

Tells the Facts and Names the Names CounterPunch

\$2.50

June 16-30, 2006

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VOL. 13, NO. 12

TRAVELS IN THE BLATHERSPHERE

BY ALEXANDER COCKBURN

Before me are press releases announcing the three-day formal agenda for the mid-June "Take Back America" conference staged in Washington D.C. by pwogwessive Democrats mustered in the "Campaign for America's Future". The Iraq war did not feature at all on the first two days, and slunk onto one of the last panels, on the last day. In other words, in an election year, the organizers decided to avoid almost entirely any scheduling of political discussion of a war to which about 70 per cent of all Americans are opposed, and which is topic A on every newscast and newspaper front page.

If you believe the account of Medea Benjamin's vigorously anti-war Code-Pink group, the "Take Back" organizers also double-crossed them on agreements to permit visible protests and questioning of Hilary Clinton on her pro-war position. Nor was there a spot for Jack Murtha on these schedules. The *Nation*, politically speaking a consort of "Campaign for America's Future", pledges to support only candidates promising speedy withdrawal of U.S. forces from Iraq. On that guarantee, Nixon would have won the *Nation's* endorsement in 1968. It would be more convincing if the *Nation* said now it won't endorse anyone who has continued to vote appropriations for the war.

The war grinds on, but the pwog-Democrats prefer to talk about other matters, such as the fact that Rove is not going to be indicted. Thank God. The left will have to talk about something else for a change. As a worthy hobbyhorse for the left, the whole Plame
(Blathersphere continued on page 6)

The Chinese Face of Neo-Liberalism

BY PETER KWONG

During the recent visit of Chinese President Hu Jintao to Washington, the White House seemed bent on trying in every way possible to extend him a cool reception. The Chinese expected a state dinner, normally accorded to a head of state on the first official visit to the United States. Hu got a lunch instead. The White House announcer introduced Hu as the president of not the People's Republic but the Republic of China, which is Taiwan's official name. A known Falun Gong supporter was allowed onto the White House grounds to hackle Hu during his formal reception speech. Adding insult to injury, Vice President Cheney was caught snoozing during Hu's press conference.

But while Hu received a frosty reception in Washington, D.C., he was treated as a superstar in the state of Washington by the kings of the computer industry (Microsoft), the world's largest coffee shop chain (Starbucks), and America's preeminent aircraft maker (Boeing), who know better than anyone that China is doing everything right by the global capital. Bush might have begrudged Hu the honor of a state dinner, but Bill Gates regaled the Chinese president with a formal banquet at his \$100 million lakeside mansion. Among the guests were executives from Costco, Weyerhaeuser, and Amazon.com – all eager to show the Chinese leader their appreciation for his efforts in providing American businesses with an ample supply of cheap labor, a stable currency exchange and an affable investment climate.

For China and its communist leaders to come this far it has been a long, hard road that started in 1978, when Deng Xiaoping took control of the country. Deng had been purged from the party leadership as "China's No. 2 Capitalist Roder" during the

Cultural Revolution on account of his pro-private enterprise leanings, because he had advocated that the peasants be allowed private plots within the people's communes to earn extra income. After Mao's death, Deng kicked off his version of "socialism with Chinese characteristics" with the maxim that individual initiatives must be allowed to flourish in order to increase productivity. His most notable slogan of the time was to "let some get rich first, so others can get rich later", openly condoning the inequality that would result from his reform process. If this sounds like Ronald Reagan's neo-liberal "trickle down economics," it's because that's exactly what it is: both Ronald Reagan and Deng Xiaoping were great fans of the neo-liberal guru Milton Friedman.

In 1980, I was a visiting professor at the People's University in Beijing, which was at the time the elite party cadre training school. In October of that year, the chair of my Scientific Socialism Department informed me that I was given the unique honor, as a China-born foreign expert teaching social sciences, to attend a lecture at the Chinese People's Political Consultative Conference that was to be given by the Nobel Laureate and America's best selling author of *Free to Choose*, Milton Friedman. When I arrived at the majestic conference hall, Friedman was already sitting at the dais, flanked by top Communist Party leaders and ministerial-level officials. His lecture focused on the inflationary crisis in the West, but his message to the Chinese was clear: inflation and slow growth are the results of intrusive government policies that hinder the functioning of a free market economy. To turn their economies around, countries had to cut taxes, shrink the size of the governments, and reduce labor costs. Friedman predicted that in November of that year his

friend Ronald Reagan would be elected U.S. president and that he would enact policies according to that vision. He also prophesied that Ronald Reagan and Great Britain's Margaret Thatcher would lead the rest of the world into the promised land of growth and prosperity.

To me, Milton Friedman was a far-right neo-liberal economist who favored the opening of markets in developing countries by political means or military intervention, if necessary. It was his students from Chicago University that General Pinochet had invited to transform Chile's economy after he overthrew the legally elected president Allende with CIA help in 1973.

The "Chicago Boys" ordered a "shock treatment," which called for drastic reduction in the money supply and government spending. It also called for the privatization of state enterprises, abolished taxes on corporate profits, and welcomed foreign investment to exploit the country's natural resources. Under the gunpoint of the military junta, labor laws were suspended and political dissent was silenced. The "shock treatment" of the 1970s pushed Chile's unemployment rate to 22 per cent; real wages dropped by 40 per cent, and the country's industrial output fell by 12.9 per cent – making it Chile's worst depression since the 1930s.

But my Chinese hosts were not troubled by such facts. They wanted Friedman to

show them how to jump-start their economy. It is intriguing how early the Chinese had searched out Friedman for guidance – only one year after Thatcher began her brutal "there is no other alternative" reforms.

China started its economic reforms by abolishing the people's communes. Suddenly, without the collectives, the peasants had to privately purchase seed, fertilizer and water rights, and to pay higher taxes to support a large cadre of local party officials. But the prices of farm products were kept low, forcing many to work as migrant workers in the cities. Others followed when their land was seized for urban and industrial development. Once in the cities, they were given neither residential status nor legal rights and protection, but they were nevertheless expected to be gainfully employed. Otherwise, under the "custody and repatriation" laws, beggars, vagrants and those with no employment were repatriated back to their villages, held at detention centers, or even used as forced labor. The Chinese version of the English "enclosure" process created approximately 150 million impoverished migrants who had to sell their labor cheaply in order to survive. Meanwhile, state enterprises were slowly privatized. Their employees no longer enjoyed the guarantee of "the iron rice bowl" and had to find jobs on the open labor market. The masses of rural migrants, joined by growing numbers of laid-off state enterprise workers, provided China with an endless supply of cheap labor.

Through all this, China's neo-liberal communist bureaucrats have been more interested in protecting employers than in enforcing labor laws. This is evidenced by persistent labor and safety violations that lead to spectacular gas explosions, mine cave-ins, and flooding that kill thousands of people every year. In 2003, for instance, there were 136,340 reported deaths from industrial accidents. But while China accounted for 80 per cent of the world's total coal mining-related deaths that year, it produced only 35 per cent of the world's coal. At the same time, nearly half of China's migrant workers were forced to work while their wages were held back – to the tune of roughly \$12 billion collectively owed in back pay. Yet in China it is illegal to organize independent unions or strike. Labor leaders are regularly jailed and prosecuted as criminals; their families are harassed.

The secret of China's economic miracle is its browbeaten working class. The picture of China's Gilded Age of inequality is not pretty. On the average, the yearly income of

a Chinese peasant in 2003 was \$317. The monthly wages of factory workers ranged between \$62 and \$100 – only marginally higher than in 1993, even as China's economy grew by almost 10 per cent annually during the same period. On the other side of the social spectrum is the increasingly wealthy urban middle class that is emerging on the coattails of the coterie of the super-rich. In 2006 Shanghai held a "millionaire fair," featuring displays of luxury sedans, yachts, a piece of jewelry priced at \$25 million, and a diamond-studded dog leash valued at \$61,000.

To be sure, the wealth that can afford such luxuries was not created by enterprising efforts of individuals with unique abilities or skills. According to a report by the China Rights Forum, only 5 per cent of China's 20,000 richest people have made it on merit. More than 90 per cent are related to senior government or Communist Party officials. The richest among them are the relatives of the very top officials who had used their position to pass the laws that have transformed state-owned industries into stock holding companies, and then appointed family members as managers. In this way the children of top party officials – China's new "princelings" – took over China's most strategic and profitable industries: banking, transportation, power generation, natural resources, media, and weapons. Once in management positions, they get loans from government-controlled banks, acquire foreign partners, and list their companies on Hong Kong or New York stock exchanges to raise more capital. Each step of the way the princelings enrich themselves – not only as major shareholders of the companies, but also from the kickbacks they get by awarding contracts to foreign firms. To call this "socialism with Chinese characteristics" is a joke. Even capitalism is not the appropriate term. A Chinese sociologist has defined it as "high-tech feudalism with Chinese characteristics."

As Confucius observed long time ago, when top officials are crooked, local level cadres are bound to follow suit, and rampant unchecked corruption ensues. Peasants complain that local officials seize their farmland with minimal compensation and then sell it off at high prices to developers who build high-rise apartments, factories and shopping malls. Workers complain of layoffs without pensions, abuse on the job, and work with no pay. The enormity of environmental degradation due to official indifference is only surfacing now. The Chinese public is

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Published twice monthly except
August, 22 issues a year

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