where everyone’s opinion can be heard, still others noted that public protest and free speech are frequently stifled.
- So is America predominantly red or blue, gagged or free? No matter who wins in November, the battle of ideologies-and perceptions-will continue.”

## **MISTAKEN IDEOLOGICAL IDENTIFICATION OF BUSH ADMINISTRATION AS INCIPIENT FASCISM**

May 21, 2003

I should not be surprised, but I am shocked that Bill Mandel, an old hand in the fight against fascism should say, "What makes fascism distinct is that it comes to power via citizen organizations whose members are willing to use violence of their fellow citizens to deprive them of civil rights and liberties. . . . So long as they do not gain control of the central government, the country is not fascist. . . . As American experience with the Ku Klux Klan shows, that remains true even if such an organization dominates a part of the country."

This definition puts the cart before the horse. This misses the point. The hate groups take over on the ground when the state power is in the hands of the most reactionary elements in the country. The hate groups are a mechanism for suppression. The state power is tied up with the economic and political control of government. The style or specifics of reactionary state control, which uses the hate groups, varies in different countries because the class structure has variations in each country. The existing democratic forms in each country determine the style in which the reactionaries will assault the democratic structures, but in all cases in the 20th century, it was corporatism that was the basis of fascist states, that is, to quote Mussolini again, corporations in control of government is fascism.

One must, however, add to this that the most reactionary, most conservative, most chauvinist, most imperialist corporations in control of government make fascism possible because they will protect the hate groups. But each country witnesses various ways, in which the relationship between destructive groups are nurtured, condoned and released by the masters of state power.

In the USA, the Ku Klux Klan was defeated by the Southern Poverty Law Center under Morris Dees in a lawsuit, which resulted in a huge financial penalty that bankrupted the KKK. But that was possible before the reactionary politicization of a good part of the federal judiciary since Reagan has encroached on Constitutional rights. Would that be the same if Bush appoints a few more federal judges for lifetime? Just read the literature from the Southern Poverty Law Center on the number of hate radio stations and groups that dot the country in the hundreds. Are these being shut down by the federal government today? McVeigh represents a historic moment, which may be passed at the rate that Ashcroft is moving to destroy the Bill of Rights in the name of fighting terrorism. Would you not call the military action in Iraq imperialist and colonialist at its worst? Read the front page of the NY Times today and you must shudder at the style and manner in

which the Bush administration is steadily eroding the democratic rights first established and then improved in our country over centuries.<sup>1</sup> The Supreme Court ruled to prevent the use of RICO conspiracy by the hate forces, which destroy abortion clinics, giving them federal protection. Keep your eye on the ball. It is true we have a history of democratic rights but it is also true that they are eroding very, very rapidly. Again, the key to fascism is reactionary, corporate stranglehold on government.

Is there a comparison with the McCarthy period when the struggle to expand and defend democracy succeeded at a different moment in history? Internationalism was on the rise; fascism had been defeated; the reactionaries started the Cold War in 1947; they got Nixon into Congress in 1948. They attached Nixon to Eisenhower as Vice-President in 1952, but the reactionary corporate core which started its moves from the West Coast to capture the Republican Party had only begun. The forces for democracy were relatively stronger and well funded. The Southern Democrats hadn't moved over to the Republicans. The balance of power between the pro-democratic forces and the ultra reactionaries was different. The far right politically married with the Southern religious fundamentalists and the hate groups are a combination of the reactionary political leaders with a mass base. They could not succeed with Nixon who was confronted with mass movements to end the Vietnam War and was caught with his pants down and impeached. But, with Reagan's victory, we have seen a steady move to hand over the centers of governing through Congress and the executive branch to the CEO's who robbed the decent workers of their pensions, their health benefits and are responsible for an increase in poverty within 1/3 of the population and uncertainty for the rest of the working population.

Face it; fascism is capitalism at its worst. It is economic triage and suppression. That is what we are facing today with the government in the hands of our country's worst reactionary elements. If they succeed in appointing reactionary judges and controlling three branches of the government, fascism is coming from on top as distinct from your definition that fascism depends upon the rise and control by hate groups. There would be no hate groups if corporate America wanted to stamp them out. Those who criticize the administration are thrown off television and radio or off the stage where they are prominent. This is not McCarthyism. This is the real thing, unless the democratic forces realize what they are fighting against and get the people to see the real nature of present day Republican Party control. They control the information highways; though it is true we have an alternate press reaching specific sections of the population. But try to get on a major network. Try to write a story about what is true about what happened in Iraq as a correspondent and lose your job.

The basic principles of democracy, the struggle for civil liberties and civil rights, the victory against the Vietnam War, all remain in the national consciousness. Do not however assume that the constant pounding and directing and manipulating of issues does not confuse the population. German fascism was built on a slogan of National Socialism. US style differs. It is built on the slogan of "expanding democracy", though truly it is at the point of a gun and loss of liberties. I could see the possibility of being persecuted by the current administration by insisting that they are developing an American form of fascist control. How many people are in jail in our country now because they are immigrants and critical and not terrorists and being denied legal

protections. How much of a step is it to take it to the yellow or the black face and smear it onto the whites. Even most democrats do not go head on with Bush for fear of losing corporate-controlled contributions.

If we follow this intellectual debate and nitpicking on a definition of fascism, we will soon be at a time when it is irrelevant and impossible. We are at a very serious juncture. We must find a way to work with all political forces, which will coalesce to elect representatives and to support leaders who clearly go against the friendly-faced, white-gloved, compassionate, incipient fascism of the Bush administration. It is the main issue, which would be understood by masses in the population if it were clearly presented as a main danger both in political and economic terms. We must use all of the alternate press and mass media and the mass movements to electrify the 2004 elections. The Republicans already are trying to circumvent a traditional election campaign by announcing that they will run a short sprint campaign beginning September 11, 2004, and with the hoopla of September 11, leave just a few weeks for any real political adversarial debate. We usually have months of such debate and confrontations, which they will seek to avoid or deflect. This too is a USA fascist tactic, as was the Florida recount judicial machinations that resulted in a Supreme Court designation of a president rather than a true count reflecting the majority of voters. Subtly, even as we write, the government is working feverishly to introduce electronic voting machines which are flawed, can be rigged, and have no way of retracing the accumulation of votes (if you are interested in more details on this, we will send this to you in another communication). 2

I go with those who disagree with Bill, especially the notes about the chauvinist character of our prison system and the reactionary character of the use of our military and would like to see an outcry against the forms of surveillance, which Mr. Ashcroft has proudly installed.

It just occurs to me Bill that one might say your definition of fascism is a condition in which the hoodlums take over. Who lets the hoodlums take over? What about the lesson that state power is in the control of the army, the police, the courts and the prisons? The hoodlums don't control the elements of state power. It is the political military leaders who have control of state power and it is they who can exercise the prerogative who can let the hoodlums come out or be repressed. Send a note to Morris Dees and get a copy of his list of hate groups and hate radios throughout the country and you will see what is NOT being suppressed while decent people who criticize the administration and its military and anti-democratic policies are being deprived of their livelihood. Where is the real theory? Don't take activity for essence.

Let's call a spade a spade. Wake up America. It can happen here - and is.

-Sidney J. Gluck

-----  
**NOTES**

1. As we write today before the elections in 2004, the Bush Administration has failed to renew the ban on handguns claiming that they could not put it through the Congress. Did he sharply criticize the Congress and issue an Executive order to continue the ban? No. Why? Will they wish to release armed hoodlums if they are reelected and have strong opposition to their destruction of civil liberties?

2. In addition to voting machine fraud, which has already been exposed as a possibility when there is no paper trail, the Commander in Chief has ordered that all absentee ballots from soldiers are to be sent to the Pentagon for distribution. I leave to the reader what the Rumsfeld-run pentagon will do. Lastly it is a well-known fact that registration of new voters, especially in the black community, is being hampered in states run by right-wing governors, particularly in the swing-state of Florida, famous for the use of the Supreme Court by Bush to circumvent full re-count of the Florida ballots.

## Section III

Selections from:

### **BEYOND THE LIBERAL DEVELOPMENT MODEL: LINKING SOCIAL CAPITAL WITH STATE CAPACITY**

By Elizabeth Kath

1. In Recent decades there has been widespread discussion of an enthusiasm for social capital

A resurgence of interest in theories of state capacity that draw attention to the importance of structures within society that facilitates collective decision making.

2. The importance of social capital can be traced back at least as far as classic works such as Alexis de Tocqueville's *Democracy in America*, and theories of state capacity follow a long trajectory including the work of Aristotle, Machiavelli, Hegel, Weber and most notably in recent years, Weiss.
3. Recognition of social capital suggests that Cooperation and collaboration may be more conducive to positive economic outcomes than spontaneously generated decision making by private actors in market competition.

#### **Modern Theories of State Capacity**

4. State capacity refers to the capacity of a society to achieve distinctive outcomes that would not have been achieved without conscious political decisions and institutional development.

Recent discussion of the state has been the causal relationship between politics (collective decision-making) and other forces in society.

Politics is not completely subservient to class of economic forces but may instead determine economic conditions.

5. Marxists have traditionally downplayed or denied the effectiveness and autonomy of the political realm based on a belief that the state could not act independently of social interests.
6. Recent Marxist work has conceded that the state has 'relative autonomy,' meaning it is not completely dominated by capital but can act independently to some degree.

Overall, the state still serves the interests of capital, and exercises autonomy only within the boundaries of the interests of the capital class.

7. According to liberal theory, “the greater degree of state intervention, the greater the dangers of bureaucratic despotism or simple mismanagement.”

Politics itself should not be seen as inherently undesirable, because strong states don't necessarily threaten democratic freedom.

8. Liberal theory does not recognize the facilitative role of state power nor the possibility that subordinating that state to market forces may obstruct the democratic process.

The more concentrated and arbitrary the state's power, the more it becomes isolated from social groups.

When state power is integrated into society, its strength is increased by its capacity to generate and to focus economic and social energy.

9. The state in fact can generate strength *through* society as the apparatus that enables collective decision-making.

### **Social Capital**

10. Discussion of social capital has revealed that, alongside financial and human capital, capital is a relationship between groups that facilitates productive activity and also established conditions that live on to pave the way to further productive activity.

Social capital is both an input to and an output of development - it generates desirable outcomes as well as being a desirable outcome in itself.

11. Populations that are engaged in voluntary association and social networks are likely to have a higher level of generalized social trust which contributes to a better working democracy and a greater efficiency in terms of collective decision-making.
12. There is now widespread acceptance of social capital's reality and its important role both as contributor to democracy and a factor in all economic processes. From this recognition it follows that attempts to refer to 'capital' that do not recognize this social component lead to flawed accounts of what wealth is and what creates it.

## **Parallel Conclusion and Their Relevance to Developing Countries**

13. State Capacity. The role of economic forces alone in deciding societal outcomes may be less significant (less exclusive) than has been traditionally assumed.

Political forces have greater autonomy than economic determinists acknowledge.

14. The state is not a monolithic actor but permeates and is permeated by societal arrangements. The state's strength or capacity depends on the degree of this embeddedness in society – equivalent to its level of citizen participation.
15. The relevance of modern theories of the state extends to developing countries.
16. In other words, social inequalities and limited participated produced by the market were viewed as an initial price a society needed to pay in order to generate enough wealth to build more production and democratic conditions.
19. The International Monetary Fund (IMF) and the World Bank have insisted that rapid economic growth is the only viable way to solve the problems of underdevelopment and that economic growth depends on an environment where social, cultural, institutional and traditional 'impediments' to market forces have been 'reformed' away.
20. Growing international criticisms of its over-reliance on market forces in combating poverty.
21. The long history of failure of free-market mechanism to relieve poverty or to reverse underdevelopment has fuelled a growing distrust in economists' capacities to diagnose the causes of poverty in the developing world.
22. Liberal policies prescribing the removal of all barrier to economic forces may in fact achieve worse developmental outcomes than are technically possible.

State apparatus, or institutions that serve as mechanisms for collective decision-making, are in fact protections against economic disruption and other forces that work against the achievement of democratically determined goals.

## **Social Capital Under Socialism and Capitalism**

### **VIII. Wealth and Human Resources**

The primary objective in the use of social capital is working class entitlements to guarantee support and improvement of their standard of living. to achieve all around

prosperity in a growing society and to plan the capital flow for a continued, balanced economic growth.

This is distinctly the socialist use of the social capital as distinct from the capitalist use of the government renewal social capital exemplified by the Bush dispersion of the government surplus to the capitalists and upper brackets as distinct from maintaining social benefits for working people and the so-called "middle class," in fact decreasing their share of high paid "middle class" really the highest paid level of the working class with any union protection at all. In the capitalist stage, it's coming to the end. In the socialist stage it's just beginning.

-----  
**NOTES:**

- A. Not rely on wage system
- B. Divert social surplus to entitlements
- C. Entitlement equilibrate market shares for goods and services

## Section IV

### ONE WORLD-TWO SYSTEMS

We have entered the era of “One World-Two System.” However one views the emergence of a modernized Chinese economy on the world scene, whatever label one wishes to append to its Mode of Production and however one might view and characterize the current phase of imperialist control, there has emerged a viable economy differing from Western capitalism. An economy capable of directing the flow of capital to ameliorate areas of imbalance to avoid economic bubbles that burst in the face of uncontrollable private investment in the capitalist system despite Central Banking and government efforts fueling pulp efforts to avoid recessions.

This does not mean that the economic trends in both the capitalist world of “private interest” and the world of planned collective initiative do not affect each other in the integrated world economy. This is a 21<sup>st</sup> century phenomenon that did not exist in the 20<sup>th</sup> century though there was a dichotomy in economic and political world relations. The USSR was never truly integrated in world trade and investment. The Cold War was a divide on both sides that obviated normal exchange in the world division of labor.

In recent months, in the shadow of fears of an impending collapse in China’s economy – a hard landing – would have a detrimental effect on the economy of major capitalist countries, particularly fears about the banking structures in China, much had been written about the danger of collapse. On the other hand, it is only recently that the Chinese have noted that their economy is subject to crisis in the West. All of this is true. What has not been contemplated, though there was a wish expressed for a “soft-landing,” a term applicable to Western experience, the possibility that corrections could be accomplished before a catastrophic burst was hardly alluded to. It would appear that government and state intervention has succeeded in avoiding an economic disruption and all sides are breathing more comfortably about the outcome of China’s demonstration of the possibilities for restructuring, redirecting, and regulating capital flows to correct imbalances before they burst the economy as a whole.

As a consequence, China’s striving for stability may prove a blessing to the capitalist world which suffers from relative over-production and relative under-consumption controlled and guided by private interests which contradict achieving social balance.

How is it possible for China to succeed in circumventing recession in what they call the “Primary Stage of Socialism with Chinese Characteristics” that we call a “planned ‘mixed capital,’ ‘market economy” with a goal of socialism (socialist production relations)? What are the socio-economic relations in China that differ and create the possibility for such achievement? In China’s primary stage of socialist construction, which began in 1978 and accelerated to world-class performance by the end of the century, economic modernization expanded the division of labor.

-----  
**NOTES:**

- A. Since the Return of HK there has been one country, two systems.
- B. Mixed economy, intertwined private with social and cooperative. Elements of two systems. Now China in world etc. Challenge imperialism.
- C. This demonstrates ability to cool bubbles with mechanisms not available to capitalist countries. Raises questions, state intervention, state capacity, class, and nature of governments. No hard or soft-landing.
- D. SG thesis in a nutshell:
  - Social Capital Accumulation and Allocation.
  - Tax evasion, misappropriation, corruption
  - State intervention Social Capital – State Capacity
  - December Meeting 12 / 2 / 2003
  - 4 areas of capital investment
  - Strengthen Macro Regulation and countries
  - Rule of Law. Perfect the method and responsibility of state leadership.

## Section IV: Article a

### THE PRINCIPLE OF SHARING WEALTH “FAIR TRADE” vs. “FREE TRADE”

Capitalism from its beginning, when it first fought against Feudalist restrictions of trade, inaugurated the slogan "Free-Trade" which then became the shibboleth of capitalist expansion from proletarianization of the peasantry to form a wage working class in its primitive accumulation drive followed by a number of stages of industrialization and imperialism to the present stage of "single super-power imperialism" of the U.S.A., the prime progenitor of "Free Trade" today. Witness U.S. driven Globalization in the current (and hopefully last) stage of imperialism and domination of economic integration through the WTO, IMF, and the World Bank in their present modes.

Opposition to this highest form of imperialism is evident in resistance from many directions, not alone from developing countries that seek a share for their own people in economic growth, but also among capitalist countries defending themselves against unbridle US competition and empire building. Resistance is also evident in mass movements around the world against the imperialist content of WTO driven Globalization, augmented by world-wide mass anti-war movements against occupation of Iraq under questionable motivations and misrepresentations.

There appears to be a growing demand to counter "Free Trade" with a 21st-century challenge to systemic capitalist world domination. There has emerged a movement for "Fair Trade" among liberal and reform minded elements around the world, including groups in the U.S.A. and EU. What gives impetus to a "Fair Trade" movement is the maturing of the modernized segment of China in its Eastern and Southeastern areas as distinct from Central and Western under-developed regions which, for historic and geographic reasons, will take a good deal of time to integrate through new infrastructure, enterprise, land improvement through fertilization and water supply and encouragement of entrepreneurism, conquering unevenness and achieving the benefits of overall development and modernization.

It is China as a trading and investment partner in high tech and scientific means of production and distribution, a new major player advocating "Fair Trade," that extends the opportunity for mutual development in the chain of world economic integration. Ironically, it was Lenin in 1924, before his death from the bullet wound that incapacitated him after the end of the Civil War, who regretted that world capitalism turned down the offer to invest in Russia under his New Economic Policy with the remark that "World integration will inevitably force them to come to us". Following the demise of the Soviet Union which never did integrate into the world economy, the success of modernization in ¼ of China which emerged as a consequence of fundamental structural change from a rice-bowl economy to planned inclusion of market mechanisms and opening to the west for a surge of technology and capital investment, establishing world economic relations. This has bolstered the possibility of making "Fair Trade" a growing reality in world development. The new "fair trade" slogan will become

a more and more acceptable principle until it grows to dominate relations among many nations, reflecting an underlying concept of the United Nations and making possible consensual arrangements as nations move forward to a higher level of economic and political interplay, each in its own way and pace, into an era that moves away from single superpower domination.

If in fact this is so, we are entering another phase in the march to a new system of social relations. It will take time and struggle against the established wealth, controlled by ultra-conservatism. Nonetheless we must be confident that mass forces will achieve the extension of economic democracy. Hail the possibility and the struggle to create a new "Fair Trade" epoch."

Sidney J. Gluck, Retired Member of the Social Science Faculty of the New School for Social Research  
Former President of the US-China People's Friendship Association, NY Chapter  
December 1, 2003  
New York City

**Section IV: Article b****HISTORICITY OF SOCIAL CHANGE  
AND THE ASIAN EXPERIENCE**

Historical conditions in the struggle for an equitable collectively managed society are quite different for the ancient Asian feudal societies to bring them into modern economic relations than the historic conditions of the factory system in the embryonic day of privately managed capitalism in Europe, the conditions described by Adam Smith and Karl Marx as they dealt with the commodification of labor power replacing individual agricultural and handy crafts labor economic base of social production.

So long as capitalism can contribute to development of technology, it can still claim legitimacy while the class struggle moves to and fro in terms of liberalizations and worker's right under capitalism considering pressures in the EU retrogressive worker's rights and standards in the name of "unification" to be "competitive" with the "juggernaut" of capitalism. The USA dominates the scene for the time being. We hope it does not lead to war; against countries seeking different economic relations. The path to a more equitable society in each country must have its own characteristics just as socialism in different regions of the world emerge from different economic structuring and class relations. It is one thing to have an idealistic concept, but it is not a one-fits-all realistic approach to measure every tactical development, for instance in the struggle for socialism as images of the ideal, though nothing is wrong with having such an ideal, after all it is the basis of all projected goals. But wrong to lose touch with the level of class struggle and growth of democratic forces with anti-capitalist pro-labor orientation.

Many Western Marxists cling to a concept of what "Socialism should be" based upon experience of class formations and antagonism in the West as capitalism established itself and expanded beyond national borders, establishing a colonial system on a feudal and tribal base transformed with capital investment in imperialist times having progressing from an early stage as sources of commodities and raw materials and as markets for manufactured goods from Western Europe that later grew into capital investment in the colonies to extract and rob their natural resources while maintaining feudal and tribal economic relations.

**Section IV: Article c****RE-MAKING SOCIALISM IN CHINA****Shanghai Star. 2004-02-26**

Having been raised in political cultures, which primarily identify “socialism” with hostility to the market economy, Westerners are often confused by China’s ideological evolution in three era of “reformed and opening up.” In particular, they tend to find the notions of “socialism with Chinese characteristics” and the “market-oriented socialist economy” difficult to comprehend.

Nothing could be more mistaken, however, than to take the rigid political categories of Western societies as a guide and conclude that China has merely attempted to find a compromise between market economics and traditional socialist ideas.....The process of reform and opening up has proceeded in strict accordance with the principles of Chinese Marxism, both politically and theoretically.

**Section IV: Article d****ASIATIC SOCIALISM**

A political economic transition from an agrarian based feudal mode of peasant and artisan individual production distorted by foreign domination into socialized cooperative division of labor in production, differs in time, social relations and grand formations from the Western national experience. Transforming an essentially peasant population into wage-labor and independent farmers relations to missed private and social capital in a planned market economy (as distinct from “Capitalist Free Market”), embarking on modernized and high tech industries, services and specialized hand crafts with sustained growth and competitiveness as part of the global economy still dominated by imperialism that is the task of former colonial countries.

In essence, “Asiatic Socialism” affects socialized production combined with social and private interest (distinctly different from the simply private content of capitalism) independent of imperialist controls while maintaining economic equality within a multi-system world economy.

The goal for China is peaceful ascension to world recognition emergent from underdevelopment to modernization often adopting mechanisms borrowed from capitalist experience, while building “Asiatic Socialism” (distinct with differences in social concerns with the effects of proletarianization and private and social accumulation of wealth) – not developed socialism as envisioned in the West but a socialism with characteristics of a different progression of class formations and class antagonisms, essentially between private capital and labor on the one hand, private and social capital and the transformation of semi-feudal conditions, on the other.

**Section IV: Article e****WHAT IS SOCIALISM: A SHORT DESCRIPTION OF THE IDEAL**

The Socialist ideal is, “an extension of large-scale modern public industry, cooperative agriculture, worker’s ‘accounting and control,’ social planning of the economy, and the marginalization or elimination of the capitalist sector.”

-Al Sargis

## Section IV: Article f

### WHAT IS THE REALITY OF THE ONGOING STRUGGLE FOR SOCIALISM

Many activists seeking social change are mired in an ideological concept. The problem is an established socialist idea— an idealistic projection; but there is little consideration of the stages and the steps required to move through an antagonistic world dominated by private capital that is knowledgeable, canny, resourceful, and self-protective against all real and imagined challenges that could lead to a change in its domination over time.

The best example we have is the socialist revolution in 1917. This was a time when imperialist powers were engaged in fighting each other, revealing their true nature making possible a political victory in a number of countries by communist-socialist masses and parties. All but the one in Russia was defeated. The establishment of the USSR with its goal of socialist construction remained a challenge once the imperialist powers settled scores among themselves. The West then looked away or supported German fascism as the vehicle for destroying the socialist threat. They almost succeeded in World War II; the USSR defeated Hitler in Stalingrad (captured and circled two armies under Van Paules and started the March westward across Europe, which finally triggered the Western Powers opening of a second front before the Russians would reach the English Channel).

The creation of the United Nations was a compromise in 1947 to accommodate the existence of the USSR, however, that same year marked the beginning of the Cold War against the Soviet Union with Churchill's speech in Fulton, Missouri, USA. No doubt motivated by the same right wing, which that year began developing the Nixon candidacy in their plans to capture the Republican Party. Was there socialism in the USSR? Yes, there were elements. Was it lacking in socialist quality? Yes. But one should keep an eye on the fact that the imperialist world succeeded in eliminating the vestiges of socialist development with the final demise of the Soviet Union.

Now we have a situation in which China moved through varied stages of revolution and reconstruction. Is China socialist? No. Could China possibly be socialist to fit the image, the ideal of socialism at this stage in history? No. Following in the footsteps of the USSR it inherited distortions in development though it established a deep sense of collectivity. How could it move on to take care of its people without economic changes and modern production even to survive against the onslaughts of the West, the US in particular? Is it possible to build economically without engaging the initiative and strength of individuals within the collective? How far does one go to introduce this sense of the individual and relationship to property? There are questions of ideology and questions of economic re-structuring and problems of how to balance the two. Lets face it, Marx anticipated that the lower stages of "communism" would include "bourgeois rights" for a good period of time after a shift of political power.

Does the class struggle end during the early stages of socialist construction? No. How one deals with it and maintains a direction towards a socialist ideal is the practical side of achieving socialism, particularly after gaining state power. Are there dangers of counter-revolution, subversion, corruption and a regression? Of course. The challenge is to assess the relative movement of imperialism and socialist construction at a given time under specific conditions. The determination of policy is to prevent imperialism from continued conquest and to build non-imperialist economic and political relations (that are objectively anti-imperialist) in normal economic structures in a peaceful manner, in an effort to function without triggering the worst in imperialism and allowing for the growth of anti-imperialist forces within the capitalist countries as well as developing countries. How else can you move forward?

To the Marxists and socialists whose belief in socialism is not to be challenged, one should hark back to the leader of the 1917 socialist revolution, Lenin, for a glimpse of how he saw the dialectics of the struggle to ultimately achieve a new society. To quote: "We do not in the least regard Marxist theory as something complete and inviolable. On the contrary, we are convinced that it only laid the cornerstone of the science which the socialist must advance further in all directions if they do not want to lag behind."

-Sidney J. Gluck  
June 29, 2004

## Section V

### A NEW PHENOMENON

#### STATE INTERVENTION IN THE ECONOMY TO AVOID OR CUSHION THE THREAT OF RECESSIONS

##### CHINA'S STUDY OF WORLD ECONOMIC CYCLES

Modern China has experienced a series of social upheavals since Sun Yat Sen's democratic revolution and the demise of the Ming Dynasty. It emerged from centuries of feudal penury and the deleterious effects of imperialist occupation by Great Britain as well as extra territorial rights given to all other competing colonialists. The Communist Revolution under Mao Zedong's leadership inherited a country devastated by civil war, which followed the split of the "KMT" and the Japanese occupation. The victory of the peasant and worker based Red Armies, which defeated Chiang Kai Chek and the Japanese, established a stable state power in a vastly primitive country where the only centers that touched modernization were in the Southeast coastal cities, Shanghai in particular, as well as the off shore territories of Hong Kong, Macau and Taiwan.

While the Soviet Union had helped build smokestack industry and China tackled poverty in the countryside by collectivization that brought relief and established an egalitarian rice-bowl economy, the break with the Soviet Union in 1957 removed Soviet influence and challenged China to find its own way to create a socialist society. The "Great Leap Forward," an infantile attempt at economic planning, followed by the chaotic Cultural Revolution, stagnated development for the next twenty years. Nevertheless, the idealism of the Revolution survived but the economy was in shambles and in no way capable of providing for its own people.

It was Chou En Lai in 1975, his last year, who proposed a new direction for building Socialism based on China's own experience and capabilities. Deng Xiaoping and a number of others, who had survived the political repression of the Cultural Revolution under Chou's protection, created a new direction for economic development at a conference in 1978 to build a "Socialism with Chinese Characteristics." This entailed a total economic and social reorganization, introducing market relations, releasing individual capabilities, restructuring means of production, separating management of state enterprises from responsibility for basic social services and introducing new technology, science and management techniques – all aimed at building build the forces of production as a base for raising the country out of poverty.

Thus was launched, the People's Republic of China's economic modernization program and an Opening to the West. The goal was to build a new China that could take its place in economic world relations. This would create opportunities for East and West, and was aimed at bringing China into the modern world economic structure with all possible benefits to its own people and ultimately at becoming an example and an engine for alleviating under-development around the world.

The approach was quite different from the Soviet model of socialist society. The 1980s were marked by shifts in industrial production; especially reorganization of state owned enterprises and introduction of private enterprise, all intended to extend economic growth and create jobs (while reduction of overstaffing in the state-owned enterprises (SOEs). This added to unemployment and joblessness as a special new problem.

Be that as it may, by 1992, Deng Xiaoping approached Jiang Zemin, mayor of Shanghai, and negotiated a shift in leadership, which brought the Shanghai group into central leadership and in charge of modernization. Shanghai was the most experienced area in financial dealings and management because it had been the center of imperialist operation.

The world now knows of the exceptionally rapid and consistent rate of development of the economy in China. If one adds the growth rate of the last twelve years to that of the previous twelve (from 1980), the world has witnessed the longest uninterrupted growth at the highest growth rates in history. The objective of Jiang and Deng was to build up the Eastern and Southern coastal areas as industrial bases. These areas represented the most likely to retool, reorganize, begin modernization, extend it and develop relations with the outside world. Foreign capital was invited to build industry and distribution, augmenting job creation, but in all, unable to absorb the growing working class or to build up the agricultural Western regions at a rapid rate. The result was an incredible increase in income in the East and South, doubling four to 6 times from the 1980s to 2002. Only pockets of areas among the peasants saw an increase in income and living standards. The vast majority of the peasantry remained in poverty. Only in the last year was a small increase in income achieved for the peasantry and this increase was aided by migrant workers and workers abroad sending money back to their rural families. The neglect in improving earnings and living standards of workers and the peasantry has been broadly exposed by the eruption of demonstrations in the past two years. There were thirty-five thousand in 2003 and fifty-eight thousand such demonstrations in the first 9 months of 2005.

The change of regime, with the ascension of Hu Jintao and Wen Jibao, Fourth Generation Leaders of revolutionary China, inherited a sharply divided income gap, unemployment, lack of health care, social security etc. The state owned enterprises had been responsible for these services of which they were relieved in the process of reform. Serious questions arose as to the direction of a government established after a victorious socialist revolution and the establishment of collective idealism and the degree to which it followed and encouraged private interests. Furthermore the influx of capital in private and joint ventures, while stimulating growth and creating jobs tended to flow into particular sectors out of proportion to the economy as a whole. The threatening characteristics of economic cycles that infects the West in free-market societies was expressed in news media around the world, such as the Wall Street Journal, New York Times, Financial Times and among China's neighbors all who were becoming dependant on trade with China for their own stability. The Times stated "China's bounding economy fuels both hope and concern." One economist at a 2002 conference remarked, "When China accelerates, the world follows. When China slows down, the world will hurt, China is no longer just another emerging market economy." Jean-Claud

Trishet, President of the European Central Bank and Chairman of the Group of Ten-officials from the world's richest industrial nations remarked, "Asia's economy, being one of the major sources of global growth, is experiencing interregional trade, which is reflecting the domestic demand that is strongly accelerating and improving in various economies in Asia." "Money has been flowing around so fast," said a Mr. Tao at an international meeting, "that we are eventually looking at an investment fiasco." These observations caused mutual concern not alone in the West but in China itself where they had to recognize that the untrammled free-float of investment could lead to bubbles and busting.

We should note that China's relative position in the world economy by 2002-2003 had reached a level of accomplishment epitomized by most modern office buildings and hotels in every major city, shopping centers on a massive scale, modern airports with full facilities for services and consumer satisfaction and consumption. In short there had been a move from the common rice bowl to an extensive consumer choice. To quote the "Independent" of the United Kingdom in November 2003, "China is the biggest boom on earth. It is not just the fastest-growing economy in the world at this moment; its boom is the greatest that has ever occurred in the history of humankind. The world has never seen economic growth on this scale before. Some quarter of a billion people are racing from bare subsistence to middle-class comfort in less than two decades, the sort of transformation of living standards that took a century in Britain's Industrial Revolution." One must bear in mind, however, that modernization has ensued in but one quarter of China, directly affecting around 300-400 million out of its 1 billion, 300 million population -- while 800 million people in the Western and Central regions have experienced lagging development. The Eastern and Southeastern regions have moved rapidly into Western style free market recessionary economic conditions.

As of 2005 China had already become the world's number one:

- Country in demand for new oil resources
- Producer of cement and steel in the world
- Importer of scrap iron and iron ore, machinery and high tech electronics and productive equipment including transportation and communication
- Creditor holding US bonds and now the primary area for flow of capital investment.

China is the number two importer, next to the US, and is rapidly becoming number one. China is also the leader in personal savings of its population, even in poverty-stricken areas. This may look healthy on paper; but if the growth in the economy were to continue, as in all free markets in the West, everyone would soon become aware both outside and inside China, that a recession was in the making.

The Fourth Generation leadership, installed in 2002, undertook a study the following year of Western free-market economies, their inevitable tendency toward cyclical recessionary crises and depressions. They found two types of cycles: one, the growth of disproportionate sectoral investment creating bubbles resulting in relative overproduction, the second, long wave cycles resulting from the introduction of new technologies that enhance labor productivity by reducing labor time embodied in the value of commodities. New investment re-stimulates the economy. The effect of relative

overproduction is further aggravated by relative underconsumption because of the limited incomes of the mass of consumers and the cessation of capital investment in additional productive capacity. This affects both classes differently. In the first instance, the profits on capital investment are lowered and capital itself might be lost. In the second instance, inevitably the standard of living of the workers is reduced in a number of ways; job loss or reduction of working time, a pressure on any savings and a general reduction on purchasing capacity. The burden of economic cycles generally falls on the backs of the workers until the economy rights itself. There is no growth until disproportions are drained. As a result of these observations and the need to correct the imbalances that had already developed in the socialist market, it was concluded that a planned economy with a regulated market could intervene in capital flows, expand production through encouragement of investment in undercapitalized areas and instituting technological changes to increase productivity and making possible the reduction of working hours with the same or more compensation in the distribution of the social product. The capacity to utilize social capital was recognized as a much greater possibility in a planned economy than in the West.

Clearly the new regime in China, in order to maintain stability in their own country, would have to put the legitimacy of their regime into question and open the possibility of steering the direction of the country away from the social considerations at the core of the revolution's philosophy. This would result in another failure of efforts to move towards a socialist ideal. The government had to decide the degree to which it would exercise its capability of interjecting regulations and controls of the economic movements of capital and the overall balance of all sectors of the economy. They undertook a study which culminated in a conference on December 1, 2003, which brought together the government, the leaders of all ministries, the consultative assembly, leaders of the National Peoples Congress, and professionals and experts in various aspects of the economy, science, technology and planning. They came to the conference aware of the fact that the government income and right to allocation had aspects different from Western capitalist countries.

The capital formations in China included private investment, to a great extent small and medium enterprise run by Chinese nationalists, as well as foreign investments and joint ventures. Above all, the modernization program had already separated management of state owned enterprises from government responsibilities and put the government ownership shares in the hands of a responsible commission. The SOEs represent 30% of industry and control 76% of all basic heavy industry. Up to a few years ago state owned enterprises were losing money, the modernization and improved management had resulted in a considerable increase in profit accumulation available to the government for reinvestment, especially in areas, which do not attract private capital but are necessary for a balanced economic growth. Furthermore joint ventures were yielding a considerable income. The fees for land use where corruption did not exist added further to available capital, all this plus the excise taxes from imports and exports, corporate and personal taxes, and the recouping of capital diverted by corruption. This gave the state the levers to intercede in capital flows bases upon a macroeconomic plan for regulations and control of capital investments as well as the appropriation of capital funds away from concentration on economic growth in the East and the South and shifted the emphasis of capital utilization towards the building of an agrarian economy in the West that could parallel the experience in the East.

The conference represented a massive Board of Directors for economic planning including the use and investment of all the forces of production in its capability, the human labor force, farm, factory and service as well as the capital investment in plant technology and science. The further development of the Forces of Production by modernizing means of production to the highest possible technological level and training the work force to the highest level of knowledge and labor application makes China the workshop of the world. It does so without the harshness of economic recessions experienced in the history of Western regimes in which the forces of production are split among private owners and exploited masses with the objective of maximization of profit and accumulation. This has led to the poverty stricken world we live in today. The Chinese experience of exercising government capabilities for planning market relations and regulating them is a contribution which establishes a set of mechanisms to turn around what had become a historic trend towards increased poverty. Considering this level of awareness, it is up to the Chinese regime to apply its thinking to the alleviation of poverty in China through the use of directions in capital allocations for development and social regulations for equitable distribution to the population. We do note that the Fourth Generation leadership at its Fifth Plenum of October 2005 has made a sharp turn by rejecting Deng Xiaoping's slogan "get rich quick" and based their the Five Year Plan from 2006-2011 on a new directive "common prosperity and the Welfare of all." Unless this is done, the extreme income gap will impede any move towards a social structure that goes beyond the Welfare State that had emerged in the West.

"The economic cycle is an important phenomenon in the operation of the world economy," the governmental report indicated, "It refers to the fluctuating processes of liveliness, prosperity, stagnation and recession alternately occurring in the economic activities in the whole world."

Furthermore it was noted:

"The cyclical characteristic of the world economy is determined by many complex causes. Fundamentally speaking, it is a movement of contradictions between productive forces and production relations. Meanwhile, it is closely related to the cycles of science and technology from discovery, invention, conversion, and application and then to elimination and renewal, the cycles of fixed assets to be upgraded and updated and the cycles of the world market to be expanded and contracted."

Moreover the experts stated that:

"The theory of long waves was first put forth by a Russian economist, Kondratieff, in his thesis entitled, "The Long-Term Waves in Economic Life." As far as the long cycles or long waves in the world economy are concerned some experts believe that the development of the world economy has so far undergone three relatively complete long cycles. The period from 1945 to now belongs to the third long cycle. And at present, the world economy is moving from the falling stage of the third long cycles to the rising stage of the fourth long cycle. The new technological revolutions, industrial structure readjustments, marketing reforms,

educational reforms, and more in the whole world in these years are all heralding the imminent arrival of a new upsurge of a long world-economic cycle.”

\*Additional quotes, see note number 1.

At the conference of December 1, 2003, which was chaired by the countries top leaders and involved all ministerial heads, the National People’s Congress and experts in technology, science, finance, management and planning, the leaders, seeking a steady course for the economy threatened with a recession, acting as the general Board of Directors of the entire economy, decided to exercise the state capability and use its assets, accumulation, and power to regulate and create mechanisms of control on a nationwide economic plan for stable growth. They embark on efforts to change the shares of China’s new wealth with the whole population. This meant a turn from the trend in the previous administration to overlook the needs of the working population and looking away from the income gap that was second only to the United States’. The conference decided on eight objectives:

1. Higher incomes for farmers
2. Adjusting the composition of the economy
3. Strengthened co-ordination among regions
4. Create jobs and improve social security
5. Encourage private consumption
6. Continue the ongoing fiscal and banking policies
7. Reform the economic system and rectify the market disorder
8. Promote foreign trade and the uses of foreign investment, and give special emphasis to overall social development.

Besides tightening banking policy (available in any capitalist country by varying interest rates), specific directives pointed to slowing investment in overextended industries such as steel, cement, automobiles, transportation and real estate. Prices were held in check and consumer spending stimulated. The investment pattern enunciated on December 4<sup>th</sup> included:

1. The limitation of private capital investment in nonpublic, over-capacitated sectors. (This was implemented on December 3, 2003 and was hailed as a success by August 2004. Coincidentally, the rate of economic growth was not affected by the continuation of its over 9.5% annual result.)
2. Correction of regional imbalance and cooperation among regions (This is most difficult because of a history of provincial regional independence and failure to carry out the directives of the center in Beijing. This remains a regime objective in the process of the economic unification of China.)
3. Technological updating and innovation of existing fixed assets. (The criteria for capital investment is now sharply directed at technological innovation, as distinct from general increase in productive assets.)
4. Stimulation of new enterprises in the service sectors. Support for small and medium enterprises (SME’s) to create new jobs. Until recently SME’s have contributed the largest share of such growth, though the

large enterprises, at this time, appear to be adding growth at a higher rate.

5. Use personal savings to expand internal consumption. (This tends to create an element of underconsumption as it relates to the ability of the society to produce commodities for personal use.)

Saving is ingrained in the Chinese psyche. The banks are loaded with trillions of savings funds. In fact, investments in new enterprises in China are mainly borrowing from this banking capital, as distinct from the infusion of new capital in enterprise. This is precisely the opposite in the United States. The government is on a campaign to stimulate internal consumption. At the close of 2005, the Chinese government faces a new cyclical problem, that is, an increase in relative underconsumption which in the West is generally a result of income limitations for the mass of the population; but in China, not only should they be increasing wages and social benefits for workers and peasants that would result in increased consumption, but also is aggravated by the fact that the population is savings minded. Unfortunately, the other end is an unbridled consumerism which we experience in the West. The Chinese government has the problem of planning social distribution to regulate the underconsumption features of its market system.)

It should be noted that the government had already enunciated a reorganization of agricultural production in the Western regions. In order to create more jobs, they plan to reduce the production of wheat, rice and other grains which are low in labor intensiveness. Instead, they are seeking to create high labor input crops that require more workers and produce crops that can be marketed in multiple forms like natural, frozen, canned, or air-proof plastic packaging. They also have the option of developing organic small farms. The number of unemployed and the increase in poverty in the rural areas remains a major challenge. In January 2004, 25 billion dollars was appropriated to Western rural development and a similar amount was invested in 2005. At the present time, China is calling for outside assistance to accelerate the elimination of poverty which appears to have grown in the past two years.

Obviously these moves by the State had never been established in Western market economy and represent a departure in the exercise of State responsibility for the guidance of capital formations and the use of social capital. As an aside, it occurs to the writer, that the experience in handling social capital under Bush in the USA was to dissipate accumulated government income available for social use through tax returns and reductions, aggregating in the trillions overtime and depleting the social capital availability for health, education, housing and social security etc. Obviously there is a difference in the use of state power in sharing the country's wealth.

Long before the historic conference, in August of 2002, Hu Angang, China's well-known national conditions research expert and Quinghua University professor, writing on "China's Economic Rise Brings New Global Opportunities," observed that:

"The rise of China in the 21<sup>st</sup> century will become the most significant event in the development of mankind....that China's economic growth and economic internationalization will have important effects on developed industrialized countries.....(by).....China' development demands on capital-intensive,

technology-intensive and knowledge-intensive products.....China's economic export of labor-intensive products.....Along with economic globalization, industrialized countries will shift a large amount of the production of labor intensive products to developing countries, especially to China, which has abundant labor resources and a rapidly developing market."

And quoting a 1997 report of the World Bank, titled, "2020 China," Hu Angang concludes that China's economic rise will bring opportunities to world development just as the economic take-off of the United States in the 19<sup>th</sup> century and Japan's in the 20<sup>th</sup>.

In March of 2004, Angang, reacting to the state intervention with a series of macro-plans wrote:

"To a certain extent, regulation is a reflection and requirement of the development law of the world economy studying and mastering regulations also means, from a certain angle, studying and mastering the operational law of the world economy of course, the present economic regulations contain a lot of points that are irrational, and not in conformity with the objective law, to study them, we can participate in the process of revising these regulations and through putting forth efforts, make them gradually head towards rationalization, so as to set up a new order for the new international economy."

However he concludes:

"The report indicates that China's government has made a change in its development goal by replacing such a traditional goal as pursuing economic growth only with a new one, namely, pursuing comprehensive, coordinated and sustainable development. This shift has signaled a major conceptual renewal with regard to development.....The "Government Work Report" adopted by the NPC deputies by an overwhelming vote on 14 March has been found to have played down the economic growth target (now set at merely 7 percent or so). Yet, it has highlighted the "three rural issues (sans nong – agriculture, peasants, and rural areas)," among other issues concerning the livelihood of the people, such as employment, education, health, and so on. This is an indication that the current administration is resolved to handle various livelihood issues with increased pragmatism, concern, and realism, and by staying closer to the realities as well."

With tongue in cheek, on May 29, after noting several months of change in China's economic direction, H. C. K. Liu, a Chinese-American economist who regularly publishes in the South China Post of Hong Kong picked up Hu Angang's theme in an article titled "China Inspires Third World Countries."

"Dictatorship of the proletariat is a political notion parallel with the Mandate of Heaven," which political responsiveness to the needs and the will of the people (Baixing – Hundred surnames), "the moral mandate is based on the well being of the people, not the sanctity of the market."

"The signs now are that the CPC is back on track, and requiring the prosperous regions to subsidize the development of the interior regions and the financially

well-off segment of the urban population to subsidize the improvement of peasant income. The current emphasis on green economics, poverty reduction, full employment, balanced development etc., are components of the Mandate of Heaven, which justifies the CPC claim to leadership. The CPC will allow the market to operate unrestrained if it supports these developmental goals. If the market resists these goals, the market will be regulated or reduced to subordinate roles.”

China has come a long way since 1978 when it joined the world with its notion of “Socialism with Chinese Characteristics” creating an example for world development on a humanistic scale.

## Notes

---

### 1. Additional quotations from *World Economic Cycles*:

“We should admit that we have not made sufficient study of the laws governing the cyclical movements of the world economy. At the present, the descriptions and explanations about various cycles are not entirely accurate and scientific and a lot of issues still need to be discussed. Nevertheless, the cyclical changes in the world economy do really exist. And the phenomenon of this kind of cyclical change is exactly a concentrative expression of the operational law governing the world economy. To more accurately reveal this cyclical nature is an entrance for us to discover the law of the world economy.

“Maybe we can gain a deeper understanding about the operational law of the world economy, more freely master the operational process of the world economy, and foresee the prospects and tendencies of its development, so as to seize the initiative in our country’s economy, which is developed in the grand environment of the world economy.

“On the Basis of Mastering the Law to Pursue Advantages and Avoid Damages and Seize the Initiative in China’s Economic Development:

“In the new century, we have entered into a new stage of comprehensively building a well-off society and a new stage of expediting modernization. The situation is gratifying as well as more pressing.

“‘The multipolarization of the world and economic globalization is development in a zigzag manner; science and technology are developing at an amazing speed; competitions in overall national strength are becoming increasingly intensive; and profound changes are taking place in the reorganization of strengths and distribution of interests in the world.’

“‘As an objective process, the economic globalization possesses a dual character. The developed countries in the West strive to dominate the economic

globalization and, generally speaking, the developing countries are in a weak position.' It is impossible for a country to isolatedly develop itself divorced from the world economy. In the face of the future and the world, we should seize the initiative in China's economic development, and we cannot but actively participate in the process of economic globalization, earnestly study and strive to master the operational law of the world economy and on the basis of mastering the law fulfill pursuing advantages and avoiding damages.

"First we must broaden our horizon and strategically master the two-way interactive relationship between China's economy and the world economy.

"An increase in the degree of dependence of China's economy on the world economy means that China's economy will be more directly restricted and affected by the operational law of the world economy. Whether we can consciously understand and master the law in this regard is extremely important to the rapid, sustainable and healthy development of China's economy.

"To adapt ourselves to these new situations and changes, we need to further broaden our horizon and also change our thinking, measures and strategies. It is necessary to regard China's economy and the world economy as a whole to understand and master, comprehensively examine the external conditions of China's economic development, promptly discover the latest tendencies and situations in the world economy, profoundly study the intrinsic laws governing the world economy and scientifically foresee the basic tendency of the world economic development. To pay attention to the impact of China's economy on the world economy as well as the impact of the world economy on China's economy and master well the two-way interactive relationship between the two."

## Section VI

# **CHINA'S REACTION TO THE DANGER OF ECONOMIC CRISIS**

## **An Innovative Offense/Defense Against the Threat of Economic Contradictions and Collapse**

This section, which deals with the results of China's State intervention in capital flows described in Section V, remains incomplete.

It details the successful outcome, as a result of implementation of regulations and banking practice. Interestingly, the effect did not slow up the GDP that ended in 2004 at a 9.5% increase over 2003. Furthermore, there was no inflationary distortion of the economic stability.

The debate in the third quarter of 2004, found agreement among the State planners and private interests in assessing the results, though private interests, in praising the government's actions, suggested that its success would be fully accomplished were the government to turn the market over to free forces. Government representatives responded that it was precisely the unregulated "free" forces that created the cyclical problems in the first place and could hardly augment the accomplishments, quite the contrary.

Simply speaking, China's State capacity to pursue the objectives of its macro- planning, regulation and control, has proven superior to the limited efforts available to influence capital flow by changing interest rates and using the bully pulpit as well as tax breaks which tend to shift the burden of economic dislocations.

PS: We have a plethora of official and nonofficial assessments that, hopefully, will complete the contents of this paper.

## Section VII

# INTERCHANGE AMONG AMERICAN OBSERVERS OF CHINA

**To: US-China Society of Friends E-List**

**From: Sidney J. Gluck**

**Date: May 14, 2004**

For some time now, the capitalist world has had the shakes anticipating a bursting bubble in the remarkable rate of growth in China. Much fear has been expressed in the news about a backlash among trading partners in the world economy, the US being high on the list.

We have contended it is possible in the present Mode of Production in China to adjust and rebalance the economic structure using many methods, not the least of which, is their access to "social capital" accumulation in the hands of the state that can be allocated to areas requiring stimulation and motivated by socio-economic considerations rather than the maximum profit motive. It has also been possible to cut back bank loans supporting overdeveloped sectors such as steel, cement, housing, real estate and automobiles. Beyond that, reallocation of social funds to assist development in the underdeveloped Far West, creating jobs, new townships and infrastructure not only for better economic balance but to care for the peasant and worker population that has been neglected from the 1990's up to 2002. In other words, the use of social capital in central planning and directing private capital investment to specific sectors and geographic areas together with market regulations such as pegging prices and stimulating consumer demand among other mechanism are available at this stage of modernization in a Mixed Economy in which 30 to 40% of capital accumulation accrues to state owned enterprises and fees for land use not counting other forms of income (taxation, personal, corporate, excise, etc.). We were pleased to note in the May 14<sup>th</sup> Wall Street Journal International Section an article titled "Chinese Economy May Be Cooling" which takes note of many of these possibilities.

Yes, China IS Capable of avoiding the kind of economic recession and bubble bursts experienced in a capitalist economy; and while there are differences about whether China has been moving towards capitalism or socialism, the economic reins in the hands of a state power in control of social capital makes possible a new and alternative approach to economic sectoral readjustments and stemming disproportionate growth.

We shall probably witness a slowing of China's rate of growth, a directed control of investments to particular sectors, more vigorous controls of peripheral provincial governments to inhibit redundant investments in the country as a whole. The government has also taken steps to slow bank loans to specific sectors and is contemplating the increase of interest rates. We doubt there will be any change in the value of China's currency though this might require some slight adjustment. One of the biggest problems in China is a traditionally high level of personal savings now in the

trillions of Yuan, held in banks. Stimulating consumer spending not only promotes home and personal commodity consumption but also includes vacations and tourism that are now available and affordable and the use of various other socioeconomic services.

**To: Sidney J. Gluck**  
**From: Al Sargis**  
**Date: June 17, 2004**

A series of mechanisms is being shaped which, when it is correctly adjusted and adequately implemented, can anticipate and minimize, if not always avoid cyclical economic crisis. The target date for setting in place a fully tested socialist market economy is 2010.

**To: Al Sargis**  
**From: Sidney J. Gluck**  
**Date: June 17, 2004**

There is a difference between minimizing cyclical economic “crisis” and consciously seeking unevenness and disproportions that require periodic readjustments before they affect the overall circulation of capital.

Capitalist economies have been able to shift burdens of economic crisis, nevertheless are subject to elements out of their control.

China is developing regional and interregional ties; even catastrophic drops in the Western world would leave them still in a manageable position (take note of relations with Brazil and the freeing of RNB for regional trade, and unusual timing).

.....

The issuance of regulation and establishment of controlled mechanisms, economic and political, exercises the capability of readjusting capital flows and development to avoid cyclical economic crisis and recessions by recognizing or anticipating economic disproportions, etc., and unevenness in development with periodic readjustments.

I like the thought that combining the leadership of the Party with the National Peoples Congress and all ministries in the government openly welcoming comments from non-governmental groups acting as a sort-of Board of Directors for the economy, a condition impossible in a private capitalist economy. Where each separate capital formation makes its own investment decisions and the central banking structure has few other mechanisms than interest rate manipulation to make the use of capital, in general, either more or less costly.

**To: Sidney J. Gluck**  
**From: Al Sargis**  
**Date: June 23, 2004**

You “refer to a period of socially conscious adjustment in a planned market economy.” A point I was trying to make is that China has yet to reach that stage, or, at best, has just stepped into its earliest phase. The recent spate of articles on macroeconomic regulation and control—apparently hotly contested in some quarters because of its market encapsulating implications—indicates a possible path towards what you are describing.

**To: Al Sargis**  
**From: Sidney J. Gluck**  
**Date: June 23, 2004**

In China’s economy there are more mechanisms available to deal with overall economic directions than in Western capitalism. Hence, they are in a position to anticipate disproportions and exercise more affective regulations and controls on capital flow than is possible under capitalistic competition.

I would like to share with you an email I got from Henry C. K. Liu on the Mode of Production in China. At this point, I have asked him for permission to use it in general communications, so for the moment it remains strictly with us.

The videotape to is a copy of my last segment of Pacific Rim News Review on channel 57 in New York that introduces the concept that China’s planned market economy can deal with recessionary threats in ways not available to Western capitalism.

**To: Al Sargis**  
**From: Sidney J. Gluck**  
**Date: July 28, 2004**

This note is prompted by the discussion with David Ewing on stages of development in socialism with Chinese characteristics.

Your description of the early primary phase of china’s mode of production in line with their 1978 decision to modernize and transform China, recognizing that the goal of socialism is to build an economy capable of caring for all its people, secure against hostile class influences. I doubt that you and I will be around in 2050 to celebrate, but we must do our best to promote the Marxist-Leninist concept of the process.

We can help the reform by Getting American Labor to share its organizational experience (not withstanding its failings) with the Chinese Trade Union Movement to help them organize for protection of labor’s rights and the state’s objective of regulating and controlling the private sector in compliance with the socio-economic planning of the state and government.

My current work paper on the 21<sup>st</sup> Century as the “primary stage” in the development of “One World-Two Systems.” It consists of two main sections, one, on the demonstrated ability of china to exercise macro-economic regulation and control to restructure capital slows and social consumption and avoid the type of recessions experienced under capitalism. The second segment details China’s foreign policy directed at improving its position in world economic integration, maintaining peace and stability and practicing “fair trade” and investment policies that differ from the s-called “free trade” of imperialism.

**To: Jonathon Lassen**  
**From: Sidney J. Gluck**  
**Date: August 11, 2004**

...But to expect to create a modern economy to benefit all the people as its objective and have the SOEs run with relatively unproductive levels in the labor force does not make economic sense for socialism.

The recent collective government, state, and organized planning effort to strengthen regulations and controls of capital flows and change the social distribution structure is in the right direction but need a lot more vigorous follow through. In any event, the issue is out in the open in China, in the Party, the government and the public. There is also a good deal of resistance to the stringency of the Jiang Zemin regime (taxi drivers, farmers, etc.) and public support against the deaf ears of corrupt government officials.

There IS a sharp class struggle taking place in China. The issue is to press for continued socialist direction, restructuring the social security system and entitlements along with the economic reform.

**To: US-China Society of Friends E-List**  
**From: Sidney J. Gluck**  
**Date: September 20, 2004**

We have seen a major turn towards the Socialist path in China with Jiang's stepping aside after leading a spectacular economic growth of 1/4 of the country, despite regional and social disproportions in development. This strengthens the Fourth Generation Leadership and bodes well for the continuation of macro-economic control and direction of the economy, the rejuvenation of Social Services and commitments to reverse the income gap and correct imbalances in favor of peasants and workers shares and for the development of new Democratic forms unique to One-party Socialist Government without copying Western class-based multi-party systems.

**To: Sidney J. Gluck**  
**From: Al Sargis**  
**Date: September 25, 2004**

As for the Plenum, more clarity will come when Hu's work report is published in full. My impression is that the focus on inner-party democracy is to have rank-and-file cadre supervise the leadership, especially to deal with corruption. Also, there appeared to be an emphasis on public supervision over governmental officials, also for the same purpose. The latter would be done via the mass media and the People's Congress at various levels. In the next 5 years I would not be surprised to see direct elections to town councils as part of this process. In addition, I think the Plenum will put forth suggestions for new relationships between the CPC and the government (esp. the NPC), economy (esp. macrocontrol) and masses (esp. serving the interests of the disadvantaged sectors); the roles will be clarified more explicitly, with the party giving more power to the latter 3. In his first talk after becoming CPC chief, Hu hung his hat on anti-corruption and I think the plenum is a major step in that direction. The difference is that Hu has an expanded vision of what anti-corruption entails which necessitates structural changes both within the party as well as the party's relationship to other institutions and groups.

That's the brief summary.

**To: Al Sargis**  
**From: Sidney J. Gluck**  
**Date: September 27, 2004**

Hu and Wen are a great team that developed under Deng and were not taken in by Jiang's one-sided emphasis on economic development and relative disregard of the working population, industry, migrant, and peasant farmer. It won't be easy sailing. Rooting out corruption also means keeping the propensities of private entrepreneurs honed to a social obligation. That's a very sharp level of class struggle. I'm confident that the 8 years of fourth generation leadership of party and government will succeed. I also feel that after 2008 it'll be much easier for China to convince the world of its intent for peaceful ascension as a significant player in world economics and politics. It is probably the most important turn against imperialist globalization and an inspiration to underdeveloped and developing countries. Particularly, the relative success (not without its problems arising from corruption and complicity by leading cadre in the provinces) of the macro planning we have witnessed in the last year that is sure to become a dominant factor in China's economic regulation and controls. On March 16th, 2004 our good friend Hu Angang commenting on the interim "government work report" that followed the moves initiated December 1st 2003, "The report indicates that China's government has made a change in its development goal by replacing such a traditional goal as pursuing economic growth only with a new one, namely, pursuing comprehensive, coordinated and sustainable development" adding in an interview with Xinhua, "This ship has signaled a major conceptual renewal with regard to development." The report was adopted by the NPC emphasizing concern for the livelihood of the people, such as employment, education, health, and so on. The current administration is resolved to handle various livelihood issues with increased pragmatism, concern and realism and staying close to realities.

We can almost consider this change as a principle leap adding another step to tune the

primary stage toward the socialist goal, creating an awareness and a consciousness of the people's needs with the force of state power behind it.

**To: Sidney J. Gluck**  
**From: Aaron Moss**  
**Date: September 29, 2004**

Your response to the momentous changes in China is on the ball, but there is one thing that I would differ with you regarding your opinion that China will show the world that its peaceful intentions will pacify the world imperialists. My belief is that to the extent that China's system succeeds, to that extent will China be considered a threat to world imperialism and an enemy to be feared. We know that there is no threat of Cuba regarding peace yet it is considered as a threat and an enemy by the world imperialists. There is no question in my mind that in time China will be dealt with as USSR was dealt with as some equivalent of the EVIL EMPIRE.

**To: Aaron Moss:**  
**From: Sidney J. Gluck**  
**Date: September 30, 2004**

Imperialism's antipathy for China is a given. The success of China's system is a challenge to imperialist control of the world precisely because China's foreign policy is based both regionally and intercontinentally on the Five Principles of Peaceful Coexistence, a challenge not to imperialism in general, but specifically to US super-power unilateralism in its drive to recolonize the world in the image of a failing democracy. The basis for coexistence is non-interference in the internal affairs of other countries, hardly a reflection of an ideology, which creates images of centers of evil with no inclination for mutual concession and accommodation (i.e. US vs. North Korea).

In the sweep of history China's success threatens the epoch of capitalism, which has reached the apogee of its development and offers only plunder of the environment and poverty for its masses in an uncompromising drive for private profit. To compare the milieu of the 20th century Cold War antagonism with the USSR and the 21st century position of China is to fail to see the difference in the degree to which the first socialist state could not develop economic integration in the world economy. It failed also to use its full technological and human resources despite successes in its education and ability to militarily defend. China had an opportunity to restructure, modernize, and open up itself to the world because the US, thirty years ago, in its efforts to use China against the Soviet Union, relaxed its pressures against China giving it an opportunity to develop a portion of its country into a high-tech competitor and is now so integrated that Western capitalism fears the effect that a recession in China might have on their tottering growth potential.

And furthermore, the foreign policy of the USSR was based on interference in the internal affairs of all countries. They subsidized indigenous revolutionary movements, including the USA. China is meticulous in its relations to avoid such provocation making it difficult for imperialism to hang its hat on reasons to oppose them. Taiwan remains a

challenge. Tibet is enjoying an economic restructuring. In another area, China has given the lead to debt relief. In December of 2003 Wen Jibao, China's president, at a meeting in Addis Ababa forgave 31 African countries their debt to China, wiping the slate clean as an opener to developing fair trade and capital flows between the continent and China. This action was crowned only last week at a conference of African countries in China to cement projects in some ways similar to the 15 contracts concluded with Brazil two months ago for mutual development of industry, agriculture, and exchange. Only that week, the USA was prompted to pay lip service to debt relief, but then this is an "election month."

Yes, there is the danger of a US military incursion. China is challenged to continue its diplomacy for peaceful ascension and I suspect some of the change that took place in control of the armed forces in China strengthens the ability of the Party and the Central Government to deflect military threats through diplomatic efforts. In the meantime, China strengthens its relations with the EU since European capitalist countries also find a future in economic dealing with a stable China. To put it in a nutshell, the stability and capability of China to plan its development avoiding excesses that weaken it economically guarantees a rate of growth unprecedented in world history over generations of time.

The nature of the 21st century, in essence, is social transformation. If the world is to survive, only social transformation will save us from the propensities in the predatory the nature of imperialism. Its seamy underbelly is showing as it struggles for survival in a new technical age, which facilitates spreading information and coordinating the offensive of mass movements against an enemy that is ingrown, decayed and has little to give mankind at this stage of history.

**To: Sidney J. Gluck**  
**From: Unsigned from tdmedia2000@yahoo.com**  
**Date: September 30, 2004**

1. Does Prof. Sid agree that it would be disastrous for socialist future for China to float its currency now?
2. The article at end deals with different subject, that of debt relief. When aid is given with the money spent in the aid giving country there is a great deal of undermining of the receiving nations economy toward comprador capitalism, I suspect. ? Right?

**I.M.F. Asks China to Free Its Currency From Dollar**  
**By ELIZABETH BECKER**

Published: September 30, 2004

WASHINGTON, Sept. 29 - The International Monetary Fund added its voice on Wednesday to the growing calls for China to float its currency immediately, a move that supporters say would help reduce the United States trade deficit and strengthen the global economy.

On the eve of annual meetings here with the World Bank, Rodrigo de Rato, the managing director of the I.M.F., said that it would be to China's advantage to uncouple the Yuan from the dollar.

The tight link to the United States currency has been blamed for making foreign goods too costly in China and Chinese exports unfairly inexpensive.

"There should be more flexible currencies, not only for China but the whole of Asia," Mr. de Rato said to a group of 10 journalists at his headquarters.

China is expected to make some concession on currency when its finance minister and central bank governor attend their first meeting with representatives of the Group of 7 wealthy industrialized countries at a dinner here on Friday.

The meeting is a sign of China's growing economic power, and with that acknowledgement has come even stronger pressure to float or revalue the currency, which is pegged at 8.28 Yuan to the dollar.

In its World Economic Outlook released on Wednesday, the I.M.F. argued that a more flexible currency would not only help the world economy but would also help tame inflation in China and cool its fast-growing economy. "Risks of overheating have not yet abated," said the report, which said that further monetary tightening would be aided "by greater exchange flexibility."

The United States Treasury secretary, John W. Snow, has promised to use the dinner on Friday to press China on its currency. But a group of Democratic lawmakers, with the encouragement of American manufacturers and labor unions, have said they do not trust the administration to win concessions from China and have said they will file a petition on Thursday, seeking to force China to alter its currency.

The petition will ask the administration to sue China at the World Trade Organization, saying it has violated trade laws by failing to revalue its currency. At least five senators and a dozen members of the House signed the measure because they said that they saw no evidence that China was planning any immediate change in its currency rate.

"One year ago Treasury Secretary John Snow said he was encouraged China was moving towards a flexible rate," said Representative Sander M. Levin, Democrat of Michigan. "Today he's still encouraged. But I'm just so tired of the administration thinking that this rhetoric is a substitute for real action."

On another critical matter, Mr. de Rato has joined with James D. Wolfensohn, president of the World Bank, in support of debt relief for the world's poorest nations, as long as rich countries promise an increase in aid for all programs.

**To: Unsigned from tdmedia2000@yahoo.com**  
**From: Sidney J. Gluck**  
**Date: September 30, 2004**

Thank you for submitting Elizabeth Becker's article on pressure to float China's currency.

First, Mr. Wolfensohn is among the more liberal international bankers, who is in the role of good guy/bad guy with the I.M.F and the W.T.O. Mr. de Rato, who is now spearheading US pressure through his role as the head of the I.M.F to de-link and float the Yuan, is sidling up to the "good-guy" to look better as he proposes a negative move. On the matter of debt relief, China has given the lead last year in December when it forgave 31 African countries of all their debts to begin a new slate of mutual economic relations. Only this week, the US paid lip service to debt relief hoping to impress the world and make it believe that the I.M.F and World Bank are the progenitors of the idea. As a matter of fact, Fidel Castro and South American political leaders have been suggesting this move for many years.

As for the pressure on China to free-float its currency, such a move would be detrimental to China in its present unfinished state of development. It is false to argue that uncoupling from the dollar "would also help tame inflation in China and cool its fast-growing economy." It would not reduce "risks of overheating" that the article claims to be continuing. Efforts to perfect the administration, accountability and rules of law are ongoing. Without a doubt, macro-tuning of the economy will overcome the opposition of private interests to divert regulations into a free, free market that created the problems in the first place. It is true, tangentially, that "flexible currency would.....help the world economy," meaning help the capitalist West.

My take is that China, in its infinite diplomatic style, will find a way to make some concessions without free-floating the currency, something along the lines of a measured devaluation from the 8.28 exchange rate to the dollar giving a measured advantage to the West (that is cheaper than getting into a hassle and more difficult to challenge). The people who see through imperialism will understand it as a move for stability and peace. To put it another way, advantageous to the USA, since China is the largest holder of US bonds in the world having supplanted Japan. China will defend its right to maintain whatever linkage is good for their economy. This would be some way of sharing the profitability of Western capital producing in China for the world market. Incidentally, as of last month, China has become the largest destination for international capital investment in the world, supplanting the "poor" USA. We'll have more on China's relative position in subsequent articles.

You will note, of course, that arrangements are already on the way for so-called mass support by labor and members of the United States Congress to begin questionable legal moves against China's rights. There is no agreement or requirement that a member MUST float its currency. Furthermore, most complaints brought to the W.T.O have been against US operations and resulted in directives to make changes. The US government gains years before any changes are made while continuing efforts to negate the decisions.

**To: Sidney J. Gluck**  
**From: Unsigned from tdmedia2000@yahoo.com**

**Date: September 29, 2004**

As you know though I am Chinese in my heart, my activist focus is media. So I really appreciate your keeping me abreast of inner political developments in China.

I am thrilled that Hu and Wen are concerning themselves with the common man.

**To: Unsigned from tdmedia2000@yahoo.com**

**From: Sidney J. Gluck**

**Date: September 30, 2004**

Thank you for your sentiments and personal encouragement.