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Can China lead the change of the world?

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ABSTRACT
Currently, the world system is in a state of complex crisis and transformation. The overall influence of its US-led centre has weakened, and most of the global periphery is in either chaos or misery. The mechanisms of the global accumulation of capital prevent new global leaders from emerging. Until now, China's economic ascent has been based on managed market forces and sovereign monetary policy. However, if the liberalisation of capital flows in China continues, the country's financial independence might be lost. This article explains how the *nodal* crisis of global capitalism has evolved, how far the marketisation and financial liberalisation of the Chinese economy has gone and the largest obstacles to China further strengthening its influence on the world order. The author concludes that China could play a positive role as a new superpower in constructing a world beyond capitalism, if it does not give up the socialist project, keeps market forces under control, maintains accumulation without dispossession, preserves its financial independence and makes alliances with other nations on the global (semi-)periphery. The latter is particularly important, as the present hegemonic centre will not give up its position peacefully.

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Introduction

Today's capitalism is dominated by transnational corporations as well as national and international institutions and the specific rules that serve their interests. Rozsnyai (2002) calls this stage of capitalism *transnational monopoly capitalism*, while Amin (2015) uses the expression *generalised monopoly capitalism*. This world order has been in a complex, structural crisis for decades. At the turn of the millennium, the soft landing of the US economy (the leader of the centre of the system) and the following credit-based economic growth reflected the end of a long cycle of capitalist reproduction, known as the Kondratieff wave. The technological paradigm (information technologies) of this long cycle has been exhausted and the related global institutional structures and rules (neoliberalism) have become obsolete. Such *nodal* crises are persistent and can be solved only by a qualitative leap. The latter can be either an *internal jump*, which means a reform of the system, or a *systemic change*, which means the replacement of the existing system by a totally different one (see Artner 2018). The nodal

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crisis of transnational monopoly capitalism is also the crisis of the world order which it has constructed.

The outcome of this situation depends on the availability of a counter-power to the present imperialist 'Empire' (Hardt and Negri 2000), which can offer an alternative socio-economic organisation to the world. Hardt and Negri (2000, 2019) argued that no *single* nation-state can form the centre of the global world order. Samir Amin (2015) emphasised that it is the 'Triad' (the alliance of the United States, the European Union and Japan) and the associated institutions of global capitalism, such as the World Trade Organization (WTO), World Bank, International Monetary Fund (IMF), etc., that rule the world. This imperialist empire can be overcome only by 'the multitude of exploited and subjugated producers', whose 'creative forces' are able to form 'a counter-Empire, an alternative political organization of global flows and exchanges' (Hardt and Negri 2000, 394, xv). For the same reason, Amin worked for the formation of an international alliance of people (eg the World Social Forum), and called for the establishment of the Fifth International (Amin 2018b).

Today, a new horizon is showing itself. In the foreseeable future, Asia, with the leadership of China, could play the role of a new centre – or at least a co-centre – in a 'new global power structure'. The questions are: first, whether China can become a real global power against the imperialist Triad and, second, whether China will offer a qualitatively new, more equitable and sustainable social system. The answers depend mostly on the fate of the socialist project within China.

History has shown that the change of societies and empires always starts from the peripheries. Large and strong systems can be overturned only in their declining phase, and only by equally large and strong powers. Reaching this strength is not possible within the framework of the cemented hierarchy of the existing system. The logic of global capital accumulation limits the possibility of catching up within the framework of contemporary capitalism. Therefore, China, like any other nation, could become an epoch-changing power if does not assimilate into this logic, but rather maintains its financial independence and limits its market forces and the accumulation of private capital. Additionally, the transformation to an alternative global order presupposes the cooperation of the leader of this transformation with those nations which also necessarily must decouple themselves from the exploitative mechanism of transnational capitalism.

Based on the above premise, the article examines how and why China has risen to its present position and the prospects of its further ascent in the role of a non-US-type hegemon or fourth power of the Triad. For this discussion, the nature and crisis of the capitalist world system and the reality of catching up within its framework and under its rules are brought under scrutiny. This is followed by a discussion of the evolution, characteristics and effects of Chinese reforms in the last few decades. The later sections are devoted to the importance of financial independence in general, China's efforts to keep its finances under control and, finally, the obstacles to the rise of China as a new hegemon.

The crisis of the world system

The decline of the present world system has made the emergence of new powers on the global chessboard possible. Therefore, we begin with a description of this decline.

Neoliberalism, the amalgamation of liberalisation, deregulation and privatisation, was born as a result of the crisis of the 1970s in order to facilitate the restructuring of production with free movement, accumulation and concentration of capital. These measures helped transfer the burdens of the crisis from the centre to the peripheries by relocating obsolete technologies to low-wage countries, selling the outdated products there and using the profits deriving from these activities to further the technological advancement in the centre countries.

The debt crisis of the developing countries in the 1980s, and the way it was managed by the IMF and World Bank, helped neoliberalism spread, opening the markets of the developing countries (the global periphery) and plugging them into the expanding value chains of transnational capital. This reorganisation of capital accumulation coincided with the deconstruction of welfare states and the suppression of the working-class protests in the developed countries (the global centre). In this critical moment, as the 1980s came to a dramatic end when the 'existing socialism' in Eastern Europe collapsed, ushering in the dissolution of the Soviet Union, Yugoslavia and Czechoslovakia, global capitalism suddenly appeared blessed. The failure of the historical socialist experiment not only seemed to justify 'TINA' – the slogan formulated by Margaret Thatcher in defence of the neoconservative turn in 1979, meaning 'there is no alternative' – but also considerably enhanced the opportunities of the transnational capital. Competing states, free markets, natural resources, means of production and hundreds of millions of educated but inexpensive workers suddenly became available for the 'profit-making machine' of the centre capital.

At the same time, with the disintegration of the Soviet Union in 1991, the United States remained the only superpower on the geopolitical map. Capitalism was triumphant in its economic, political and ideological aspects, and the world lay unprotected from the global imperialist activity of the US-led Triad. The collapse of the socialist bloc, together with the gradual, partial opening of China's market to foreign investors beginning in 1979, released the tectonic power of 'predatory neoliberalism'. '[A]s long as the Soviet contender bloc held out, it worked to rein in the destabilising primacy of money-dealing capital and the predatory neoliberalism it has spawned'. (Van der Pijl 2019, 3). In the following decade, the political elite of the US 'were preoccupied with, in effect, creating a de facto global empire, even though they clothed the goal under the rubric of "spreading democracy and the free market". The Pentagon termed that Pax Americana "Full Spectrum Dominance"' (Engdahl 2016, 43).

In short, the systemic change in Eastern Europe *saved* capitalism, still struggling with structural crisis, by facilitating its change of form to transnational (generalised) monopoly capitalism and allowing its predatory character to be unleashed. Since then, the transnational corporations have grown enormous. Through their value chains, they systematically drain the national labour (surplus value) of the ex-socialist and developing countries and accumulate wealth and power at the expense of the working class of both the periphery and the centre.

However, after the additional resources of Eastern Europe were eaten up, and the profit-generating potential of the new information technologies in the centre exhausted, new crises began around the turn of the Millennium: the 1998 East Asian financial crisis, which affected numerous emerging economies in Asia (including China), and later the 'soft landing' of the US economy in 2001 and 2002. Unlike in the 1970s, this time the real nature and magnitude of the crisis remained hidden due to the predatory nature of neoliberalism. By that time, the liberalisation and deregulation had reached the financial sector in all centre countries and the Eurozone had also begun functioning. These allowed the practice of crediting to boom while governments encouraged lending to feed economic growth. The financial deepening was accompanied by the growth of speculative investments and the integration of the ex-socialist Eastern Europe into the European Union. These developments culminated in a financially backed *pseudo growth* (Artner 2018).

By that time, due to the value chains of the transnational companies and the international regulations and agreements (accession to the EU, Eurozone, free trade agreements like North American Free Trade Agreement (NAFTA), etc.), some (semi-)peripheries had become more closely integrated into the centre and therefore Artner (2018) referred to them as the 'integrated (semi-)periphery'. This is shown in Figure 1, which also distinguishes the most influential centre countries (US, UK and Germany) as 'the centre of the centre' (or 'the global core'), as well as categorising the inner centres (the elites) and inner peripheries (weaker social strata) within each country-group and each country. We see that, over time, the global structure has become more rigid, but its extension, which is the lifeblood of capital, has become more difficult as the huge market and resources of China have not been freely available for capital accumulation. The special status of China is symbolised by a circle, which belongs partly to the unintegrated and partly to the integrated semi-periphery but also, to some extent, remains outside the global capitalist hierarchy.

Relying on Figure 1, we can proceed with the explanation of the nodal crisis of the capitalist world system.

The financially backed pseudo growth of the 2000s not only masked the crisis of the real (non-financial) sphere of the economy and postponed its outbreak but also helped transfer

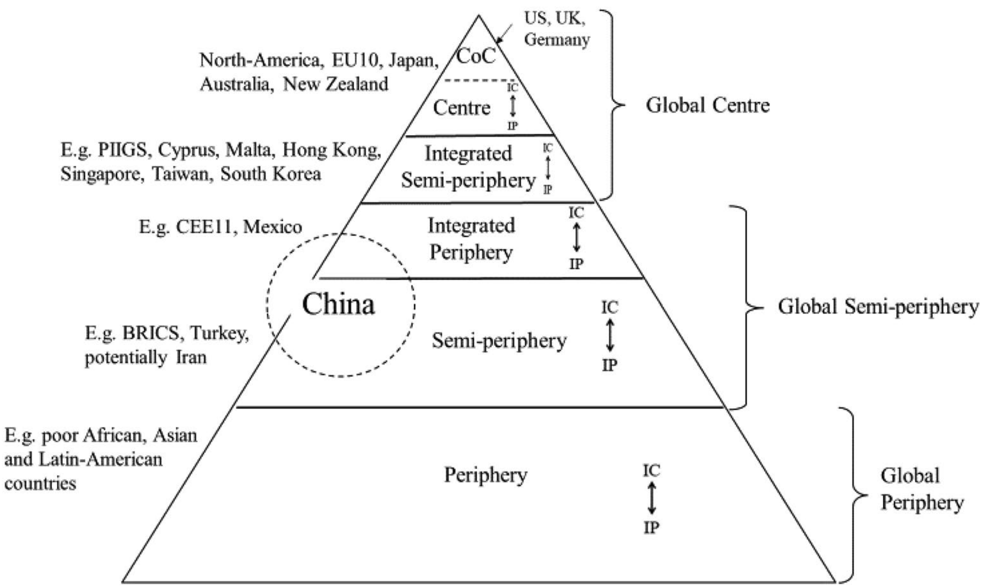

Figure 1. The global hierarchy of capitalism.

Abbreviations: CoC: the Centre of the Centre ("the Core"); EU10: the 10 most developed countries of the European Union; PIIGS: Portugal, Ireland, Italy, Greece, Spain; CEE11: 11 Central and Eastern European member states of the European Union (Bulgaria, Croatia, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia); BRICS: Brazil, Russia, India, China, South-Africa; IC: Internal Centre – the elite; IP: Internal Periphery/semi-periphery – smaller capitals, wage laborers, the poor etc.

Source: Author's own construction.

its burdens. However, unlike the 1970s and 1980s, when the burdens were pushed out of the centre to the global peripheries, in the 2000s the deep deregulation of the financial and capital markets made it much easier for the centre capital to yield profits from the investments on the integrated and inner peripheries and semi-peripheries (Artner 2018).

The crisis accumulated in the inner (semi-) peripheries and appeared in the form of real estate and other asset price bubbles causing the growing indebtedness of the business and household sectors. The transference of burdens happened as follows: the crisis was managed through bank bailouts, and fiscal stimuli were applied to parallel the declining tax revenues caused by the falling gross domestic product (GDP). This pushed up public debt, which led to austerity policies – and austerity measures always hit primarily the working class and smaller companies, ie the inner (semi-) peripheries. Taken together, these caused a sharp fall in demand and considerably deteriorated the prospects for recovery, a problem that was most severe in the integrated European semi-peripheries (PIIGS). In this way, the crisis 'got stuck' in the centre, especially in the more developed parts of Europe, causing an unusually slow recovery after the 2008–2009 recession. The global cycle of capitalist reproduction as well as the innovation in the centre had slowed down. Overall, the recovery was slower than after previous recessions. To regain business confidence, the state needed to intervene to help the centre in the form of monetary 'quantitative easing'. China's fiscal stimulus also helped its trading partners to recover. We may conclude that the centre capital was unable to launch a new robust global cycle on its own, as the 'predatory neoliberalism' had weakened the centre and shaken its global dominance.

The US Army's Strategic Studies Institute (SSI), which provides analyses for the leaders of the Army and the Department of Defense, describes an erosion of the US military advantage and the formulation of a 'volatile and uncertain restructuring of international security affairs in ways that appear to be increasingly hostile to unchallenged US leadership'. It calls this new epoch of the international order 'post–US primacy' (Freier 2017, xv). The report always mentions China first among the countries that are considered 'threats' to the US (the others are Russia, North Korea and Iran).

In summary: the *protracted crisis of the North Atlantic centre represents the crisis of the present world order*. Based on his historical knowledge, Amin (1976) emphasised that in the case of the decline of an empire, basic systemic changes and emerging powers have always started from the periphery. Today, that means that any emerging entity that wants to catch up and change the world has to gain or preserve its independence from the global hierarchy of capital accumulation. As this relates to China's position and ongoing steps to liberalise finance and land management, we must have a closer look at this problem.

Reality of catching up within the framework of the global capital accumulation

Catching up is usually measured as the level of per capita GDP, and this measure shows that the GDP per capita of a given underdeveloped country grows persistently faster than the GDP per capita of a more developed one; for this reason, the former can reach the latter's level of development. Although GDP is not an adequate indicator to measure the level of 'development' in a broad sense, we can agree that a higher GDP per capita means greater ability to accumulate wealth and everything that can be associated with it: technology, knowledge, military power, etc.

There were fast-growing catching-up periods in many countries in the last few decades, but most of them proved to be temporary or exceptional.

One current example is Ireland, the Celtic Tiger, whose success is due to the local activity of transnational corporations, as the Irish domestic economy is weak. This is reflected in the outstanding gap between its gross national product (GNP) and GDP, the latter being higher by a staggering 25–30%.

Other frequently cited examples of catching up are the Four Southeast Asian Tigers (Hong Kong, Singapore, South Korea and Taiwan). These have produced fast growth rates since the 1970s and increased their GDP per capita to the level of the developed countries, or close to it. However, these economies also have unique characteristics. They are either financial or infrastructural hubs, as seen in Singapore and Hong Kong, or have special geopolitical importance, like Taiwan and South Korea. Furthermore, their trajectories have been based on massive state intervention before the neoliberal age, external financial help and advantageous geographical locations (which is in connection with their special role in the global market). Despite the advantages these countries enjoyed, the catching-up process of Taiwan and South Korea slowed down markedly in the 2000s. Only Singapore and Hong Kong were able to reach the level of the US in GDP per capita terms, according to Maddison (2018).

In other cases, such as in Eastern Europe after the systemic change, the periods of catching up usually had a very limited duration and ended before reaching the level of the centre countries (Artner 2018). This phenomenon is called the 'middle-income trap' (Im and Rosenblatt 2013; Sőreg 2017), although it would be more appropriately identified as the *illusion* or *impossibility* of catching up within the existing framework of transnational (generalised) monopoly capitalism.

Arrighi (1990) and Mies (1993) presented empirical examples of this illusion from the time period right after capitalism gained dominance over the world due to the fall of the socialist alternative in Eastern Europe. Even earlier, Donella Meadows pointed out that heavily indebted developing countries (the 'South') had financed the rich centre (the 'North') in the 1980s. Meadows (1989) stated that 85 billion dollars per year on average flowed from the South to the North in the 1980s. Other calculations, based on data of the World Bank and United Nations Conference on Trade and Development (UNCTAD), found that between 1983 and 1992 the developing countries had enriched the global centre with a yearly net of 49 billion US dollars on average, even after taking into consideration both the flows on debts and foreign direct investments going from the North to the South (Artner 2014, 103–104). The illusion or impossibility of catching up has been reinforced by the experiences of the European integrated periphery and semi-periphery (see Figure 1), ie Southern and Eastern Europe (Artner 2018).

Although the explanations for the failure of catching up are various, ranging from inappropriate economic policy, such as forced export orientation or dependence on foreign investments, to the concept of historically inherited underdevelopment – the most decisive factor is obviously the *mode and level of embeddedness* into the system of global capital reproduction and financial flows. The latter determines the direction of net flow of value, which eventually leads to drainage of the human and natural resources of the periphery. For this, Samir Amin was convinced that getting rid of these exploitative effects of global capital, which he termed 'delinking', is the precondition for escaping from the trap of underdevelopment. Delinking does not mean autarky. Rather, it means 'refusal to bow to the dominant logic of the world capitalist system; the second option is one of inevitably passive adaptation (even if it is called "active insertion") to the demands of integration into the global system' (Amin 2006, 27–28). Delinking is more feasible if the concerned nations form alliances and share their resources within the framework of international cooperation.

This delinking is necessary in order to stop the pilfering of national labour and facilitate the accumulation and advancement of the national production forces. Additionally, as Amin (1990) explained, embeddedness into the global system of capital *deforms* the domestic economic structures, as well as the technological development, and thereby limits the efficiency and competitiveness of the developing countries. Foreign companies are frequently enclaves with no meaningful developmental effect on their host countries, while the enforcement of the 'export orientation' policy, one of the neoliberal dogmas, usually leads to the expansion of the labour-intensive sectors, which are, allegedly, 'comparative advantages' of the developing countries due to their low wage levels. All these processes contribute to the *fixation of the economically inferior status* of the developing countries within the global hierarchy and prevent them from catching up in a meaningful way. Consequently, the pursuit of catching up within the framework of transnational monopoly capitalism is *vain and disadvantageous*.

The question is, then, what specific characteristics helped China to produce a successful catching-up process, and what are the conditions of maintaining this in order to lift China from its special semi-periphery status within the global capitalism (see Figure 1) to the position of epoch-changing leader? The next sections address these issues.

Implementing 'Deng's cat theory'

Just at the time when neoliberalism had spread throughout the world, China gradually let the genie of market forces out of the bottle. In 1978, Deng Xiaoping initiated policy changes to speed up accumulation and domestic investments and to foster economic, technological and infrastructural development. The rationale behind the reforms has become known as 'Deng's cat theory'. However, it is not a real theory. It refers to Deng's infamous explanation of the economic policy turn, which prioritised practice over theoretical considerations; to wit: 'It doesn't matter whether the cat is black or white, as long as it catches mice'. Using this logic, political practice eventually overtook theory and, the immediate and material goals jumped to the forefront of Chinese politics; the realisation of the socialist society was postponed until the unspecified future – as reflected in the amendments to the Chinese constitution.

The first amendment to the Chinese constitution in 1988 gave a green light to the private sector in the economy, declaring, 'The State protects the lawful rights and interests of the private sector'. This amendment also liberalised the use of land, allowing it to 'be transferred according to law'. The second amendment in 1993 introduced the expression 'socialism with Chinese characteristics', and changed the primacy of economic planning to the so called 'economic rules' of a 'socialist market economy'. The third amendment in 1999 declared that the 'Deng Xiaoping Theory' was to be the third source of guidance, coming after Marxism–Leninism and Mao Zedong Thought, on the socialist road of China. This amendment stated that 'diverse sectors of the economy' and 'the coexistence of a variety of modes of distribution' are parts of the 'primary stage of socialism', in which China will remain 'for a long period of time', and that 'individual, private and other non-public economies' are 'major components of the socialist market economy'. The fourth amendment in 2004 went even further to declare that the state not only protects but also 'encourages, supports and guides the development of the non-public' – ie individual and private – 'sectors of the economy'. This amendment also allowed the accumulation of private wealth, as it postulated that 'private property is inviolable' and the state protects 'the rights of citizens to private property and its inheritance' (Constitution of the People's Republic of China 2018).

In the meantime, foreign investments and international trade had been gradually liberalised. After 2002, China began to invest its accumulated private and public capital abroad, and in 2007 established its first major sovereign wealth fund (China Investment Corporation), with 200 billion USD (Artner 2010a). The resulting fast growth of the Chinese outgoing foreign investments limited the global playing field of the centre capital to a certain extent.

The whole world watched these developments in China with bated breath. For the centre countries, China's fast economic growth and huge export activity, rapid technological development, increasing investments abroad and successful fight against poverty had been most astonishing and, at the same time, most annoying. The reason behind the anxiety was that competitiveness of Chinese producers and, hence, China's *potential to catch up* to the centre have greatly improved. How the US-led centre now tries to prevent the continuation of this process will be discussed later. Others have said that the market-type reforms *threaten the project of socialism* and open the doors to capitalism in China.

Therefore, the next section seeks an answer to the question: Will Deng's reforms, if continued, lead to socialism, or back to the road of capitalism?

A long road to socialism or a detour to capitalism?

Deng's reforms, adapted and managed by the Chinese Communist Party (CCP), have undeniable merits as measured by the achievements of the country in the last few decades. However, it is good to remember that similar marketisation processes took place in Eastern Europe from the 1960s with the leadership of Hungary. These reforms were also led by communist parties and began with debates over the role of commodity production and individual interests in socialism, but led eventually to the deconstruction of the socialist institutions and morals and concluded in the regional restoration and global strengthening of capitalism.

The interests of the individual can be – and historically have been – successful driving forces in economic development. However, in our era of globalised production forces, individual interests are insufficient and must be replaced with a common, global management of the world. Despite this, individual interests still prevail and cause more harm than good, as evident in the largely unresolved problems of social, economic and ecological 'sustainability'.

Therefore, marketisation has become an obscure and dangerous alternative for socio-economic development, particularly in the case of such a huge and populous country as China. The question is how far the marketisation of the Chinese economy can go without becoming irreversible. If China finally becomes a capitalist country led by the fierce competition of individual interests, and aspires to the role of a superpower similar to the US, what then could save mankind from a third world war?

The accumulation of capital continues, and the role of the private sector is growing in the Chinese economy. Between 1980 and 1999, private investments grew from 3.7% to 17% of the Chinese GDP (Greeven 2007, 98). This figure represented about one-half of all investments; by now, the share has grown to about 70%. By the middle of the 2000s, private capital contributed 55–63% to the GDP (Artner 2010b). Presently, it comprises about 60% of the GDP, 90% of all exports and new jobs, 80% of urban employment and 70% of innovation (Guluzade 2019).

The ambiguity of this developmental path is reflected in the heated debate over the nature of Chinese society. Paraphrasing the expression 'socialism with Chinese characteristics' (introduced by the 1993 amendment of the Chinese Constitution), David Harvey (2005) called the reforms 'neoliberalism with Chinese characteristics'. Other authors refer to China as a 'globaliser dragon' (Magalhães 2018), a 'responsible reformer' (Weissmann 2015) or an 'illiberal' state (Vukovich 2015), or as practicing 'state capitalism' (Amin 2013; Brenner 2019).

Joel Andreas believes that from the time of the 1990s, in China 'the non-capitalist market economy that existed in the 1980s had been transformed into a capitalist economy', where 'virtually all enterprises […] operate according to capitalist principles'. The reforms are 'likely to open the way for massive dispossession of village households', and Chinese capitalism is 'more efficient and more brutal than most' (Andreas 2008, 133–134, 142). Similarly, Hart-Landsberg (2011) holds that the reforms have increased China's dependence on the capitalist world economy and led to the restoration of capitalism and exploitation. Hsu (2015) mentions the chauvinistic treatment of ethnic minorities, the failure of local policies to develop their regions properly, and the exploitation of natural resources. She considers that the Chinese model neither offers a new development alternative nor challenges neoliberalism. In their extended work, Coase and Wang describe how 'China became capitalist while it was trying to modernize socialism' (Coase and Wang 2012, 154), although they admit that 'the series of events that led China to become capitalist was not programmed and […] the final result was entirely unexpected' (Coase and Wang 2012, x).

Others find the picture more complicated and the results less disappointing. Yuezhi Zhao discusses the 'unfinished struggle for socialism in China' by juxtaposing two models of development. The 'Guangdong Model' represents a free market approach with export orientation and increasing social inequalities. The 'Chongqing Model' led by Bo Xilai ('Red Princeling', the son of a revolutionary leader, and the Communist Party Secretary of Chongqing between 2007 and 2012, later imprisoned for bribery and corruption) was an attempt 'to revitalise socialist ideas and populist claims in its push for rapid and balanced growth'. Zhao also claims that '[a]long with staggering social inequality, the collapse of basic social morality and the prevalence of excessive materialistic values have been the widely noted cultural consequences of Deng's reforms', while 'the post-Mao CCP has not stopped championing socialism in rhetoric […] However, in the absence of a coordinated socio-economic development model that resembles anything like building a socialist society, such campaigns not only sound hollow, but also breed cynicism'. The phrase and idea of 'people's democracy', the leading role of the working class and 'the alliance of workers and peasants' have 'virtually been forgotten in a reform era that champions the creation of the 'middle class' (Zhao 2012).

Indeed, the increasing role of market forces resulted in the development of huge income inequalities between regions as well as social strata. The Gini coefficient has risen by 15 percentage points since the 1980s, and reached its peak (49.1%) in 2008, although since then there has been a slight decline (Jain-Chandra et al. 2018, 4–6). On the other hand, the upsurge of income inequalities has gone hand in hand with a massive increase in the real incomes of the population. The number of people with no more than 1.9 USD income per day has fallen by at least 850 million since the 1970s, and today less than 2% of the population lives in extreme poverty (Weiping 2018, XinhuaNet 2018). For the sake of comparison: in the US, the bottom half of the society has not gained anything from the growth of GDP since the end of the 1970s (Piketty 2014).

The possible reason behind this successful fight against poverty is that the marketisation of the Chinese economy is not yet complete. Arrighi (2007) explains this uncompletedness by the 'Smithian features' of the reforms, meaning gradualism, state policies that expand and develop the social division of labour, rapid expansion of education, encouragement of competition, subordination of individual capitalist interests to national ones and, more importantly, the leading role of the domestic market as well as the improvement of living conditions of the rural population. These together are the elements of 'accumulation without dispossession'. Arrighi refers to Joshua Cooper Ramo, who identified two distinctive features of the so called 'Beijing Consensus' (the alternative to the neoliberal 'Washington Consensus'): 'localisation', which means adjusting the way of development to the local needs, and 'multilateralism', ie the endeavour for interstate cooperation based on economic interdependence and the respect of political and cultural differences (Arrighi 2007, 361, 379).

Aside from these non-capitalist characteristics of China, there is another important issue that is relevant to our topic. This is the independence of the Chinese domestic economy from the global financial circles, which must be preserved if China wants to avoid its subjugation to the centre capital and emerge as an epoch-changing global power in the foreseeable future. The next section deals with this problematic.

The importance of financial independence

In capitalism, the financial markets form the terrain where the struggle for economic, political and military power begins – and this fight may lead towards a military build-up and confrontation. Financial markets are neither rational nor competitive and even less democratic. They are dominated by a handful of huge transnational corporations (the financial oligarchy) that control the production of goods and services, the financial flows and the insurance business. In addition, financial markets can easily influence governments as well as international organisations like the IMF, the World Bank or the European Union. There is a close relationship between financial flows and the geostrategic interests of the leading powers: the US, the European Union and Japan, or The Triad, which, according to Amin, controls the resources of the globe and implements a 'collective imperialism' (Amin 2018a, 9).

William Domhoff, who has been collecting data about the American ruling class since the 1960s, found that finances have a central importance from the perspective of political and economic influence. 'The predominant power in the United States from 1776 to the present, is: Those who have the money – or more specifically, who own income-producing land and businesses – have the power' (Domhoff 2014). The true rulers of America are '[t]he owners and managers of large income-producing properties; that is the owners of corporations, banks, other financial institutions, and agri-businesses' (Domhoff 2020).

The overwhelming influence of the global financial markets explains the Mundell–Fleming trilemma, known as the 'impossible trinity' of the free movement of capital, fixed exchange rates and independent monetary policy. Of these three options, only two can be maintained at the same time. The stability of the exchange rate is essential for the predictability of markets and the encouragement of exports, while the sovereign monetary policy (the possibility of lending in local currency) creates the foundations for influencing domestic demand and investments. The developmentalist monetary policy presupposes that the central bank is *not* independent from the central government.

The coexistence of a stable (government-controlled) exchange rate and a sovereign monetary policy is feasible only if the capital flow is controlled. It follows that control of the capital account makes the developmental state intervention possible and effective. Furthermore, by controlling capital flows, publicly owned banks can help new local enterprises to grow and build links with foreign companies to facilitate technology transfer and profit sharing – as happens in China. Under a completely liberalised capital account, this way of promoting domestic development would not be possible.

Based on the Mundell–Fleming model, one may argue that achieving an independent monetary policy is still possible if the capital flows are fully liberalised and the government abandons the fixed exchange rate. However, from the viewpoint of economic development, especially in terms of catching up, flexible exchange rates are very problematic. Since the collapse of the Bretton Woods system, this flexibility has affected the developing countries negatively in many ways.

First, the absence of stable exchange rates has caused frequent fluctuations in both domestic production and foreign trade, fed speculations and encouraged financialisation, which has been fuelled by the flight of capital from the economic sectors where profit expectations are low.

Second, free-floating, fluctuating exchange rates have generated frequent and repeated devaluations either because of the speculative attacks that have been stimulated by these fluctuations or because governments thought devaluations could remedy the loss of competitiveness by encouraging exportation. The result has usually been the depletion of national value due to growing exports, increasing import prices and the higher debt service paid on foreign debt. To make matters worse, foreign currency owners could take advantage of the devaluations by buying up the national labour and means of production for their own production purposes. These mechanisms together result in 'amplified plunder' (Amin 2018a, 9) rather than a generation of growth and catching up.

The control over the financial markets is also crucial because a government is less likely to be blackmailed if the national debt – public and private alike – is mostly held by state-owned banks and denominated in the national currency. This presupposes the use of money creation through the domestic central bank, which is, as mentioned, *not* independent from the government.

In the light of these issues, the next section examines how far the liberalisation of China's financial markets has progressed until now.

China's efforts to keep finances under control

The Chinese government is obviously aware of the unpredictable consequences of uncontrolled and fully liberalised capital flows, as its cautious stop–go policy in this field reflects.

Until 2008, China could match export orientation with import substitution, imposing tight control over the capital flows, maintaining a stable renminbi–dollar exchange rate, printing money and, due to these factors, minimising dependence on external debt (Brenner 2019). However, due to the 2008 crisis, the export markets collapsed; China had to change its strategy and rely exclusively on money creation by the central bank (People's Bank of China – PBOC). The economic growth had become increasingly dependent on lending that excluded the possibility of applying high interest rates. This made the fight against capital flight difficult as lowering real interest rates entailed a downward pressure on the renminbi and discouraged savings in it. There were major waves of capital flight from China in the years following, particularly in 2015–2016 as 'wealthy citizens rushed their money out of the country'. These developments led the government to understand 'that capital controls constitute its ultimate line of defence in pursuing an independent economic strategy' and, at the same time, to introduce capital-control measures, which were not 'too draconian' (Brenner 2019, 69, 73), because an overly restrictive policy would limit future economic growth. The measures mitigated the problem, but could not entirely stop capital flight, which continued through other channels, such as foreign trade transactions and citizens taking overseas trips.

In 2017, China took new steps towards financial liberalisation. Foreign banks were allowed to operate in China, while the limits on foreign shares in other financial institutions, such as asset management companies, insurance companies and securities ventures, had been removed, and the virtually fixed exchange rate regime has been abandoned, allowing the renminbi to float, although within a narrow margin, and under strict central bank management. These are still 'baby steps', and the reforms are 'not really going to be complete or clear in the way the global community is demanding' (Weinland and Lockett 2019), but these baby steps somewhat increased China's exposure to the volatility of global financial markets, and did not make the struggle against capital flight easier.

In the first six months of 2019, the total value of hidden capital flight rose to at least 131 billion USD, or even higher depending on the method of estimation, which is more than in the same period in 2015–2016 (Bloomberg 2019).

In summary, until recently China has preserved its independence from the global financial sector. The exchange rate of the national currency, the renminbi, has been determined by the POBC (controlled by the CCP), and the banks were indigenous and mainly state-owned. Thanks to these, China was able to keep market forces under control and use them to encourage domestic economic development and improve the well-being of the population. The capital controls had been used on a stop-and-go basis, as the leadership of the country tried to strike a balance between the needs of market forces and the goal of the indigenous development, which was officially aiming towards socialism.

However, China's latest steps regarding financial liberalisation might change the picture as they gave more space for the influence of global financial markets and capital flight. If these processes continue in the long run, the confidence in the renminbi could collapse (Brenner 2019, 74), which would make both the catching up and the aspiration for a global leadership futile.

The uncertainties about the financial independence of China are reflected in the contradictory opinions about its true degree. Panitch and Gindin (2013) see similarities between the post-war Japanese development and the rise of China in the last few decades, stating that both countries have served as financial supporters of US dominance in the world economy (eg both of them have bought US state bonds in large amounts). Jefferies (2017) argues against this opinion by highlighting the *domestic* market-based character of the Chinese economic development, the indirect control of the state over the private sector, the development of indigenous Chinese technology, and the independence from the world financial markets. These factors, Jefferies thinks, predestine China to challenge, rather than serve, the US and European leadership in the world economy.

However, becoming a global leader has other obstacles as well, which will be discussed in the following section.

Obstacles to China's ascent

China occupied a central role in the world economy before capitalism grew strong in Europe and North America. This position was lost during the nineteenth century, mostly as a consequence of the Opium Wars and the subsequent semi-colonial status imposed on the country by the British Empire. By now, however, China has once again become the largest economy in the world, according to its GDP (as measured by purchasing power parity), as well as the world's largest exporter, measured in USD. This breathtaking economic ascent by the country and its increased activity on an international scale, such as alliance-building in Asia, Africa and Latin America after the outbreak of the 2008 crisis (Engdahl 2015; Weissmann 2015), have been accompanied by the decline in the hegemonic strength of the US-led Triad.

This led Arrighi (2007) to the conclusion that China could be the next hegemon of the twenty-first century, replacing the United States. He argued that China's ascent would be peaceful, and its global role would be different from the US capitalist–imperialist rule. Arrighi explains this by pointing out the East Asian cultural specificities which have determined China's historical path. These characteristics are its labour-intensive agriculture together with its common usage of land and peaceful foreign policy, and specifically that throughout the centuries China has never built overseas empires nor drained the resources of its peripheral regions. Instead, the Chinese government has always been more likely to develop the peripheries by investments and integrate them into the empire. Modern China has also followed these policies, Arrighi claims, by pursuing peaceful, cooperative geopolitical strategy, avoiding the privatisation of land as well as the extraction of resources from the peripheries, and, in general, holding market forces under the control of the state. The huge income inequalities have not undermined social stability as they did in Europe, because their increase has been accompanied by the decline of poverty and the intensification of social mobility. The rising inequality in China is a result of the improvement (and not the deterioration) in the position of the middle class (Arrighi 2007, 376).

Two objections can be made here. The first one concerns the 'Smithian' concept of the 'non-capitalist market economy', or 'Smith's vision of a world-market society based on greater equality among the world's civilizations' (Arrighi 2007, 8). It is good to remember that the idea of a 'socialist market economy' proved to be the Trojan horse of capitalist production relations in Eastern Europe. It was propaganda used by the 'reform-communists' to convince the population about a possible 'third way' between socialism and capitalism. The result was the 1989 systemic change, when the goal of building socialism was entirely abandoned, and the region fell to pieces and became the integrated and exploited periphery of the global centre. This experience, together with an increasing accumulation of the Chinese private capital and widening inequalities, described above, make the prospects for Chinese society worrisome.

The second objection concerns the possibility of the peaceful rise of China as a new hegemon or co-hegemon. The US has never tolerated the smallest sign of an aspiration for sovereignty if it jeopardised American interests in any corner of the world. The sanctions against Cuba, Russia, Iran or North Korea and the tensions in relations with India or South Africa (Tourangbam 2018; Pather 2018) exemplify this, as does the rising hostility against China in the last decade. As the trade war has escalated due to the COVID-19 crisis, China's foreign minister, Wang Yi, spoke about the risk of a 'new Cold War' (Goodley and Sabbagh 2020).

Samir Amin did not believe that the Triad would tolerate China's rise as a new, fourth leading power of the world. It is more likely, he wrote, that they 'will devote all efforts to maintain their exclusive control of the planet', and resort to the 'use of all means – "economic" and more specifically financial, political and military' to prevent China from catching up (Amin 2018a, 10, 9). Engdahl is of the same opinion:

> It is about an all-out assault on China's strategy to become an advanced, self-reliant economic leading economy, technologically on a par with the West, perhaps even more advanced. … The United States as the world's dominant superpower will in no way allow this. Just as the British Empire set the stage for World War I to destroy the potential threat of a German superpower, now Washington confronts a Chinese economic colossus and weighs its options. (Engdahl 2018, 1)

This implies that the peaceful catching up of China to the capitalist centre as a co-leader is not a real alternative. Despite all the obstacles, the Chinese political leadership has not given up the intention to build a new type of globalisation. As President Xi Jinping declared at the 19th National Congress of the Communist Party of China, the Chinese foreign policy maintains the principle of 'never seeking hegemony', which does not mean that China should refuse international leadership. Instead, China wants to play the role of a 'non-hegemonic' leader (Zhongying 2018). The manifestation of this doctrine, especially in the light of the ongoing financial liberalisation, has yet to be seen, as have the reactions from the present 'hegemon' of the world. Overall, the prospects are far from bright.

> The elusive powers that be who control deeper US geopolitical strategy will try with all means at their disposal at this point to literally break China with sanctions, humiliation, pressure on human rights in Xinjiang, financial warfare and even military threats. As the late Zbigniew Brzezinski declared, if USA loses control over Eurasia, the game is over for the sole superpower. China must be broken to prevent that. It is a dubious undertaking to put it mildly. War could be a consequence, one whose outcome would be catastrophic for mankind. (Engdahl 2018, 1)

Arrighi believed that there was a possibility for China to peacefully change the world, if China consolidated its 'traditions of self-centred market-based development, accumulation without dispossession, mobilization of human rather than non-human resources, and government through mass participation in shaping policies'. However, if China fails to follow this path, it might fall into social and political chaos, which would open the door either to the restoration of the 'crumbling' US hegemony or to escalating violence (Arrighi 2007, 389).

In the light of our analysis above, we can mention two additional aspects to Arrighi's conclusion. First, regarding the nature of the Chinese socio-economic organisation, the outcome of the ongoing liberalisation of both finance and land usage is of crucial importance from the viewpoint of capital accumulation and inequalities and, hence, the social stability of China.

Second, the escalation of violence is, unfortunately, possible even if China remains on the 'non-capitalist' path. Hegemons have never given up their positions easily, and the US-led imperialist Triad is even less likely to do so.

Concluding remarks

The transnational (generalised) monopoly capitalism is in a protracted structural crisis. It is also a crisis of the present world order. In this complex or nodal crisis, the entire globalised superstructure is affected. The leaders of the contemporary world system (the US-led Triad) have become unable to keep the world in 'order', which means in line with their interests. Most of the African continent, the Middle East and many other countries of the 'Global South' suffer from poverty, deprivation, upheavals and wars. Millions of people live from hand to mouth in refugee camps or wander on international roads hoping for a better life in the more affluent countries. On the other hand, the hegemony of the US has declined, Japan has lost its dynamism, the image of the European Union as a promising project has decayed, and the endeavours of the national capitalists of its Eastern periphery to enforce their own interests against the European centre have been intensified. New economic and military powers, like China, India, Russia, Turkey, Iran and North Korea, have appeared on the global chessboard. The consequences of global warming and the exploitation of the environment are still awaiting an efficient response. These phenomena are clear signs of the increasing turbulence in our world and the inevitability of its systemic transformation.

Asia, with its fast-growing economies, has undoubtedly surprised the US-led world in the last few decades. However, the catching-up process usually exhausts itself after a while. The only sovereign that still has the potential to catch up with the US, and challenge its leadership in a new world system, is China. The US has been doing its best to prevent such an outcome. The rise of China can be obviated either in a 'peaceful' way, namely by the integration and subordination of China into the global financial system, or by military power. The US imperialist circles and their allies are first trying the former, less violent approach.

As long as the law of value (ie profit motive) rules the centre, and its societies suffer from increasing social and regional inequalities, catching up *with them* (ie trying to imitate The Triad) should not be the aim of any underdeveloped country. This type of catching up is not even possible, because of the logic of global capital accumulation. The real advancement of a nation presupposes the detachment (delinking) from the global exploitative mechanisms of capital. To achieve this, profound changes are required in the society, to which the contemporary nodal crisis offers a possibility. A society beyond capitalism must be based on consciously planned management of the forces of production, which cannot be achieved without common ownership of the decisive means of production. In our age of climate change and global pandemic, which threaten human beings at the time of this writing, the urgent need for the common global management of the socio-economic reproduction should be apparent even to non-revolutionary thinkers. It should be noted that the 17th Sustainable Developmental Goal of the United Nations aims at a 'global' and 'multi-stakeholder partnership' (UN 2015, 32).

As history proves, every huge systemic change entails the risk of violence and war. The interest of the presently ruling hegemonic centre to preserve its position also works towards this outcome. A possible solution to prevent the worst is to form regional alliances of nations against the power of the imperialist Triad. These alliances could help their members to achieve, first, delinking and then an alternative, non-hegemonic globalisation.

China might lead the transformation of this world system towards a better one, if it realises the dangers of 'Deng's cat theory', which is not a real theory as it puts practice above theory. The marketisation has gradually progressed in China over the last four decades, although capitalism has not been fully reconstructed in the country yet. However, a massive indigenous capitalist class has emerged, which is interested in the continuous accumulation of wealth. So, there is a pressure for further deregulation of financial markets, that might lead to China's integration into the global cycles of exploitative capital reproduction. If this happens, the prospects for a better globalisation that does not build on the anarchic market forces would decrease and the likelihood of a new world war would increase. China has all the means to become an epoch-changing power if it does not give up the prospect of socialism, maintains accumulation without dispossession and cooperates with those nations that decouple themselves from the exploitative mechanism of transnational capitalism. The colour of the cat does matter.

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