**China and US in New Cold War**

**SSFS7 (10 July 2020) Hong Kong Time 8.30pm-11pm**

**First round dialogue**

1. Samir Amin talked about the implosion of capitalism. There have been so many “predictions” for the collapse of capitalism, yet catastrophe capitalism seems to hang on, feeding on increasing polarizations and suffering/elimination of marginalized populations. Do you see the current conjuncture of pandemics, economic downturn and climate change, and the ensuing state and people’s responses, as a turning point in the global, regional and national order? In what ways?
2. How would you define the main features of the New Cold War between China and USA? How do you see this impacting on the two countries and globally in the current historical conjuncture?
3. There are many critical analyses of the problems, but how about so-called “alternatives” that do not work, and alternatives that can be pursued at global, regional, national or local levels, such as on finance, economy, decolonization, degrowth, de-nuclearization, re-localization, etc.?
4. What is the gist of your propositions for alternative theories, praxis, policies, strategies…?
5. Where do you agree or disagree with the analysis or proposition of other panelists in this group? Why?

**Michael Hudson (2020-06-15)**

The corona virus has merely been a catalyst to processes already underway. By the time it hit in 2020, the economy was 12 years into the Obama Depression. I use that term because of his fateful decision in 2008 (even before taking office in 2009) not to roll junk-mortgage debts, largely fraudulent, back to reflect realistic home prices and the ability of debtors to pay. Instead, he left the debts on the books, permitting – even encouraging – banks to foreclose on 10 million American families, largely minorities, and transfer ownership of the foreclosed properties to absentee Wall Street owners for rent. Obama also refused to prosecute the bankers. Instead, he bailed out financial markets with $4.6 trillion of Quantitative Easing, and massive Federal Reserve support.

As a result, GDP growth from 2008-2020 accrued to only 5% of the US population. It shrank for the remaining 95%. The economy polarized, as wealth at the top was obtained by a rentier class at the expense of labor and industry. I describe this dynamic in my book *Killing the Host*.

Is this capitalism? It is not the dynamic of industrial capitalism described by Marx, in which employers make profit by employing wage labor to sell at a markup. Since World War I the world economy has moved from an industrial capitalist dynamic to finance capitalism. Marx did describe the dynamics

That said, U.S. drive for hegemony adds a distinct dimension. It is sponsoring not only finance capitalism, but monopoly capitalism – wanting to centralize all monopolies in U.S. hands, but retarding foreign development and self-sufficiency from food to oil and energy, information technology and communications, to atomic warfare.

US drives for hegemony, to injure any potential rival, from Third World food producers to IT innovators.

US diplomacy is forcing other countries to choose between the US and non-US suppliers of energy, IT, food and other basic essentials. And most of all, to the dollarized US financial system, including SWIFT (from America’s EU colony). The effect at this point is to unify the rest of the world to isolate itself from the threat of US sanctions disrupting their production processes.

The US response is a combination of covert assassination and overt military threat.

The key to for financial autonomy from the U.S. banking and SWIFT system.

The first key is de-dollarization.

Second, regarding global warming, isolate US exports, airlines and travel.

Insist on dismantling NATO until the US engages in arms reduction treaties.

For starters, the existing debt overhead needs to be written down: A Clean Slate. Starting with government debts denominated in foreign currency, and “junk loans” made without a reasonable calculation of the ability to pay, e.g., IMF and World Bank loans, US foreign-aid loans.

That would not include mortgage debt, because this would be a free lunch for absentee owners who bought property on credit looking for capital gains. In any case, a debt cancellation needs to be followed with a classical tax policy.

A basic law needs to be enacted: if a creditor makes a loan or establishes a financial claim on a debtor that has no reasonable likelihood of being able to pay – without forfeiting property or selling assets under economic duress – the loan is deemed fraudulent and is annulled.

A classical tax should fall mainly in economic rent recipients (the One Percent to 10 Percent). It would be based on classical economic value, price and rent theory as a basis for taxing economic rent – land rent, monopoly rent, and asset-price (“capital”) gains. This was what the long 19th century’s classical political economy was all about, from the Physiocrats and Adam Smith through Ricardo, John Stuart Mill, Marx, Alfred Marshall, Simon Patten and on to Thorstein Veblen.

To evaluate economic growth and progress, a new GDP accounting format needs to be created, isolating the FIRE sector (Finance, Insurance and Real Estate), and also measuring “external economies and diseconomies,” such as the cleanup costs of Global Warming, crime, pandemics and disease, etc.

**Radhika Desai (2020-06-16)**

To my mind, Samir Amin saw capitalism as imploding because he understood that it was accumulating contradictions. He could do so because he thought of capitalism historically, not according to the models of neoclassical economics, which also have their [Marxist versions](https://www.academia.edu/42833399/Marxs_critical_political_economy_Marxist_economics_and_actually_occurring_revolutions_against_capitalism_Marxs_critique_of_political_economy_classical_political_economy_neoclassical_economics_Marxist_economics_imperialism_anti-imperialism).

I think he was right to do this and my own work [thinks of capitalism historically](https://www.academia.edu/36270205/_The_Value_of_History_and_the_History_of_Value_in_Turan_Subasat_ed_The_Great_Meltdown_of_2008_Systemic_Conjunctural_or_Policy-created). To see that it was doing so throughout the four neoliberal decades is clear. However, one can even take a long-term perspective.

Since the Second Industrial Revolution in the late nineteenth century, capitalism has been dominated by large monopoly corporations, which work closely with the state. The state has, since that time, become more central to capitalism, both in terms of domestic policy, where the state increasingly provides the market for many of its production, whether through direct procurement or through creating high demand through the welfare state and associated high employment policies, and internationally, through imperialism. This logic, which ultimately involved inter-imperialist competition, reached its crisis in the First World War and the Thirty Years’ Crisis (1914-1945) of the capitalist order. Thereafter, thanks to the victory of socialism in the USSR and the PRC and to the temporary pacification of relations between the major capitalist powers thanks to the defeat of some, state-monopoly capitalism could go on further by imitating socialist policies domestically and having to accept decolonization abroad.

This Keynesian-Wefarist strategy, which was based on a political compromise between capital and labour and when these opposed interests could no longer be reconciled – essentially because the productivity increases that has made it possible [slowed down](https://cepr.org/sites/default/files/policy_insights/PolicyInsight63.pdf) – there was open warfare between capital and labour in the major capitalist economies. The issue was whether to follow the historical logic and deepen the social governance of capitalism in the interests of the people, essentially go closer to socialism, or to roll back the social compromise and assert the interests of capitalist classes.

They were not equivalent choices: the first was viable and sustainable, the second was not. So when the second choice was taken, the advanced capitalist economies set themselves on a path of mounting contradictions. In rough order, they are:

1. The neoliberal strategy could not revive capitalist production. Instead, by decreasing wage growth at home and those of the economies it could controlled abroad, it restricted world demand even as the possibilities for increasing production was greater than ever, technically speaking.
2. With restricted demand, productive investment was restricted at home and, while there was some room to expand abroad, it was limited.
3. Production expanded in lower investment sectors which benefitted from migrant and third world labour and/or relied on reducing costs, which also meant low and stagnant wages and low prices for third world production – whether primary commodities or light industrial production.
4. It also meant more and more pressure on the environment given the higher resource footprint of this sort of capitalism.
5. In the place of the elixir of (mild) inflation, this resulted in the dead-weight of deflation affecting the world economy.
6. More and more money thus went into the financial sector seeking returns on a proportionally narrowing productive base. While initially it was rewarded with high interest rates if the 1980s and 1990s, by the 2000s, the need to same highly leveraged financial institutions themselves required low interest rates.
7. The growth of Western capitalist economies (leaving Japan aside) became dependent on asset bubbles and their wealth effects, which could expand consumption of ever narrowing layers of society.
8. These asset bubbles first occurred outside the west (remember the East Asian Financial Crisis) but, as more and more of the world that was capable of sustaining its asset bubbles protected itself against them, they occurred in the west: the stock market bubble of the 1990s and the mortgage bubble of the 2000s being the prime examples.
9. This sort of rentier capitalism required more and more international policing as it was less and less attractive to elicit willing consent.
10. After the last burst in 2008, the choices of western capitalism have narrowed. Slowdown in trade growth accelerated, international capital flows never recovered, capitalism’s wars created migrant crises, climate change accelerated, and now, the pandemic – itself the result of the ‘bottom-line’ pressure to invade more and more wildlife habitat and engage in factory farming – has hit.

I am sure the above outline is no more than suggestive. However, it makes it easier for us to understand what Samir meant by the implosion of capitalism. It is happening.

This will make most sense to those who recognize that China is not capitalist (though it has many capitalists in it).

The gist of the NCW between the US and China is to be understood through the logic of uneven and combined development. Capitalism is contradictory and so is imperialist. Imperialism is a means of subordinating weaker powers to that they may take the consequences of capitalism’s contradictions: its excess commodities and capital and its need for cheap resources and labour. Thus, the development of capitalism in some parts of the world presents weaker powers with a choice between subordination and resistance. Many have no choice but to subordinate but those that can have resisted by pursing independent industrialization which Trotsky, for want of a better word, called ‘combined development’. He meant state sponsored accelerated development. Germany, the US and Japan did it against the US starting in the late 19th century. The Russian Revolution and then the Chinese added non-capitalist variants. The (limited)s successes of Third World industrialization were also form so combined development.

Thus, the story of world capitalism is neither one of free trade and ‘globalization’ creating a seamlessly unified world economy nor one of a succession of ‘hegemonies’. Rather it is one of the confrontations between powerful capitalist countries seeking to maintain capitalism’s unevenness through relations of *complementarity* between themselves and weaker countries and those able to resist them through combined development aiming create relations of *similarity* between themselves and the powerful countries. In this confrontation, the latter side has had history on its side and has resulted in expanding multi- and, with the emergence of non-capitalist forms of combined development, what Hugo Chavez called pluripolarity.

One can call the recent rise of tensions between the US and China a new cold war or see that some sort of war, cold, hot or lukewarm, has always persisted between the powerful and the contender countries. The long-term result will likely be the even wider spread of pluripolarity. The real question is what the short-term outcomes will be and they can include war.

One thing we can say: unless there is ‘regime change’ in Washington, there is unlikely to be a negotiated outcome.

While the old and new cold war confrontations go on, the world beyond the neoliberal core must continue to devise and implement policies that suit the countries concerned. The key to all workable policies – on the social, economic, political and ecological fronts – is capital controls. Without them, there is no way of governing the economy. Capital controls do not imply autarky, only that the relations between one country and others are governed by legitimate authorities, not private powers. Once these are in place, the rest is possible, though it is by no means guaranteed.

Public utility banking is the second key step: it permits governments to ensure that speculation does not take over from productive investment.

Once this is done, the production of things that are necessary and the cessation of unnecessary things, will be the first priority. It must be done in an ecologically sustainable fashion. This will require planning.

Degrowth is not the solution: lowering resource footprints is.

Capital controls entails respect for sovereignty, and this permits many international questions to be settled more easily, including decolonization and denuclearization.

The gist is, as I said, capital controls + public utility banking. The rest depends on political and technological choices but, with the two proposals above implemented, there is far greater scope for ensuring that a countries domestic economy and its international ties can be governed by social priorities not private powers.

**Wen Tiejun (2020-06-23)**

From my perspective, Samir Amin’s view of capitalist implosion should be recognized as an objective regularity, not his subjective assessment. This is very important.

In the 19th century, when capitalism was still at the industrial capital phase, given the localized nature of industrial capital as well as the affiliation of capitalists and labors to their respective home countries, the contest among nations had led to two world wars in the last century. Amin, a Marxist who has inherited the classical Marxism and ushered it in the new generation, takes note of the new phenomenon that at the start of the new century, capitalism has entered the new phase of financial capitalism.

The global competition is now dominated by financial capitalism. It means that capitalism has reached a historically unprecedented height. Transnational companies can deploy financial capital without the constraints of national borders, to seek price troughs for resources and labor on the entire Earth and may even expand into the space. Industrial chains are being located in different countries and regions to generate optimal profit. In doing so, the immobile factors of production, resource and labor, will be totally capitalized in the globalization of capitalism. Marx stated that when capital has completed the alienation of humanity from human beings to labor, capitalism would go towards its own demise.

The globalization of American financial capital, especially the direct integration between technology capitalization and financial capital, has increasingly polarized the rich and the poor, ripping apart the society. This internal tension will lead to the implosion of capitalism. Even if America wants to re-industrialize its economy in order to alleviate its internal polarization, it is constrained by the interests of US financial capital. It is next to impossible to accomplish re-industrialization since it is against the objective law of financial capitalism. In light of the various contradictions that have been formed during this phase, I therefore stress first and foremost that Amin’s viewpoint is an expression of an objective regularity, not a subjective assessment in a general sense.

What does the eruption of the Coronavirus at this time imply for the globalization that is dominated by financial capital, and that has already resulted in serious tension and polarization? I have said that the pandemic would damage the global supply chain, and the globalized industrial chain would be broken, eventually leading to the disintegration of globalization. With the disintegration of globalization, the pandemic is the trigger to the implosion of capitalism. It brings to the fore-front the class struggle, such as the ‘Black life matters’ riots. The resistance is at the last analysis about the polarization between the rich and the poor, an expression of the alienation of class contradiction in this new era.

In order to speak clearly of the new cold war, it is necessary to first clarify the notions of ‘cold war’ and ‘post-cold war’. During the (old) cold war, it could be said that the objective reality was ‘one world two systems’. That was the biggest difference from the new cold war of today, the context of which is ‘one world one system’, because China is already absorbed into globalization. Those who created an enormous amount of GDP and developed enormous production capacity within China are in fact western industrial capitals. The enormous amount of foreign reserve surplus created in China is in US dollar, the bulk of which flows back to the capital market of the United States. Compare this to the old cold war: the Soviet Union had a planned economy system, controlling a number of the so-called socialist countries. Its economy had a very low extent of monetization, a system different from the capitalism of the West.

The old cold war had already been critiqued by Mao long ago. Mao thought that the US and the USSR were in fact two superpowers, the former the veteran imperial system of the West and the latter the new socialist imperial system. The ‘three worlds’ discourse put forward by Mao was rather similar to Wallerstein’s world system theory. The ‘semi-core’ was the ‘second world’ in Mao’s views. Those so-called developed countries were not super-powers but instead being subordinate, having to submit as well as to resist, at times co-operating and at times not. These ‘two systems’ had been dissected by Mao.

With the collapse of one of the super-powers, the world entered the post-cold war era. Given the large number of bankrupt physical assets left behind by the disintegrated Soviet-East European bloc, the western capital had an opportunity for rampant expansion. At the same time, China had experienced the most difficult period while the ‘China collapse’ discourse was pervasive, because after the 1989 Tiananmen Square event, China was blockaded by the entire western world. Foreign investments were completely withdrawn. Under the circumstances China was forced to make use of state capital as well as the domestic currency backed by its political sovereignty to expand its domestic economy. Moreover, because of the control over international financial capital, China was able to avoid the worst of the 1998 East Asian financial crisis.

During this stage when the US financialization was expanding globally, China was expanding its monetization and capitalization domestically. It dawned on the US financial capital that China was the real threat. Since then the West has regarded China as one of the evil regimes. The new cold war that aims to assault China has in fact started from there. The ‘China collapse’ has turned into the ‘China threat’ discourse. Thus, we do not regard 2020 as the starting point of the new cold war, nor 2017 when Trump assumed office, but 1999, since China had successfully dealt with the East Asian financial crisis in 1998. Furthermore, it had done so by insisting on its financial sovereignty, thus thwarting the expansion of the financial capital of the West.

However, since China has been practicing complete westernization over the past 30 years, effectively complete Americanization, including learning American institutions, culture and social sciences, it now suffers the lack of a discourse system of its own. When the US initiates the new cold war against China, the latter is almost speechless in face of the soft power of the ideology of liberalism. Much of the analysis within China on the new cold war is based on economic rationality, thus down-playing the severity of the issue, not recognizing that what is at play is political rationality, which makes use of the new cold war as an effective tool for populist mobilization, in turn for winning elections. China did not have any experience or strategy in handling the old cold war or the old cold war ideology, because China was not the principal contradiction during that stage. It was actually an intermediate force between the two super-powers, a force that both sides had tried to win over rather than to antagonize. The situation is very different now.

After the disintegration of globalization, what will likely emerge is a regional re-organization of the global industrial structure. One may call it global regionalization or regional integration, or ‘glocalization’. China has already put forward a very clear strategic adjustment, which is to develop internal circulation, with the external circulation (global trade) as supplementary. China now has a relatively complete industrial structure, quite different from the hollowed-out industrial structure of the United States. At the same time China has a vast geographical expanse, with vast economic space. There are conditions for internal sub-regional integration, such as the Guangdong-Hong Kong- Macau Greater Bay region, the Yangtze River Delta integration, the Chengdu-Chongqing Economic Circle etc.

Another aspect that emphasizes the internal circulation is the new infrastructure building. Few countries in the world are applying internet technology like China. With the lead of technology – starting new enterprises on the web, industrial 4.0, artificial intelligence, big data – and completing the 5G system as well as the Beidou Satellite system, new infrastructure building can still initiate and guide technological and industrial innovation.

Localization is the key. The most important aspect of China’s big domestic circulation is rural revitalization, as well as developing the green economy. The collective resource in China’s rural society still has a lot of room for integration. The ‘green bonds’ can be used to correspond to the increasing currency issuance, thereby forming an autonomous financial system. With this approach, even when faced with financial sanctions, for example, by the SWIFT system, under the lead of the US, China can still maintain internal financialization and securitization within a super-size economy. There is still room at this time to upgrade its economy.

I agree with Michael Hudson’s view with regard to taxing the rentier profits of capital. However, there is one point we should consider. Nowadays many transnational companies are not registered in their homelands such as the US, but rather in tax havens or low-tax countries. If attempts are made to tax them, they will leave. That is also the case for Europe. The liberal institutions of the Western countries can hardly restrain these transnational companies any longer. Although it is the right way to go, it may be difficult to implement.