REVIEW OF DR WILLIAM JEFFERIES ARTICLE: IS CHINA A GREAT POWER?

Dr Jefferies recently published an article analysing China. It had two aims, to investigate whether China was a capitalist economy, and whether it could be classified as an imperialist power.

We will begin with defining and categorising the production relations, which in sum, form the capitalist mode of production. Dr Jefferies correctly marshals the following tests or criteria Marx applies to this investigation, and I quote from his article.

In Theories of Surplus Value (TSV), Karl Marx defined a capitalist economy against three criteria. He explained that the labour production process, only becomes a capitalist process, and money is converted into capital only: 1) if commodity production, i.e., the production of products in the form of commodities, becomes the general mode of production; 2) if the commodity (money) is exchanged against labour-power (that is, actually against labour) as a commodity, and consequently if labour is wage-labour; 3) this is the case however only when the objective conditions, that is (considering the production process as a whole), the products, confront labour as independent forces, not as the property of labour but as the property of someone else, and thus in the form of capital.

These are the three tests. It is not coincidental that Marx begins *Das Kapital* Volume 1 with an analysis of the commodity, the cell-form of capitalist production. This meets the author's first condition. But capitalist commodity production must acquire another feature, it must be produced not only for exchange but for profit as well. Thus, production requires a special commodity, one capable of producing more labour than it costs, that special commodity is labour power purchased for a wage. This meets the second condition. Finally, the commodities produced by labour must be appropriated as capital, thus reproducing the wage labour relation repeatedly. That is the third condition.

"Marx's third and final condition was whether the means of production confront the worker as someone else's property — as capital. Capitalists now dominate the upper echelons of the CPC and capital accumulation accounts for the bulk of output and employment. Clearly, the claimed non-capitalist nature of China simply rests on the remaining elements of state planning or, more accurately, macroeconomic intervention into the economy and the role of SOEs." Here the author's interpretation is narrow and problematic. The broader definition of capital is money advanced in order to make more money. In the light of this interpretation, it does not matter who the employer is, what matters is whether the wage labourer has been employed to produce more money, or that which is hidden - surplus value. It is this exploitative social relation which turns money into capital.

This becomes clear when we examine the circuit of capital below in its productive and unproductive forms. The essential circuit, the one which converts commodities into new commodities through the process of production is described thus.

M.C.P…C^+…M^+ where **M** stands for money, **C** for commodities and **P** for production.

Capitalist employers use money capital (M) to purchase the factors of production as commodities (C) in order to set production (P) in motion. At the end of the production process, they are in possession of a number of newly produced commodities ready for sale (C^+). Once sold these commodities are converted back into cash (M^+). The $^+$ sign indicates that the value of these newly produced commodities embody a value greater than the value of the commodities that was consumed in their production. The difference, the surplus, forms the profit of the capitalist employer. This circuit explains how commodities move from the social sphere into the private sphere of production (the first exchange) and from private production back into the social sphere (the second exchange) via the medium of money.

It is important to emphasise that the circuit of reproduction is based on two exchanges, the purchase and the sale. Without the sale or the second exchange which converts individual labour into monetary revenue, there would be no profit, instead the original capital would have been lost. Money will have gone out but no new money will have re-entered to replace it. This deficit would represent a real loss to the employer.

But not all wage labour produces commodities even when purchased by capital. Here we refer to functional unproductive labour. That is the labour which ensures that the metabolism of capitalism does not clog up. This unproductive labour applies mainly to white-collar office workers engaged in administration, marketing, advertising, accounting, human resources, legal and so on. These workers do not produce profits, they cost profits, which is why their wages and salaries appear on the loss side of the Profit and Loss Accounts. Marx called them unproductive of profits, not because they were physically unproductive.

Here the circuit of capital looks like this:

M.C.P…

There is only one exchange, the purchase, the second exchange, the sale, is absent. In this case only two of the three conditions listed by the author are being met. Firstly, wage labour has been exchanged for money, and secondly, capital purchases that wage labour. Money has gone out but no new money has come in, which is why many capitalists consider unproductive labour to be a waste of their capital.

There is a second form of unproductive labour, wage labour paid out of revenues, not capital. The biggest source of these workers are the workers who are paid out of tax revenues, who work for the government in spheres such as health, education, council services, and on the repressive side in the prisons, judiciary, police and so on. They total about one in five employed workers in the advanced capitalist economies. Funnily, or tragically enough, China spends far less on welfare and therefore employs fewer workers in government. *China's state spends only about 6 per cent of GDP on what is known as individual consumption — services ranging from healthcare to social security that directly benefit citizens — while households spend another 38 per cent, according to data by the World Bank.* That's one third the amount spent by the USA and less than Mexico or Turkey. I find this stark reality in China to be one of the most convincing proofs that China is a capitalist economy par excellence, and this conclusion is drawn even before we introduce its dependency on internal migrant labour.

In terms of overview. The core form of labour is productive labour, producing commodities for sale and for profit, the satellite forms of labour are unproductive labour of various descriptions. And of course, there is domestic labour which is completely private labour because both exchanges are absent. This labour subsidises capitalism by reducing the price of labour power boosting exploitation and profits. If Domestic Labour was paid it could amount to 25% - 40% of GDP adding up to $11 trillion each year globally. Thus, the physical expenditure of necessary labour in the capitalist mode of production exceeds that measured by GDP because much of that labour is not converted into exchange value through being sold or bought, it is not turned into a commodity. These forms of labour have been described to show not all labour produces commodities. This applies as much in China as elsewhere.

Once these forms of labour and their inter-connection are understood we can turn to a more advanced theory Marx developed to categorise modes of production in his later writings. *Theories of Surplus Value* was written before *Das Kapital* was completed or partially completed. In *Das Kapital* Marx uses a more consistent methodology to categorise modes of production. It can be summed up as follows. A mode of production is defined by the way the labour of the individual becomes part of the labour of society and how that labour is appropriated. Using this methodology to categorise a market economy, we note, that in a market economy the labour of the individual does not directly and immediately become part of the labour of society but does so indirectly through having to be exchanged first.

This more precise definition has the advantage of ignoring the superstructural and legal forms, none of which have any bearing on how individual labour becomes part of the labour of society, because that labour is still indirectly social in all cases despite the variations found in market economies. Thus, a country which has a large state sector such as China, or a small state sector such as the USA, has no material bearing on the nature of the relation which converts individual labour into social labour.

It also negates the difference between China's State Organised Enterprises (SOEs) and the private sector. There is no difference in their fundamental production relations. Workers sell their labour power for a wage no differently in the private sector to the SOEs though their employment contracts may be more secure in the latter. The labour they expend must be sold otherwise the SOE not only does not make profit, but it also loses its capital and would have to be bailed out by the state. And if there is anything the cadre running the CPC have learnt from the collapse of the USSR, it is that bailing out loss making state enterprises was one of the main causes for the collapse of the USSR. This is why, as the author points out, the CPC purged countless loss making SOEs at the turn of the century making 70 million workers jobless. The SOEs may have a longer time frame in mind with their investments but in the end, they like the private corporations expect to make a profit from their investments. The fact that they have lower rates of return than private corporations must be heavily qualified. The way that China's statisticians prepare industrial assets is by bundling fixed assets, inventory and financial assets together. SOEs with their extensive cross holdings have much more financial assets than private companies which enlarges their assets reducing their rates of return and making it difficult to compare their profitability with that of the private sector.

There is another consideration. SOEs are not run parallel with private corporations competing in the same sector. They are run linear, what I call the upstream-downstream model. The state through these corporations undertakes infrastructural investment which is capital intensive and of long duration. That is why SOEs are concentrated in energy production and distribution, electrical production, grids, telecommunications, railways, basic chemical production and strategic construction. In turn this fertilizes the downstream private corporations to profitably take advantage of this infrastructure.

Nor does political (superstructural) governance influence the underlying relations of production whether it is a fascist regime or the Scandinavian welfare model. In the case of China with its one-party rule, the same thing applies. Jefferies in his article discusses at length how the upper reaches of the Chinese Communist Party (CPC) is populated by millionaires and billionaires. This is a superficial observation. It ignores the minor civil war which took place in the CPC in the twenty teens, when billionaires like Jack Ma sought to open the Chinese economy and more closely integrate it into the world economy, a process reversed when Xi gained the presidency and asserted his authority.

The ensuing minor civil war within the commanding heights of the CPC under the guise of rooting out corruption exposed the dependency of the Chinese capitalist class on the CPC. This dependency is due to China's rulers having to confront a Chinese working class which numbers over 700 million. Any rupture in the alliance between cadre and capitalist will hand power to this gigantic working class. It is the pressure from this multi-millioned class, which like the atmosphere, compresses capitalist and bureaucrat together, until such time both are overthrown by a revolutionary Chinese working class.

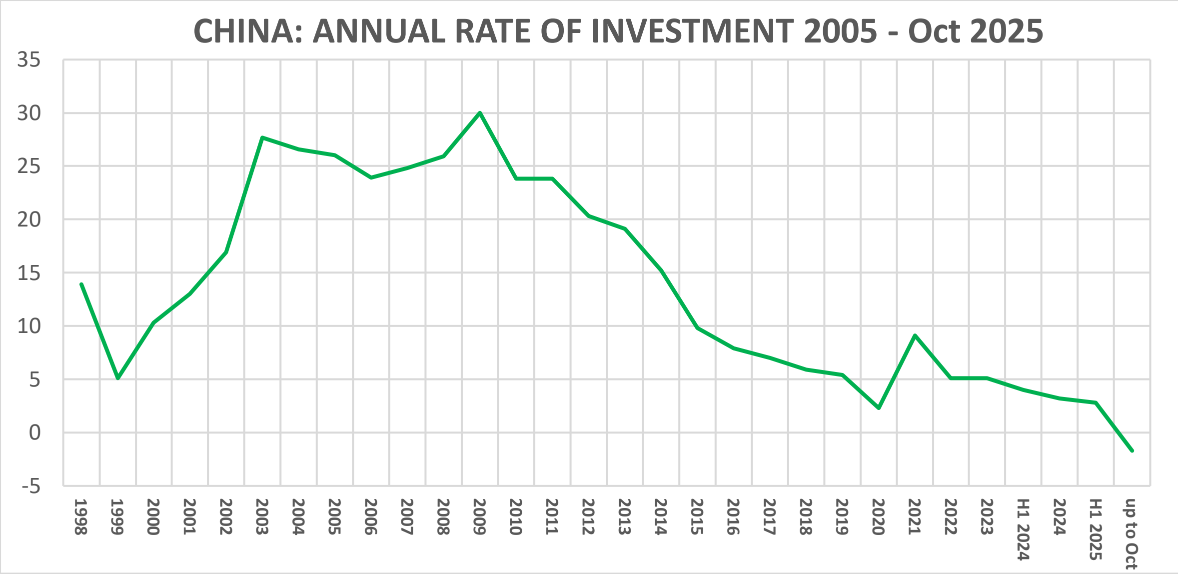
The idealogues and historians of the CPC are only too aware that were the CPC to offer the ballot box, multi-party democracy, relax their grip, step away from power, they could not control the demands workers would make. It would be 1848 all over again, when the emerging bourgeoisie in Europe were forced back into the arms of reaction, once the workers they mobilised for their own ends, started taking up their own independent political demands and causes.

The fact that the state in China is governed by a single party has nothing to do with the relations of production but is a historical artefact, one which cannot be shed except in extremis. It does however have consequences for the development and direction of the Chinese economy which will be discussed later. In sum, I agree with the author that China is a capitalist economy with unique characteristics. Where I tend to agree with Michael Roberts is the unique and decisive role the CPC has played in the emergence of China as an independent and soon to be self-reliant economy, the first in over half a century. China is the leading and dominant global industrial power. Soon, within a couple of years, when its chip and aerospace industries are fully developed, it will be unassailable.

There are always two conditions for the possible emergence of any independent economy, firstly, a robust political regime intent on national renewal and, secondly, an economy capable of capital accumulation. Without a robust political regime, or alternatively the absence of a comprador bourgeoisie which sees its development dependent on imperial largesse, nothing is possible. Regarding the economic condition, two developments favoured China. The first was internal, a compliant, often educated and large Chinese workforce. The second was external, the crisis of profitability in the West and the need for it to restructure the world economy via the large-scale export of capital to the East resulting in cheaper goods being imported reducing cost prices and the price of labour power in the West.

Which brings us to planning. Michael Roberts proposes that the Chinese economy is neither capitalist nor socialist but one "stuck in transition". He makes this point in his article titled: *China as a transitional economy to socialism?* Robert's main support for his assumption is that China has not suffered a recession for decades and that investment decisions are not responsive to movements in the rate of profit. This is curious because of Robert's does not deny the law of value operates in China. If so, recessions are not optional, they are integral to capitalism's functionality. While it is true the Chinese state has repressed the industrial cycle this has not been cost-free. Recessions renew capitalism by shedding the old and the redundant which has built up, clearing the path for renewed accumulation.

But precisely because China has not shed the burden of debt and unprofitable production, it has had to carry this burden which has weighed on its growth rate as well as its profitability. Below are three recent graphs I prepared. The first shows the collapse in investment which proves that suppressing recessions makes the longer-term pain more severe. And of course, this collapse in investment, which is holding back GDP rather than speeding it up, is due to the collapse in profitability and turnover.


CHINA: ANNUAL RATE OF INVESTMENT 2005 - Oct 2025
35
30
25
20
15
10
5
0
-5
1998
1999
2000
2001
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2003
2004
2005
2006
2007
2008
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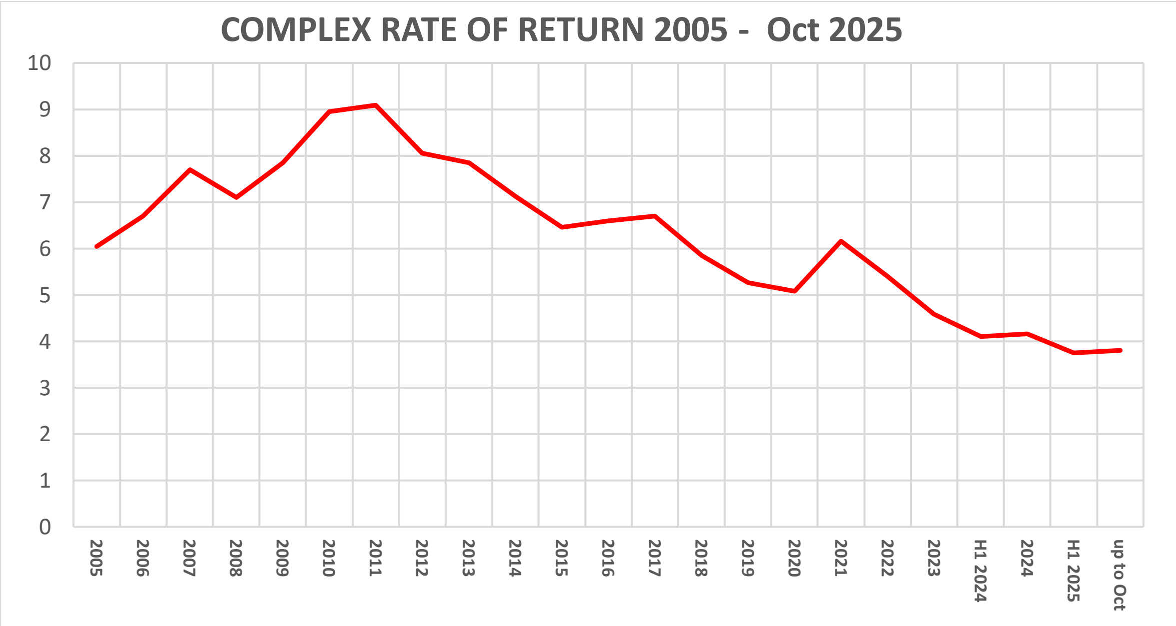
H1 2025
up to Oct


COMPLEX RATE OF RETURN 2005 - Oct 2025
10
9
8
7
6
5
4
3
2
1
0
2005
2006
2007
2008
2009
2010
2011
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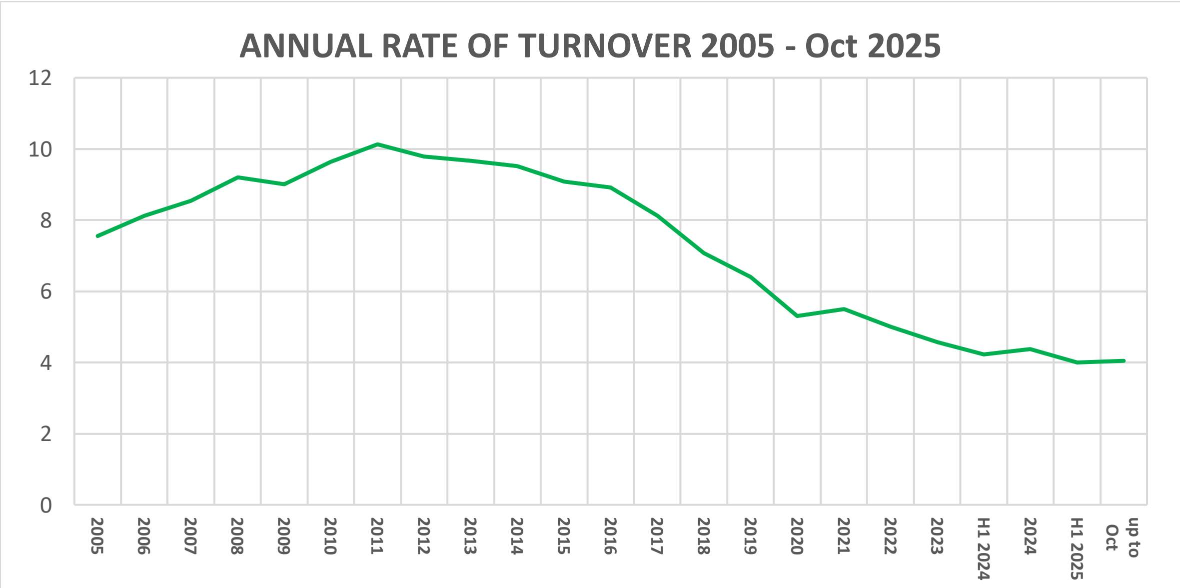
2022
2023
H1 2024
2024
H1 2025
up to Oct


ANNUAL RATE OF TURNOVER 2005 - Oct 2025
12
10
8
6
4
2
0
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2006
2007
2008
2009
2010
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2012
2013
2014
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2018
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2020
2021
2022
2023
H1 2024
2024
H1 2025
up to Oct

The recently released Chinese data in October shows a further deterioration in economic fundamentals as the graphs show. Investment is now negative, something unheard of for decades. But this is what happens when recessions are repressed and profitability is sidelined. Instead of a sudden fall there is an ongoing stumble. Truly a case of; you can ignore profit, but profit does not ignore you. Yes, China is stuck, not in transition, but in fear. The legitimacy of the CPC is based on providing jobs and preserving standards of living. It cannot hide behind the ballot box, have electoral parties take the blame in rotation, it lives or dies politically due to the state of the economy. It represses recessions because it fears the gigantic Chinese working class, it fears the repercussions of large-scale layoffs and of cuts to wages as demanded by the law of value which Roberts acknowledges, despite insisting it is distorted, curbed, and regulated by the state. But the pressure is building, profits are calling.

While it is true that Chinese state planning and intervention is orders above that found in Western Economies, where the opposite is happening courtesy of neo-liberalism, this does not turn the Chinese economy into non-capitalist. Instead, it should be seen for what it is – a reflex - born out of hostility from Imperialism. The real question is this, what happens when Chinese Corporations are no longer on the defensive requiring state protection, but have come to dominate the world economy, when they are not only multi-national, but where their products are recognised and in demand as must haves? What then? Will China follow the path trodden by earlier capitalist economies and move to privatise much of the state sector. No one can rule that out. But what can be ruled out, is that should this happen, it would not change the fundamental nature of the economy which is capitalist.

I agree with the author's assessment that the window of opportunity for the US to attack China, even fortified by regional allies, is over. China's industrial base is at least three times the size of the USA with few technological gaps, which makes the US military goals unachievable short of a radioactive scorched earth gambit. And I also concur with the author that China's technical advances are impressive and will be completed once China introduces its own advanced Lithography machines and commercial jet engines.

I will go further. Most Marxists assume that the dollar's strength to be a financial one. This is only partly true. More importantly, it is secured by the US's monopolisation of the commanding heights of the international value chain. When it loses this monopoly as is happening now, the backing for the dollar will fall away. The erosion of the Dollar is reflected these days in the golden light of a precious metal and store of value, one which is requiring more Dollars to purchase. The Dollar will not be replaced by the Renminbi. China will not allow this because then it would have to open its capital markets and loosen control of the exchange rate under circumstances where the RMB is significantly undervalued, something which China vigorously defends. Instead, a currency based on a basket of weighted currencies is likely to replace the Dollar, but that will happen, after, not before an exceptional Dollar crisis erupts, one which disrupts the entire world economy.

Is China an imperialist economy besides being a *Great Power Nation*? "*The capitalist personifies the inner needs of capital"*, so said Marx. He was correct and that forms our starting point. The most succinct definition of imperialism is this one; it is the moment when the crisis of capitalism can no longer be resolved within the confines of the nation state but only internationally involving the displacement of one national capital by another. The Chinese ruling class is not exempt from this historical law despite its grand rhetoric of rejuvenating China and the world.

Although the CPC aims at dual circulation, that is by simultaneously building its internal and external market, it's clear that the internal market is stagnant. It must rely increasingly on the external market, on exports and relocating factories. It is driven by the same desperate need to preserve profits and capital as is found in the West.

Given this drive, I define China as a latent imperialist power. At the very least, it will, by responding to US economic aggression, split the world economy into hemispheres, the Eastern and Southern one which it will dominate under the guise of multi-polarity, and the other, the Western hemisphere dominated by a unipolar USA. From the viewpoint of the international working class, this duplication is a colossal waste of society's labour time.

Capitalism cannot overcome the nation state. Although the capitalist class is more international than the working class currently, it needs the crutch of the state to organise its affairs and support it. It did try for a brief second, ten years ago at the height of globalisation, to sweep aside national governance by means of the *Trans-Pacific Partnership (TPP)* trade agreement and the equivalent *Trans-Atlantic* one. Central to these Agreements was the intent to remove jurisdiction away from local parliaments and lodge them in offshore jurisdictions which would be untouchable and unaccountable. In fact, they went as far as proposing that should national governments meddle with or obstruct these offshore rulings, they could be fined. Through these Agreements the transnational interest of the multi-nationals was revealed. However, growing regional opposition to these agreements and the rise of China scuppered what I believe will be the last chance capitalism will ever have to replace the nation state.

A final sour note on the article. The author once again tries to insist that the capital which forms the denominator in the rate of profit estimate is based on discounted cash flows and that this methodology is used by the statistical bureaus who prepare the National Accounts. Roberts and I have repeatedly refuted this. There are four articles on my website lone showing why the author is misguided, but he dogmatically asserts that we are the ones who are wrong. I am so bored by this argument that I will leave it at that.

Conclusion.

Just as piety does not make the Church Holy, so China's vulgar Kommunist rhetoric does not make it non-capitalist. China is capitalist through and through, as well as being a latent imperialist state.

Brian Green, 3rd December 2025.