# MICHAEL ROBERTS IS WRONG ABOUT CHINA.

Michael recently presented at IIPPE attempting to characterise China as neither capitalist nor socialist. Clearly his presentation is a simplification, but summaries often expose contradictions more clearly.

- Markets opened
- Foreign investment comes in
- But the state is not controlled by capitalists
- Central planning still exists
- Law of value continues

The above is his test for China, aka, China cannot be capitalist because the state is not controlled by capitalists and central planning exists but neither it is socialist because workers are alienated and oppressed. He goes on to explain how CCP apparatchiks have penetrated the banking and industrial sectors to take leading roles in various enterprises both state and private. In short, what he is guilty of doing is inverting the base and superstructure, substituting politics for economics.

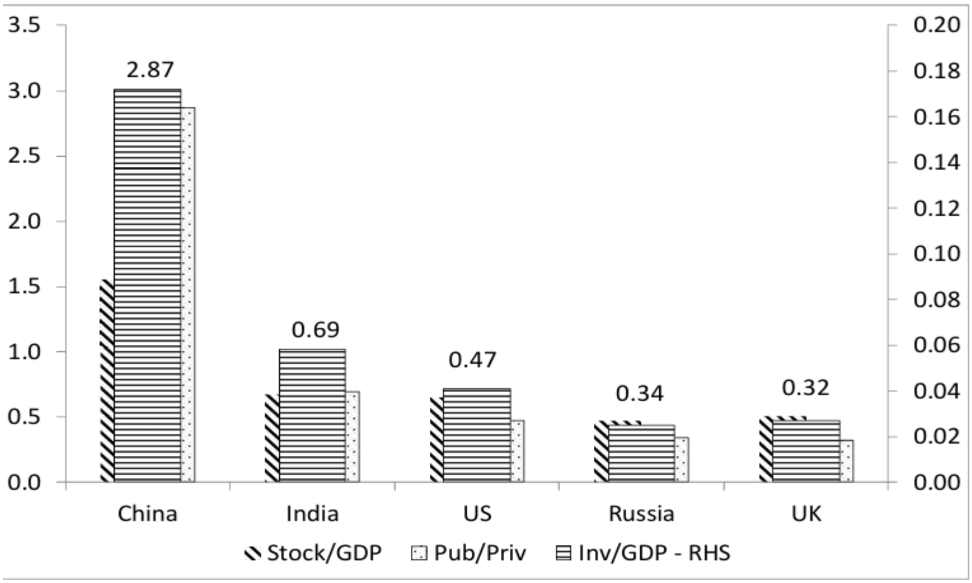
The state is controlled by nationalists, that is by a state which seeks to 'Rejuvenate the Great Chinese Nation'. That means pushing back against imperialist attrition, that is protecting the national economy through state intervention. Xi is aware what nearly happened 14 years ago under his predecessor when the Chinese oligarchs such as Jack Ma, who no longer dependent on the Chinese State, wanted to open the Chinese economy and internationalise it. This was also the time when the CCP was mapping out the route for SOEs to become privately held corporations. Had all this happened, there would have been imperialist penetration not rejuvenation. In short, a state protective of the national economy is not unusual. What is unusual is that China has succeeded when many have failed to achieve this protection, and yes, that was only possible because of the CCP. However, this does not make the Chinese economy non-capitalist.

Again, Michael gets it wrong about central planning. Where was the central planning prior to 2018 when China was caught with its pants down in the tech sector. Until then the emerging Chinese tech multi-nationals such as Huawei, Lenovo, Xiaomi, Baidu and so on, all built their success and business models using foreign components in order to be internationally competitive. In doing so they undermined local Chinese component suppliers while holding back the development of the entire Chinese tech eco system. It was only when Trump sanctioned Huawei, declaring economic war on China, that the Government changed gear and stepped fully in, recognising the entire economy was now under siege.

I need not go into the housing and real estate debacle which central planning would have prevented.

In reality, and traditionally, at least over the last forty years, state intervention was primarily based on the *upstream downstream* model found in many countries but not to the same extent. Basically, the state undertakes the long term costly infrastructural projects unlikely to yield an immediate profit such as infrastructure, power, communications and so on. Hence the title upstream. This creates the fertile downstream environment where private businesses can invest needing to only cover their immediate costs. Upstream investment was never an end in itself, but intended to support and subsidise downstream private enterprises. It is one of the primary reasons the ratio between public and private investment is higher in China and why China has achieved more success than say India.

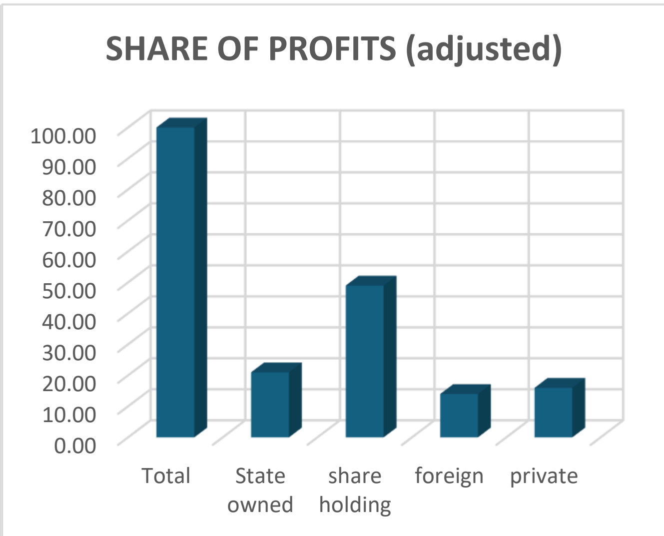
**Graph 1.**




But here are two more revealing graphs. A mode of production in part is defined by who controls the surplus produced by that society. The graphs answer that question. The adjusted blue graph shows that the SOEs only control 21% of that surplus, or more correctly, only 21% of the total surplus is realised by them.

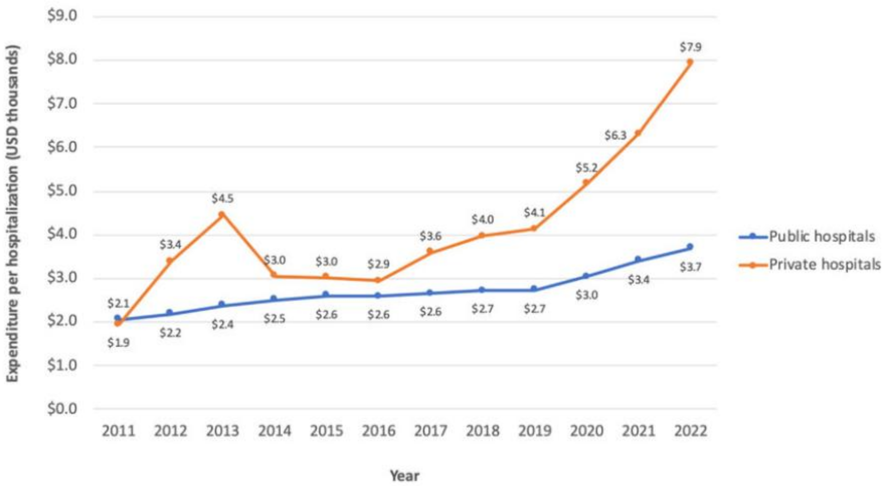
**Graphs 2 & 3.**

(All data is drawn from the *Profits of Industrial Enterprises above the Designated Size from January to July in 2026* prepared by the National Bureau of Statistics of China.)


It is interesting that Michael does not provide a social analysis, one which shapes the value of labour power and influences the standard of living. One stark indicator reveals the true nature of this society, and it is the ratio of public to private medicine in China. The graph below shows the growth of private medicine in China over the period 2011 to 2022 which has continued to this day. From being over 50% of expenditures public health expenditures in Shanghai has fallen to 32% of the total while private has risen to 68%. And this has occurred despite 70% of hospital beds being located in the public sector. What this represents is *Cherry Picking*, the private sector deals with the more profitable procedures while the public sector provides basic and emergency services. This is the goal already achieved in China which the neo-liberal privatisation of public health care in the West is still trying to achieve.

**Graph 4.**




Expenditure per hospitalization in private vs. public hospitals in Shanghai (2011-2022). Data is from the Shanghai Health Statistical Bulletin. 16

And healthcare is not an aberration. In terms of total social spending China shares the same spending pattern as found in much more impoverished countries, as the table below shows.

**Table 1.**

| | | |
|---|---|---|
| 22 | Japan | 22 % of GDP |
| 34 | Singapore | 18 % of GDP |
| 48 | Israel | 17 % of GDP |
| 54 | Chinese Taipei | 15 % of GDP |
| 54 | Guam | 15 % of GDP |
| 54 | United Arab Emirates | 15 % of GDP |
| 63 | Kuwait | 14 % of GDP |
| 77 | Bahrain | 12 % of GDP |
| 77 | Brunei | 12 % of GDP |
| 77 | Northern Mariana Islands | 12 % of GDP |
| 77 | Qatar | 12 % of GDP |
| 96 | China | 10 % of GDP |
| 96 | Hong Kong | 10 % of GDP |
| 96 | Iran | 10 % of GDP |
| 96 | Jordan | 10 % of GDP |
| 96 | Kazakhstan | 10 % of GDP |
| 96 | Korea Republic | 10 % of GDP |
| 96 | Lebanon | 10 % of GDP |
| 96 | Macau | 10 % of GDP |
| 96 | Malaysia | 10 % of GDP |
| 96 | Maldives | 10 % of GDP |
| 96 | Oman | 10 % of GDP |
| 96 | Saudi Arabia | 10 % of GDP |

Well at least Kazakhstan will not be embarrassed by the company it keeps. Further, I have analysed many annual works and policy papers agreed by the Politburo, and they all, without exception, dedicate themselves to fortifying the private sector.

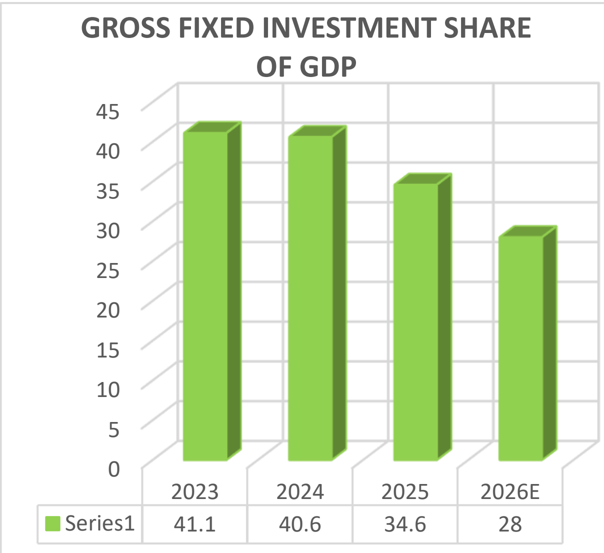
**Conclusion.**

I will never tire of providing Marx's methodology for determining a mode of production. It is the manner in which the labour of the individual becomes part of the labour of society and how that labour is appropriated. In China, in both the public and private sector, that labour only becomes part of the labour of society **indirectly**, through having to be exchanged first. And only upon being exchanged does it become social or monetised, and the surplus transformed into profit. And as we have already seen, over two thirds of that surplus labour falls into private hands.

If that labour is not sold, converted into money it is lost. This applies as much to the state sector as it does to the private sector. This applies as much to the banking sector both private and state. The huge state banks may have CCP members lodged in their higher echelons, but they still act as bankers trying not to throw good money after bad because they know this to be the shortest path to insolvencies. And insolvency is what they fear most. That is why they are engaged in constant guerilla warfare with the PBC (People's Bank of China) and the government trying to get around their instructions and mandates.

And the final proof of all this is found in the recent collapse in investment from over 40% of GDP to under 30% due to annual rates of investment turning negative.

**Graphs 5 & 6.**


And that is why the law of value dominates in China, and why with all the contradictions inherent in the law, China managed to build a successful market economy. But contradictory laws are brutal and double sided, and over time they are prone to turn into their opposite, in this case from dynamism to stagnation. The Chinese economy despite its so-called central planning as well as a state not controlled by capitalists, is following the same trajectory as any other capitalist economy, felled by the same forces governing the rate of profit and with-it investment. In this context the CCP is a mere handbrake.

Brian Green, 17th September 2026.