

Qin Shi-huang, Klein, and the destruction of China

by Michael O. Billington

Between Oct. 2 and 6, the government of the People's Republic of China (P.R.C.) initiated a new annual festival, dedicated to the most infamous tyrant of Chinese history, Qin Shi-huang. Qin, the "Legalist" emperor from the third century B.C., built the Great Wall of China with slaves impressed from among the poverty-stricken population, burned the classical Confucian texts, and burned alive the intellectual elite and Confucian scholar-officials of China. A few weeks later on Nov. 10, the government strengthened its official ties to British-trained, American Nobel Prize economist Lawrence Klein, who has been instrumental for over 10 years in the "colonization" of the Chinese economy and maintaining in power the butchers of Tiananmen Square.

The two developments are an expression of the major danger facing China today. The Qin Shi-huang celebration is equivalent to holding a festival in the West in honor of the Roman Emperor Caligula (A.D. 12-41), infamous for passing dozens of despotic laws and for his senseless cruelty. Caligula said, for example, that he regretted that the Roman people did not have a single neck, to be severed with one blow. It is a gruesome premonition of the direction of policy in the P.R.C.

On the one hand, it is a confirmation of the regime's "Legalist" intention to maintain an iron-fist dictatorship over the population, crushing any political or intellectual opposition. Also, however, this will remind the Chinese of the last years of Mao Zedong's Cultural Revolution, when Mao and the Gang of Four launched a brutal assault against any lingering morality in the terrorized population, with an "anti-Confucius" campaign, explicitly honoring Qin Shi-huang as the greatest figure of Chinese history, while denouncing the humanist Confucius tradition entirely. Mao even bragged that

he killed more "counter-revolutionary intellectuals" than his mentor Qin Shi-huang, a fact deeply ingrained in the memory of the repressed intellectuals in today's China.

A 'Greater China' alliance

The Xinhua news agency's announcement of the Qin festival also provided insight into the political and economic potential for a "Greater China" alliance among Hong Kong, Taiwan, Singapore, and the P.R.C. which has been the subject of several recent studies by Anglo-American and Chinese think-tanks. Said Xinhua: "The festival aims to reinforce the unity of all the Chinese people in the world, and to further develop economic and cultural exchanges with the outside world." Unity based on such a tyrannical, "Legalist" model of political economy is also the approach favored by the British, since it parallels their own Adam Smith "free trade" tradition of unfettered freedom for international financial interests coupled with dictatorial control over subject peoples.

EIR has regularly reported on the impending internal disaster being created by the "free market" reforms under Deng Xiaoping and his friends in the West led by Henry Kissinger. The flow of cheap labor into the coastal zones depends on the continually expanding "blind flow" of over 100 million desperate, unemployed rural workers. As the P.R.C. regime continues to ignore the collapsing infrastructure of the vast interior, the remnants of the old industrial structure have no chance of survival, let alone expansion, even *with* state support to prop them up. Now, however, government support is being removed under the slogan of "free enterprise," and the skilled work force is being dumped into the "blind flow" from the countryside.

The anticipated economic explosion was acknowledged

in a Nov. 15 article in the *People's Daily*, which quoted official figures showing that, while certain manufacturing industries are being stoked up by enormous government credits and subsidies under Deng's hyper-growth policy, the *output* is primarily of low quality and unmarketable. The unsold inventory of industrial goods grew to 135 billion yuan (\$25 billion), a shocking 20% increase between January and October.

The *People's Daily* hinted at the disastrous state of infrastructure: "The growth of investment in fixed assets is relatively large, but it is not being directed toward the good of the production system. Investment in duplicating low-quality production and common processing industries is reappearing, while both bank credit and the pressure to put more money into circulation is growing." Bank loans in the first half of 1992 were *twice* the official target, at 120 billion yuan (\$22 billion). Much of this credit is feeding the speculative bubble in the new stock markets and in real estate in the free trade zones.

Looting the labor force

Two thousand years ago, under Qin Shi-huang, the unemployed were considered *guilty* of being poor and were impressed into slave-labor brigades to build the Great Wall. Unknown numbers died in the process. Thus far, the Chinese Communist Party (CP) policy has been to channel the "redundant" labor to foreign investors at slave-labor wages in the free trade zones, providing primarily British and American interests a source of short-term returns (while their own economies back home are collapsing).

What happens to China when the current binge of misdirected credit extension and speculation ends? The CP is aware that the emerging crisis will provoke angry and desperate resistance from much broader layers of the population than occurred during the student-led resistance of 1989. Reuters Beijing correspondent David Schlesinger recently obtained a copy of an internal document circulated before the 14th CP Congress held in October. The document said in part: "Security work should be strengthened at factories, mines, oil fields, and other large and medium enterprises and key state projects. . . . The legal authorities must strongly support enterprises as they deepen their reforms and change the structure of their management . . . [and] be alert to the appearance of factors which could lead to instability, and prevent people with ulterior motives from stirring up workers to riot. . . . We must swiftly investigate and deal severely with any cases of revenge against, or harm to, a factory director or manager, while enterprises are deepening their reforms."

"Deepening reform" is a euphemism for "shock therapy" closings or cutbacks in state industries. The school campuses were also targeted for even tighter repression of dissent.

Beijing appoints Lawrence Klein

The press is currently full of reports and analysis of the confrontation between London and Beijing over the propos-



Lawrence Klein, pictured here on a visit to Thailand, has recently been hired as an economic adviser by the People's Republic of China.

als by Britain's colonial governor of Hong Kong, Christopher Patten, to slightly enlarge "democratic" rights in the electoral process before the 1997 return of the colony to China. While it is clear that Patten's proposals are a calculated provocation (Britain has, after all, ruled Hong Kong as a total dictatorship under the British drug banks for over 150 years), the conflict should not obscure the fact that the Hong Kong (British) free trade model of economy is, in fact, being implemented in stages throughout the mainland. The 1997 transfer of power over Hong Kong may be more accurately described as a "merger," with the British banks based in Hong Kong gaining increasing power over the Chinese economy.

Perhaps the clearest sign that this process will continue unabated is the announcement on Nov. 10 that the P.R.C. State Planning Commission, which governs China's economy, has now formally hired University of Pennsylvania economist Lawrence Klein as an "adviser" to "help pilot the nation's economic reforms," as the official *People's Daily* said. Klein, an authority on "econometrics," the computer analysis of economic data, and winner of the 1980 Nobel Prize for economics, was guest of honor at a ceremony on Nov. 9 held by the State Planning Commission, and was dubbed by the *People's Daily* as "an old friend of China."

Klein, a former member of the Communist Party U.S.A., was trained in economics in the 1940s by Prof. Joan Robinson, head of the Communist Party cell at England's Cambridge University, and in fact he has advised the Chinese reformers for more than 10 years to maintain the iron-fist dictatorship at all costs. In a recent interview, he endorsed Kissinger's praise for the brutal crackdown in 1989.

China 'economic czar': Don't develop quickly

Dr. Lawrence Klein, longtime director of Wharton Econometric Forecasting at the Wharton School of the University of Pennsylvania and now Professor of Economics at the University of Pennsylvania, was officially hired on Nov. 10 as chief economic adviser to the State Planning Commission of the People's Republic of China. The State Planning Commission runs China's economy.

In an interview on Dec. 4, Klein told a freelance journalist that he has in fact been "acting economic czar" for China since 1979, and that his Chinese students of the early 1980s set up the information division of the State Planning Commission.

Q: There is a line in the U.S. press that the eastern Europeans used "shock therapy" and tried to do too much too fast, but the Chinese are doing it differently. Would you advise them to do it differently?

Klein: Yes, that's a perceptive point of view, that China's done it right and the eastern European countries have done it wrong—that's my opinion, and I've had a lot of discussions with Chinese officials on that issue. Just a year ago we had meetings in Stockholm, the jubilee meetings for all living laureates of the Nobel Prize, and one session I participated in was entitled "The Demise of Socialist Planning." My participation in that panel was to say, "There is still socialist planning and over a billion people are involved and it's trying to modernize." . . . That's where socialist planning is still very much alive and they're trying to modernize the socialist economy.

Q: And that's good?

Klein: They are doing it well; I think it is possible to do that. *Time* magazine said it's an oxymoron, "market socialism," but *they're* morons, if this is an oxymoron. They're trying to make their type of economic system work better, and that's a legitimate goal.

Q: You've been working with the Chinese much longer?

Klein: I've been teaching modern economics in China since 1979. In 1980, I organized a summer workshop to help get modern econometric methods started in China, and I've had a lot of students and scholarly trainees at my university here in Pennsylvania, and I've gone to China many times since then. I've been associated with Chinese activities since 1979.

Klein told a journalist in early December that he did *not* support the students in Tiananmen Square, because "the students didn't know *what* they were asking for. You can't have a country run by young kids!" he said. Granting political freedom to China would be "very disruptive" to the socialist economy. The Tiananmen Square movement "was *not* the movement that was needed, or desired, at that time," he said, and when Kissinger said dissent could not be tolerated, "I agree with that. *My* friends in China, with whom I associate most closely . . . said that we *could not tolerate* political instability."

Klein's economic advice is just as brutal. He praises himself as the architect of China's "step-by-step reform process," which he and other Anglo-American economists oppose to the International Monetary Fund "shock therapy" which has destroyed most of the factories and brought chaos to eastern Europe. What Klein means by "step-by-step," however, is to "stay backwards," and in fact "stay communist." Klein told the interviewer that he is advising the Chinese "not to go to capitalism" but to stay with "socialist planning . . . trying to modernize the socialist economy. . . . That's a legitimate goal." He is advising China, he said, to stay with "reformed communism."

Klein brags that he advised against the initial 1979-81 efforts, at the beginning of the reform, to launch great projects such as nuclear power plant electrification and modern, high-technology infrastructure development. Building Japanese-style high-speed Bullet trains to unify the nation would be "too much of a luxury," Klein said. China should stick with upgrading their coal locomotives to U.S. 1960s-level electrical and diesel locomotives, "to have just the next stage, to go step by step." China should absolutely "*not* build nuclear plants," he said, but stick with the older "kind of power plants which were built in the '60s" in the West.

This, he claimed, is because China's engineers are "not as well qualified" as the French and Japanese, who have gone nuclear. "Nuclear power is a very *expensive* technology, if you do it right with the right safeguards," he said. It's "too expensive for China."

Klein's economics are just another variety of the British malthusian anti-technology and anti-infrastructure policy to maintain cheap labor; it is identical to "shock therapy." The results are the same: While a vast unemployed work force is made available to western investors desperate for quick profits from a cheap labor source to prop up the depression-wracked Anglo-American banking system, the agricultural and industrial infrastructure of China continues to be ignored.

"A foreign investor doesn't want to come into a country and ask, 'Will I have to deal with another government tomorrow?' " Klein said. "They want to know whom they're dealing with . . . and they want permission to repatriate their earnings; they want to convert their earnings into international currencies. So someone has to permit that. . . . And who *knows* what might have happened to that," if the students in Tiananmen Square had won.