U.S. Leaders Are Split On China Policy

Richard D. Wolff – Photo: YouTube

On the one hand, U.S. policy aims to constrain China's economic, political, and military development because it has now become the United States' chief economic competitor and thus enemy. On the other hand, U.S. policy seeks to secure the many benefits to the United States of its companies' trade with and investments in China. U.S. debates over "decoupling" the two countries' economies versus the milder version of the same thing—"de-risking"—exemplify, on both sides, U.S. policy's split approach to China.

The difficult reality for the United States is economic dependence on the world's number two economy that deepens with China's relentless march toward becoming the world's number one. Likewise, China's stunningly rapid growth over recent decades entangled it in a complex economic codependence with the U.S. market, the U.S. dollar, and U.S. interest rates. In stark contrast, neither the Soviet Union nor Russia ever offered the U.S. economic opportunities or competitive challenges comparable to what China now does. In this context, consider World Bank 2022 data on GDPs in Russia, Germany, China, and the United States: $1.5 trillion, $3.9 trillion, $14.7 trillion, and $20.9 trillion, respectively.

The political right wings of both major U.S. political parties and the military-industrial complex have long prevailed in shaping how U.S. mainstream media treat the country's foreign policies. Over the last decade especially, the media has increasingly accused China of aggressively expanding its global influence, of

authoritarianism at home, and of policies targeting the United States. Over recent decades, big business interests promote a quite different U.S. foreign policy prioritizing profitable coexistence between the United States and China. U.S. policy splits and oscillates between these two poles. One day Jamie Dimon of JPMorgan Chase bank and U.S. Treasury Secretary Janet Yellen go to Beijing to support mutuality of interests while at the same time, President Biden labels Xi Jinping a "dictator."

The history and legacy of the Cold War accustomed U.S. media, politicians, and academics to traffic in hyperbolic denunciations of communism plus parties and governments they link to it. Right-wing political forces have always been eager to update anti-Soviet, Cold War logics and slogans for use against China's government and Communist Party as continuing villains. Old (Taiwan and Hong Kong) and new issues (Uyghurs) mark an ongoing campaign.

Yet as the Cold War wound down and then collapsed with the USSR's demise, Nixon and Kissinger reconnected with a China already launched on an economic development surge that never stopped. Capitalists from the system's old centers in the G7 (Western Europe, North America, and Japan) poured investments into China to profit from its relatively much lower wages and its rapidly growing internal market. Over the last 50 years, consumer goods and capital goods flowed out of factories in China to markets around the world. China became deeply entangled in global supply chains. Exports from China brought an inflow of payments in U.S. dollars. China lent many of those dollars back to the U.S. Treasury to fund its growing budget deficits. China joined Japan as the two major creditor countries of the United States, the world's greatest debtor country.

China's investment of its accumulating dollars in U.S. Treasury bonds helped to enable the fast-rising U.S. national debt over the last half-century. That helped keep U.S. interest rates low to fuel U.S. economic growth and its recoveries from several economic crashes. China's relatively low-priced exports reflected its low wages and active government development supports. Those exports to the United States helped prevent inflation over most of those years. In turn, low prices reduced pressures from employees for higher wages and thereby supported U.S. capitalists' profits. In these and still other ways, U.S.-China connections became deeply embedded in the functioning and success of U.S. capitalism. Cutting those connections would risk very adverse economic consequences for the United States.

Moreover, many proposals favoring such cutting are ineffective and ill-informed fantasies. If the U.S. government could force United States and other multinational corporations to close up shop in China, they would most likely move to other low-wage Asian locations. They would not return to the United States because its wages and other expenses are too high and thus non-competitive. Where they do go will entail sourcing inputs from China, already their most competitive producer. In short, forcing capitalists to leave China will help the United States minimally and hurt the Chinese minimally as well. Closing off the China market for U.S. microchip-makers is likewise a faulty fantasy. Without access to the booming Chinese market, U.S.-based companies will be uncompetitive with other chip-makers based in countries *not* closed out of the Chinese market.

U.S. capitalism needs the inflow of most Chinese exports and needs inclusion in China's markets. U.S. megabanks need access to China's fast-growing markets or else European, Japanese, and Chinese banks will eventually outcompete the U.S. banks. Even if the United States could force or maneuver G7 banks to join a U.S.-led exit from China, China's banks and those of its allies in India, Russia, Brazil, and South Africa (the BRICS) would control access to the profitable financing of China's growth. In terms of aggregate GDPs, the BRICS are already a bigger economic system, taken together, than the G7 taken together, and the gap between them keeps widening.

Were the United States to pursue its resumed Cold War crusade against China—economically, politically, and/or militarily without nuclear warfare—the results could risk major dislocations, losses, and costly adjustments for U.S. capitalism. With nuclear warfare, of course, the risks are still larger. Other than extreme parts of the U.S. right wing, no one wants to take such risks. The United States' G7 allies surely do not. Already they are imagining their desired futures in a bipolar world split between falling and rising hegemons and perhaps counterhegemonic groupings of other nations. Most of the world recognizes China's relentless growth and expansion as the major dynamic of today's world economy. Most likewise see the United States as the major antagonist tilting against China's rise into a global superpower position.

What many observers of the China-U.S. clash miss are those of its causes and shapers located in the extreme tensions and contradictions besetting the employer-employee class conflicts within both superpowers. Those class conflicts

in the United States respond to this basic question: whose wealth, income, and social position will have to bear the major burden of accommodating the costs of declining hegemony? Will the redistribution of wealth upward across the last 3-40 years persist, be stopped, or be reversed? Are rising labor militancy across the United States and the quasi-fascistic resurging U.S. right wing foretastes of struggles to come?

China's remarkable ascension rapidly transformed a rural, poor, agricultural economy into an urban, middle-income, and industrial economy. The parallel transformation in Western Europe took centuries and occasioned profound, bitter, and violent class struggles. In China, the transformation took a few decades and was likely the more profoundly traumatic for that reason. Will similar class struggles erupt there? Are they building beneath the surface of Chinese society already? Might the Global South be where global capitalism—the system defined by its employer-versus-employee productive core—goes finally to play the endgame of its profit-maximization fetish?

Both the United States and China display economic systems organized around workplace organizations where a small number of employers dominate a large number of hired employees. In the United States, those workplace organizations are mostly private enterprises. China displays a hybrid system whose enterprises are both private and state-owned and operated, but where both types of workplace organizations share the employer-versus-employee organization. That organization typically features the employer class accumulating far more wealth than the employee class. Moreover, that wealthy class of employers can and usually does buy dominant political power as well. The resulting mix of economic and political inequality provokes tensions, conflicts, and social change.

That reality is already well established in both the United States and China. Thus, for example, the United States has not raised its federal minimum wage of $7.25 per hour since 2009. Both major political parties are responsible. Yellen gives speeches bemoaning the deepening inequalities in the United States, but the deepening persists. In the tradition of blaming the victim, American capitalism tends to fault the poor for their poverty. Xi Jinping also worries openly about deepening inequalities: likely more urgent in nations calling themselves socialist. Even though China has taken significant steps to reduce its recently extreme economic inequalities, they remain a serious social problem there too. The U.S.-China clash depends as much on each nation's internal class conflicts and

struggles as it depends on their policies toward one another.

China adjusts to the twists and turns in the United States' split policy approach. It prepares for both eventualities: cutthroat competition abetted by intense economic nationalism possibly including military warfare or a conjointly planned peaceful economic coexistence. As China awaits the United States' decisions on which way to guide the United States' economic future, China's growth will likely continue, matching and then surpassing the United States' global economic footprint. China's stunning economic growth success across the last 30 years secures China's remarkable hybrid economy of private and state enterprises supervised by and subordinated to a powerful political party. An anxious world awaits the next chapter in capitalism's always dangerously uneven mix of class and national struggles.

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