

## **How is it possible that some Marxists still Doubt that China has Become Capitalist? (A Critique of the PTS/FT)**

*An analysis of the capitalist character of China's State-Owned Enterprises and its political consequences*

*An Essay by Michael Pröbsting, International Secretary of the Revolutionary Communist International Tendency (RCIT), 18 September 2020, [www.thecommunists.net](http://www.thecommunists.net)*

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## Introduction

A few weeks ago we published an essay which dealt critically with an article about the nature of China as an emerging power.<sup>1</sup> This article has been written by Esteban Mercatante who is a leading intellectual of the Latin America-based *Trotskyist Faction* (FT) which largest section is the PTS in Argentina where it has several national and regional deputies in parliament. Two weeks after our essay was published in English and Spanish language, comrade Mercatante issued another essay on China.<sup>2</sup>

In the following article we do not intend to repeat our extensive analysis of Chinese capitalism and its transformation into an imperialist power and refer interested readers to our respective books and pamphlets.<sup>3</sup> Nor will we repeat our fundamental political criticism of the PTS/FT respectively FIT-U (the electoral alliance of the PTS with PO, IS and MST) which we have outlined in various other works.<sup>4</sup>

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<sup>1</sup> Michael Pröbsting: Unable to See the Wood for the Trees (PTS/FT and China). Eclectic empiricism and the failure of the PTS/FT to recognize the imperialist character of China, 13 August 2020, <https://www.thecommunists.net/theory/pts-ft-and-chinese-imperialism/>. The original article of Esteban Mercatante is: China in the World Disorder, 29 July 2020, <https://www.leftvoice.org/china-in-the-world-disorder> (in Spanish: China en el desorden mundial, <https://www.laizquierdadiario.com/China-en-el-desorden-mundial>). All quotes in our essay are from this article if not stated otherwise.

<sup>2</sup> Esteban Mercatante: The Contours of Capitalism in China. China is the world's second-largest economy and the world's main industrial producer and exporter. How can we characterize the economic and social transformations that have marked China's development over the past four decades? 26 August 2020, <https://www.leftvoice.org/the-contours-of-capitalism-in-china> (in Spanish: Los contornos del capitalismo en China, <http://www.laizquierdadiario.com/Los-contornos-del-capitalismo-en-China>).

<sup>3</sup> On the RCIT's analysis of China and Russia as Great Powers and the inter-imperialist rivalry see the literature mentioned in the special sub-section on our website: <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>. In particular we refer to our book by Michael Pröbsting: *Anti-Imperialism in the Age of Great Power Rivalry. The Factors behind the Accelerating Rivalry between the U.S., China, Russia, EU and Japan. A Critique of the Left's Analysis and an Outline of the Marxist Perspective*, RCIT Books, Vienna 2019. The book can be read online or downloaded for free here: <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/>. In this context we want to point out that this book is currently translated into Spanish language and more than 15 chapters have been already published on our website (see: <https://www.thecommunists.net/home/esp%C3%B1ol/libro-anti-imperialismo-en-la-era-de-la-rivalidad-de-las-grandes-potencias/>). See also chapter 10 in our book by Michael Pröbsting: *The Great Robbery of the South. Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism*, RCIT Books, Vienna 2013, <https://www.thecommunists.net/theory/greatrobbery-of-the-south/>; see also Michael Pröbsting: *Chinese Imperialism and the World Economy. An Essay published in the second edition of The Palgrave Encyclopedia of Imperialism and Anti-Imperialism* (edited by Immanuel Ness and Zak Cope), Palgrave Macmillan, Cham, 2020, [https://link.springer.com/referenceworkentry/10.1007%2F978-3-319-91206-6\\_179-1](https://link.springer.com/referenceworkentry/10.1007%2F978-3-319-91206-6_179-1)

<sup>4</sup> See e.g. *The New Global Wave of Class Struggles and the Slogan of the Constituent Assembly. How to apply a crucial revolutionary democratic tactic (and how not) – a critique of the opportunist deviations of the Argentine-based PTS/FT and PO/CRFI*, 26 November 2019, <https://www.thecommunists.net/theory/new-global-wave-of-class-struggles-and-slogan-of-constituent-assembly/>; *An Opportunity To March Forward – An Opportunity Which Should Not Be Missed! Open Letter to all participants of the virtual Latin American and US conference organized by FIT-U (Argentina) on 30 and 31 July and 1 August*, 30 July 2020, <https://www.thecommunists.net/rcit/open-letter-to-all-participants-of-the-virtual-fit-u-conference/>; *For an International Conference on the Struggle against the Global Capitalist Crisis! Open Letter to the Frente de Izquierda y de los Trabajadores Unidad (FIT-U) in Argentina*, 31 March 2020, <https://www.thecommunists.net/rcit/open-letter-to-fit-u-for-an-international-conference-on-the-struggle-against->

In this essay we will rather limit ourselves to discuss the arguments and conclusions of the PTS/FT's China analysis as they are presented in this latest article by comrade Mercatante. Before doing so we note that comrade Mercatante's articles contrast pleasantly with most literature which has been published by "Trotskyist" organization on this issue in the past decade. The author attempts to base his analysis not only a few pseudo-Marxist phrases and one or two facts taken out of context – as it is unfortunately the case with many "Marxists" today. His articles demonstrate that he can read economic publication and applies this skill – a compliment which we can not make to various others! The political neanderthalism of the *Partido Obrero* (with which the PTS is united in their FIT-U alliance) – a party which has become a Stalinophile supporter of Chinese imperialism – is a case in point.<sup>5</sup> However, the skill to read does not automatically result in the skill to understand and the articles of the PTS/FT on China only confirm this old truth.

### **From denying the imperialist character of China ...**

As we have demonstrated in our first reply to comrade Mercatante, the PTS/FT wrongly denies the imperialist character of China. It is doing so despite the fact that China has become one of the top Great Powers in key areas of the world economy and politics – in fact it is the global number 1 or 2 in various fields. In our works we have established the relevant facts concerning the leading global corporations, the number of billionaires, capital export, world trade, capitalist value production, military strength, etc. As a result, China has also become one of the key political players in world politics. The Cold War between Washington and Beijing which has started recently is a powerful confirmation of this fact.<sup>6</sup>

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[the-global-capitalist-crisis/](https://www.thecommunists.net/worldwide/global/some-observations-on-the-final-unitary-resolution-of-the-fit-u-latin-america-and-u-s-conference/); Important Omissions. Some observations on the final unitary resolution of the FIT-U Latin America and U.S conference, 3 August 2020, <https://www.thecommunists.net/worldwide/global/some-observations-on-the-final-unitary-resolution-of-the-fit-u-latin-america-and-u-s-conference/>; RCIT and CEP: The COVID-19 Counterrevolution and the Betrayal of the Lockdown Left, 29 June 2020, <https://www.thecommunists.net/worldwide/global/joint-statement-the-covid-19-counterrevolution-and-the-betrayal-of-the-lockdown-left/>; RCIT and CEP: FIT (Argentina): A Scandalous Betrayal of the Heroic Palestinian Masses! 2 July 2020, <https://www.thecommunists.net/worldwide/latin-america/fit-argentina-a-scandalous-betrayal-of-the-heroic-palestinian-masses/>

<sup>5</sup> For the RCIT's critique of the Argentinean PO see e.g. the following documents by Michael Pröbsting: Russia and China: Neither Capitalist nor Great Powers? A Reply to the PO/CRFI and their Revisionist Whitewashing of Chinese and Russian imperialism, 28 November 2018, <https://www.thecommunists.net/theory/russia-and-china-neither-capitalist-nor-great-powers-reply-to-po-crfi/>; The Catastrophic Failure of the Theory of "Catastrophism". On the Marxist Theory of Capitalist Breakdown and its Misinterpretation by the Partido Obrero (Argentina) and its "Coordinating Committee for the Refoundation of the Fourth International", 27 May 2018, <https://www.thecommunists.net/theory/the-catastrophic-failure-of-the-theory-of-catastrophism/>; Some Thoughts on the Split in the Argentinean "Partido Obrero", 10 July 2019, <https://www.thecommunists.net/theory/split-in-argentinean-partido-obrero/>; Social-Bonapartism in Argentina. The Partido Obrero (Tendencia) of Jorge Altamira supports the State of Emergency, 29 April 2020, <https://www.thecommunists.net/worldwide/latin-america/social-bonapartism-in-argentina/>

<sup>6</sup> The RCIT's documents on the Global Trade War have been collected at a special sub-page on our website: see <https://www.thecommunists.net/worldwide/global/collection-of-articles-on-the-global-trade-war/>; our fundamental position has been summarized in a programmatic statement "*Global Trade War: No to Great Power Jingoism in West and East!*" which has been published in 10 languages (in English: <https://www.thecommunists.net/rcit/joint-statement-on-the-looming-global-trade-war/>). The latest RCIT statement is: TikTok, Consulate Closures and the Cold War between the U.S. and China. Socialists must oppose

As we explained in our works, this controversy is not limited to the field of Marxist theory as it has profound consequences for the political strategy and tactic of revolutionaries. Recognizing the imperialist character of *all* Great Powers – the U.S., China, Russia, EU and Japan – obligates Marxists to refuse support for any side. This is why the RCIT advocates the anti-imperialist program of *revolutionary defeatism*. This policy has been initially elaborated by Lenin and the Bolsheviks and was later defended by Trotsky and the Fourth International against the revisionist distortion by Stalinism and opportunist centrism. <sup>7</sup> The basic principles of this program have been famously summarized in the slogans “*The Main Enemy is at Home!*” and “*the transformation of the imperialist war into civil war*”. These slogans basically reflect the program that revolutionaries must oppose any form of chauvinism, militarism and aggression of *all* imperialist states, that they must refuse to side with *any* Great Power and that they must utilize all difficulties of “their” imperialist government in order to advance the class struggle towards the overthrow of the ruling class. <sup>8</sup>

As we demonstrated in our reply with several quotes, the PTS/FT explicitly denies the imperialist character of China (as well as of Russia). It even claims that Russia and China can not become imperialist powers on a “*peaceful route*” (i.e. *before* a victorious world war against the U.S.) In consequence, the PTS/FT views the current conflict between Washington and Beijing as a struggle of the U.S. to “*send China back to the status of a subordinated nation*”. <sup>9</sup> Hence, the PTS/FT explicitly refuses a defeatist position towards China as two of their leaders emphasized in a recently published article: “*This, however, does not imply that we define China as just another imperialist country or that in the event of war with the United States, the position should be one of “defeatism” on both sides equally, but rather that the confrontation should be seen specifically.*” <sup>10</sup>

So, if the PTS/FT does not take a defeatist position, which position does it take?! It can hardly mean anything else but that the PTS/FT supports Chinese imperialism against its U.S. rival. In short, we see that such a wrong analysis opens the political road to hell, i.e. to the social-chauvinist support for imperialist China.

It is true that the PTS/FT has – fortunately – not openly stated such consequences of their analysis until now. But it is well known that many other “left-wing” parties – in particular Stalinist and Bolivarian forces – which also deny China’s imperialist character have arrived at such conclusions. It is particularly relevant for the PTS/FT that it’s most important partner in FIT-U – the *Partido Obrero* – also defends such arch-revisionist positions. As we have shown in other works, the PO does not only

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all Great Powers! 10.08.2020, <https://www.thecommunists.net/worldwide/global/tiktok-consulate-closures-and-the-cold-war-between-the-u-s-and-china/>

<sup>7</sup> See e.g. G. Zinoviev / V. I. Lenin: *Socialism and War* (1915); in: LCW Vol. 21, <https://www.marxists.org/archive/lenin/works/1915/s-w/index.htm>; Leon Trotsky: *War and the Fourth International* (1934), in: Trotsky Writings 1933-34, <https://www.marxists.org/archive/trotsky/1934/06/warfi.htm>

<sup>8</sup> See on this e.g. RCIT: *Theses on Revolutionary Defeatism in Imperialist States*, 8 September 2018, <https://www.thecommunists.net/theory/theses-on-revolutionary-defeatism-in-imperialist-states/>; see also chapters XVI to XX in our book *Anti-Imperialism in the Age of Great Power Rivalry*.

<sup>9</sup> Jimena Vergara: *The United States in the Global Crisis: Perspectives for Revolutionary Struggle*, 6 August 2020, <https://www.leftvoice.org/the-united-states-in-the-global-crisis-perspectives-for-revolutionary-struggle-organic-crisis-and-unrest-in-the-u-s>

<sup>10</sup> Christian Castillo, Claudia Cinatti: *Un primer balance de la conferencia virtual de América Latina y EE. UU.* Publicamos a continuación un primer balance de la Conferencia Virtual de Latinoamérica y los Estados Unidos convocada por el Frente de Izquierda Unidad de Argentina, que se realizó entre el 30 de julio y el 1º de agosto., 7 de agosto 2020, <https://www.laizquierdadiario.com/Un-primer-balance-de-la-conferencia-virtual-de-America-Latina-y-EE-UU> (our translation)

deny the imperialist character of China but even claims that the capitalism has not been restored! Consequently, the PO is a dedicated defender of imperialist China against the “Gringos”.<sup>11</sup>

Trotsky – following Lenin’s famous statement in *“What Has To Be Done?”* – once observed that a revolutionary practice is impossible without the fundament of a revolutionary theory. „*And here, on a much higher plane, we once again become convinced that in the field of Marxist theory there is nothing that fails to impinge on practical activity. The most remote, and it would seem, the most ‘abstract’ disagreements, if they are thought out to the end, will sooner or later be invariably expressed in practice, and practice does not allow a single theoretical mistake to be made with impunity.*“

The failure of the PTS/FT in understanding the imperialist character of China and its infatuation with pro-Chinese social-patriotism demonstrates the actual relevance of Trotsky’s statement!

### **... to doubting that the capitalist restoration in China has crossed the Rubicon**

However, comrade Mercatante’s latest article reveals that the PTS/FT is not only confused about China’s transformation into an imperialist power. It even doubts the capitalist character of its economy – or at least of its core sector, the State-Owned Enterprises. It hardly needs much explanation that this is an issue of fundamental importance! We have shown in our works on capitalist restoration that the Rubicon in China was crossed in the early 1990s when a process of radical transformation of the economy on the basis of the law of value opened up under the rule of a Stalinist-capitalist dictatorship.<sup>12</sup>

In contrast, the FT claims that neither China nor Russia have “yet seen the consolidation of a capitalist class” – as this organization stated in a resolution adopted at its last congress in 2018.<sup>13</sup> In his new essay, comrade Mercatante elaborates on this issue in more detail.

The sub-title of his article reads: *“How can we characterize the economic and social transformations that have marked China’s development over the past four decades”*. Hence the reader would expect a clear answer to

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<sup>11</sup> See on this e.g. chapters IX and XXV in our book *Anti-Imperialism in the Age of Great Power Rivalry*.

<sup>12</sup> The RCIT and its predecessor organization have regularly examined the capitalist restoration process and the workers struggle against it. See on this e.g. Michael Pröbsting: China’s transformation into an imperialist power. A study of the economic, political and military aspects of China as a Great Power (2012), in: *Revolutionary Communism* No. 4, <http://www.thecommunists.net/publications/revcom-number-4>. Other useful articles – usually written by our former comrade Peter Main – are: “China: ‘socialism’ with capitalist characteristics” (in: Trotskyist International No. 11, 1993); “China: Stalinists draw near their capitalist goal” (in: Trotskyist International No. 22, 1997); “Restoring capitalism in China”(2000), <https://www.thecommunists.net/theory/restoring-capitalism-in-china-2000/>; “China: From Mao to the market” (in: Fifth International, Vol. 2, No.4, 2007); “China and International Perspectives” (2006), <http://www.fifthinternational.org/content/china-and-international-perspectives>. For an analysis of the Stalinist-led social revolution in 1949-52 see: LRCI: The Degenerated Revolution. The origins and nature of the Stalinist states, Chapter: The Chinese Revolution 1982, pp.54-59, <https://www.thecommunists.net/theory/stalinism-and-the-degeneration-of-the-revolution/>. For our theoretical analysis of capitalist restoration we refer to Chapter II in our book by Michael Pröbsting: *Cuba’s Revolution Sold Out? The Road from Revolution to the Restoration of Capitalism*, August 2013, RCIT Books, <https://www.thecommunists.net/theory/cuba-s-revolution-sold-out/>.

<sup>13</sup> Trotskyist Fraction – Fourth International: The United States’ Preparation for Conflict Between World Powers, Document of the XI. Conference, 14 May 2018, <https://www.leftvoice.org/the-united-states-preparation-for-conflict-between-world-powers>

this question. In vain! Despite its considerable length – more than 6,200 words – the article deals with many issues, provides this and that interesting detail, describes this and that development; yet, it fails in arriving at clear and explicit conclusions! Has capitalism been restored in China, i.e. shall Marxists base their program on the assumption that China has become a capitalist state with a capitalist economy dominated by the law of value? Yes or no? And if it has become such, when did such a development turn from quantity to quality, i.e. when did it cross the Rubicon? No answer, despite the fact that the whole essay is dedicated to discuss this issue!

There is a single indication in the third-last paragraph where the author states *“that more than 40 years after the beginning of the restoration, China is, beyond a doubt, a capitalist society”*. Well, if it is *“beyond a doubt”*, why is it mentioned only once in a side-note?! But leaving aside this little remark about the *“society”*, the author leaves open what is the character of China’s *state and economy*? Instead of clarity, there is ... silence!

How does the author justify such doubts and lack of clarity? Basically, the argument of the PTS/FT essay goes the following. Referring approvingly to the economist Michael Roberts (*“Marxists such as Michael Roberts reject the idea that China is capitalist”*), Mercatante emphasizes that the so-called *State-Owned Enterprises (SOEs)* play a central role in China’s economy. *“But the vast majority of employment and investment is undertaken by publicly owned companies or by institutions that are under the direction and control of the Communist party. The biggest part of China’s world-beating industry is not foreign-owned multinationals, but Chinese state owned enterprises. The major banks are state-owned and their lending and deposit policies are directed by the government ... There is no free flow of foreign capital into and out of China. Capital controls are imposed and enforced and the currency’s value is manipulated to set economic targets.”*

The author continues: *“If we look at how assets are distributed today according to the type of firm, what we will see is that SOEs continue to be the corporate sector that manages the most resources, by far. In the industrial sector, SOEs have two-thirds of total assets, while privately owned industrial firms have one-third, according to the latest data from China’s National Bureau of Statistics. If we look at the Chinese firms that made it onto the latest Fortune Global 500 list of the planet’s 500 largest companies – a list on which China now has more companies than any other country – we see that the overwhelming majority are state-owned, either totally or partially. In many cases, these firms have limited global reach, operating primarily within China itself, but they achieve their rankings by virtue of the scale that the Chinese market allows. It is also public companies, not private ones, that lead China’s foreign investment abroad. In other words, most of the productive capital disbursements made by China in other countries are by SOEs. (...) It should be noted, however, that the distinction between publicly and privately owned companies is rather blurry. As Lee Jones notes, ‘Many limited liability companies, which comprise 43.2 percent of Chinese outward foreign direct investment, involve a mixture of private and public shareholders, with SOEs sometimes enjoying controlling stakes. SOEs own an estimated quarter of private firms, including subsidiaries listed on foreign stock markets; likewise, many SOEs have private shareholders.’”*

While Mercatante admits that private capitalists play an important role, he claims that the SOEs could expand their role in the Xi era and that they remain the dominating sector of the economy as a whole. *“In short, private (and mostly foreign) capital continues to dominate foreign trade, while SOEs are predominant in the economy as a whole (in which foreign trade has lost some relevance in recent years because the economy has grown more than exports).”*

The PTS/FT author continues his argument by claiming that the SOEs do not really operate on a capitalist basis. At one point he speaks about the “*capitalist and state sectors*”, i.e. suggesting that the state sector is different from the capitalist sector, that it is not capitalist. At another place he explains: “*To what extent can it be said that SOEs have thus far managed to escape the constraints of the law of value? They have been able to do so to the extent that they have consistently managed to maintain lower levels of profitability than private capital without that preventing them from taking on large-scale debt to sustain ambitious expansion plans. If we look at the ratio of profits to assets in state-owned industrial holdings, it is half that of the private sector in the economy. China’s corporate sector is thus not entirely subject to the pressures of profitability, yet it has continued to grow and invest. This is thanks to the Chinese financial sector — one of the world’s least deregulated and most open to private capital — which has provided the financial resources to sustain corporate growth. Of China’s total accumulated debt, which, counting the public and private sectors, reached 317 percent of GDP in the first quarter of 2020, half (150 percent of GDP) is in the hands of the nonfinancial corporate sector, which quadrupled between 2008 and 2020, according to BIS data. The OECD estimated in 2018 that 82 percent of the nonfinancial corporate debt in China was in the SOEs.*”

In addition, the author leaves it open to which degree unemployment – which he rightly mentions as another important feature of capitalism – exists in China today. “*Historically, the SOE ensured employment and wages, making the threat of unemployment virtually nonexistent. The functioning of capitalism requires not only that this threat be real but also that it form “a disposable industrial reserve army,” which “belongs to capital quite as absolutely as if the latter had bred it at its own cost,” as Marx wrote.*”

### **Has the PTS/FT ever heard of “*State Capitalism*” and “*State-Monopoly Capitalism*”?**

Unfortunately, the whole line of argument of the PTS/FT article is wrong – both in facts as well as in logic. In past works we have noted that this organization is infested by a lack of Marxist method which is increasingly replaced with eclectic empiricism and post-modernist arbitrariness. This becomes once again evident in the article under discussion. The author builds his whole line of argumentation on the fact that the state sector plays an important role in China’s economy. It seems that the PTS/FT is influenced by the bourgeois ideology which claims that authentic capitalism is “free market” with little or no state interference and regulation.

True, such an image is the essence of the neoliberal model. However, it is neither theoretical nor historical correct to believe that “mature” capitalism would resemble such a model. As it is well-known, the ruling classes in a number of developed capitalist countries adopted various forms of state-capitalism in periods of crisis like during the two World Wars as well as during 1930s. This was the case in parliamentary-democratic France, in fascist Germany and Italy as well as during the New Deal in the U.S. State capitalist economic policy was also continued after 1945 until the 1970s. It goes beyond the focus of this article but we want to briefly point out that even in the “*era of neoliberalism*” the capitalist state continued to intervene massively in various ways in economic life (e.g. Quantitative Easing).

As Trotsky noted in 1933: “*But we should remember that originally Marxists understood by state capitalism only the independent economic enterprises of the state itself. When the reformists dreamed of overcoming capitalism by means of the municipalization or governmentalization of ever-greater numbers of transport and*



*industrial enterprises, the Marxists used to reply in refutation: this is not socialism but state capitalism. Subsequently, however, this concept acquired a broader meaning and began to apply to all the varieties of state intervention into the economy; the French use the word étatism (statification) in this sense.”*<sup>14</sup>

In contrast to the Stalinists and reformists, Trotsky did not consider such “state-capitalism as “progressive” but rather as “reactionary through and through.” “While, during the epoch of the capitalist upswing to which the war put an end, it was possible to view – under certain political preconditions – the various forms of statification as progressive manifestations, that is, to consider that state capitalism acts to lead society forward and facilitates the future economic labor of the proletarian dictatorship, the present “planned economy” must be viewed as a stage that is reactionary through and through.”<sup>15</sup>

More generally speaking, orthodox Marxists have always pointed out that capitalism in its last stage is characterized by a close alliance and fusion of monopolies and state. This is why Lenin elaborated the category of *state-monopoly capitalism* for the last stage of this system. Such he wrote in 1917: “Here we have what is most essential in the theoretical appraisal of the latest phase of capitalism, i.e., imperialism, namely, that capitalism becomes monopoly capitalism. The latter must be emphasised because the erroneous bourgeois reformist assertion that monopoly capitalism or state-monopoly capitalism is no longer capitalism, but can now be called “state socialism” and so on, is very common. The trusts, of course, never provided, do not now provide, and cannot provide complete planning. But however much they do plan, however much the capitalist magnates calculate in advance the volume of production on a national and even on an international scale, and however much they systematically regulate it, we still remain under capitalism – at its new stage, it is true, but still capitalism, without a doubt. The “proximity” of such capitalism to socialism should serve genuine representatives of the proletariat as an argument proving the proximity, facility, feasibility, and urgency of the socialist revolution, and not at all as an argument for tolerating the repudiation of such a revolution and the efforts to make capitalism look more attractive, something which all reformists are trying to do.”<sup>16</sup>

Furthermore, as we pointed out in our latest book on the COVID-19 crisis, it is clear that the Great Depression which began in late 2019 marks the end of the era of neoliberalism. There is an increasing recognition among bourgeois politicians and economists that capitalism in crisis requires a substantially larger and more interventionist role of the bourgeois state.<sup>17</sup>

Unfortunately, the PTS/FT seems to be completely clueless about the Marxist conception of “*state capitalism*” and “*state-monopoly capitalism*”. Despite its considerable length and despite its focus on the central role of the state in China’s economy, the author does not mention the term or even the idea of state-capitalism (or state-monopoly capitalism) a single time!

As we can not imagine that the PTS/FT comrades have never heard about these Marxist conceptions, we can only conclude that they refuse applying such categories because they do not believe that China’s economy resp. its core state sector have a capitalist character.

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<sup>14</sup> Leon Trotsky: *The Class Nature of the Soviet State* (October 1, 1933), in: *Writings of Leon Trotsky 1933-34*, Pathfinder Press, New York 1975, pp. 108-109, <https://www.marxists.org/archive/trotsky/1933/10/sovstate.htm>

<sup>15</sup> *Ibid*, p. 109

<sup>16</sup> V.I. Lenin: *The State and Revolution* (1917), in: *LCW* 25, pp. 447-448

<sup>17</sup> For examples and quotes see our book by Michael Pröbsting: *The COVID-19 Global Counterrevolution: What It Is and How to Fight It. A Marxist analysis and strategy for the revolutionary struggle*, RCIT Books, April 2020, <https://www.thecommunists.net/theory/the-covid-19-global-counterrevolution/>, pp. 36-43



## The capitalist character of China's SOEs

Comrade Mercatante emphasizes in his article the central role of the SOEs for China's economy. It seems to us that he underestimates to a certain degree the massive decrease of its role and the rise of private corporations (just think about global high-tech leaders like Huawei, TikTok's ByteDance, Alibaba, etc.) in the past three decades.

According to a study the SOEs share of industrial output declined from almost four-fifths in 1978 to 20% in 2015.<sup>18</sup> A working paper from the *World Economic Forum* – a prestigious Western imperialist think-tank which organizes the annual summits in Davos attended by numerous state leaders – stated recently: *“China's private sector - which has been revving up since the global financial crisis - is now serving as the main driver of China's economic growth. The combination of numbers 60/70/80/90 are frequently used to describe the private sector's contribution to the Chinese economy: they contribute 60% of China's GDP, and are responsible for 70% of innovation, 80% of urban employment and provide 90% of new jobs. Private wealth is also responsible for 70% of investment and 90% of exports. The portion of exports from private enterprises might diminish as SOEs undertake more infrastructure projects in countries involved in the Belt and Road Initiative (BRI), increasing their public stakes in China's exports.”*<sup>19</sup>

However, it is certainly true that the SOEs, despite the decline of its share, continue to constitute an important sector of China's economy – in particular among its monopolies. A recently published study published by the World Bank gives the following assessment: *“In conclusion, estimations in this note suggest that the share of SOEs in China's GDP should be 23-28% and their share in employment can be anywhere between 5% and 16% in 2017. It is worth to note that there are more straightforward data for the shares of SOEs in industrial output and employment. In 2017, SOEs accounted for 39% of assets, 23% sales revenue of core businesses and 18% of employment of industrial (mining, manufacturing and utilities) enterprises whose sale revenue was above a cutoff scale of RMB20 million.”*<sup>20</sup>

The key problem is that the PTS/FT fails to understand the character of the SOEs. As we have demonstrated in the quotes above, the PTS/FT claims that China's SOEs do not really operate on a capitalist basis. They do not say on which basis they operate instead. Do they suggest that the SOEs constitute a sector which still operates on the bureaucratic planning principles characteristic for deformed workers states? But let us leave aside this for now.

As a matter of fact, China's SOEs operate since many years on a clearly capitalist basis. We have demonstrated this in our works with numerous examples and defended our analysis against critiques

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<sup>18</sup> Nicholas Lardy: Private sector development, in: Ross Garnaut, Ligang Song and Cai Fang (Editors): *China's 40 Years of Reform and Development 1978–2018*, Published by the Australian National University Press and the Social Sciences Academic Press (China), Australia, p. 333

<sup>19</sup> Amir Guluzade: The role of China's state-owned companies explained, Chief Operating Officer, Private Wealth Institute, Ahmadoff & Co, 07 May 2019, <https://www.weforum.org/agenda/2019/05/why-chinas-state-owned-companies-still-have-a-key-role-to-play/>

<sup>20</sup> Chunlin Zhang: How Much Do State-Owned Enterprises Contribute to China's GDP and Employment? July 15, 2019, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/449701565248091726/how-much-do-state-owned-enterprises-contribute-to-china-s-gdp-and-employment>, p. 10

like the PO.<sup>21</sup> Let us show this once more with a number of facts which have been provided both by Chinese as well as Western economic sources.

It is widely known – and acknowledged both by Chinese as well Western economists – that China’s SOEs underwent a radical transformations process in the 1990s and early 2000. Since then they operate on the basis of the law of value.

Many enterprises were restructured, fused with others or closed. As a result, the number of SOE’s was drastically reduced. Between 1998 and 2006, the number of SOEs declined from 64,737 to 24,961.<sup>22</sup> In 2017, there were still 18,806 SOEs.<sup>23</sup> As a result, the share of employment in the state sector (this includes employment in SOEs as well as employment in government and public organizations) was massively reduced. As Table 1 shows, state sector employment as a share of total urban employment declined from 78.3% (1978) to 61.0% (1992) and 22.7% (2006).

**Table 1. State Sector Employment as a Share of Total Urban Employment, 1978-2006**<sup>24</sup>

1978	78.3%
1992	61.0%
1997	53.1%
2000	35.0%
2002	28.9%
2006	22.7%

When we look only to the SOEs (i.e. without the public administration), we can see that SOE employment as a share of total urban employment declined from 17.3% (1998) to 6.4% (2006).<sup>25</sup> As a side-note, we draw attention to the fact that usually, when the category SOEs is used in such statistics, it refers both to state-owned as well as to state-controlled enterprises.

This was the result of a radical process of mass sackings in the SOEs so that they operate on the basis of the capitalist law of value. According to official figures, about 50 million workers were laid off between 1993 and 2004. *“On average, from 1993 to 1997, about 3 million workers in the state sector were laid off annually. (...) As a result, the number of layoffs reached a peak, in which about 7 million urban workers in*

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<sup>21</sup> See e.g. Michael Pröbsting: Russia and China: Neither Capitalist nor Great Powers? A Reply to the PO/CRFI and their Revisionist Whitewashing of Chinese and Russian imperialism

<sup>22</sup> Yunhua Liu: A Comparison of China’s State-Owned Enterprises and Their Counterparts in the United States: Performance and Regulatory Policy, in: Public Administration Review, Dec., 2009, Vol. 69, Supplement to Volume 69: Comparative Chinese/American Public Administration (Dec., 2009), p. S47

<sup>23</sup> Ligang Song: State-owned enterprise reform in China: Past, present and prospects, in: Ross Garnaut, Ligang Song and Cai Fang (Editors): China’s 40 Years of Reform and Development 1978–2018, Published by the Australian National University Press and the Social Sciences Academic Press (China), Australia, p. 371

<sup>24</sup> Yunhua Liu: A Comparison of China’s State-Owned Enterprises and Their Counterparts in the United States: Performance and Regulatory Policy, p. S47

<sup>25</sup> Ibid, p. S47

SOEs were laid off every year from 1997 to 1999. From 1993 to 2004, more than 50 million of workers in the state sector were laid off.”<sup>26</sup>

As a result, profits massively increased in the SOE. While its Return on Assets was only 0.7% in 1998, this figure rose to 6.3% in 2006.<sup>27</sup> The PTS/FT – as well as their partners in FIT-U like the Stalinophile PO – might not believe that the SOEs operate on a capitalist basis. But one of the core institutions of world imperialism – the World Bank – knows better: “Many SOEs were corporatized, radically restructured (including labor shedding), and expected to operate at a profit. (...) As a result, the profitability of China’s SOEs increased.”<sup>28</sup> According to China’s official statistics, the state-owned enterprises “posted their best profitability performance in 2018, even as the country’s GDP growth has slowed, as initial reforms yielded results and provided solid support to the world’s second-largest economy. In 2018, aggregate revenues of the country’s nearly 100 centrally administered SOEs increased 10.1 percent year-on-year to 29.1 trillion yuan (\$4.29 trillion). (...) Profit growth was even better, reaching 1.7 trillion yuan with an increase of 16.7 percent, the best results since these figures were first collected, according to SASAC spokesperson Peng Huagang.”<sup>29</sup> Does the PTS/FT know something about China’s SOE profits which has been missed by Chinese and Western economists?

Comrade Mercatante points out that the SOE’s rate of profit is lower than that of the private-owned enterprises. While this is true, this is hardly an argument against the capitalist character of China’s SOEs. The SOEs in average are much larger corporations with a substantially higher share of constant capital (both fixed as well as circulating). In other words, the SOEs’ organic composition – i.e. the relationship between the share of workers’ wages and costs for machinery, raw material, etc. – is much higher compared with the, in average, smaller private enterprises. This means that the share of labor – which is the source for surplus value and, hence, profits – is lower in the SOE’s than in the private-owned enterprises.

Marx pointed the relationship between organic composition of capital, rate of profit and capital concentration out in Volume III of *Capital*. “A fall in the rate of profit and accelerated accumulation are different expressions of the same process only in so far as both reflect the development of the productive power. Accumulation, in turn, hastens the fall of the rate of profit, inasmuch as it implies concentration of labour on a large scale, and thus a higher composition of capital. On the other hand, a fall in the rate of profit again hastens the concentration of capital and its centralisation through expropriation of minor capitalists, the few direct producers who still have anything left to be expropriated. This accelerates accumulation with regard to mass, although the rate of accumulation falls with the rate of profit.”<sup>30</sup>

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<sup>26</sup> Zhi Li, Congming Ding, Zhenqiao Liang: Growing Up in China’s SOEs Reform: The massive layoffs and public trust in government, 2016, Available at SSRN: <https://ssrn.com/abstract=2799076> or <http://dx.doi.org/10.2139/ssrn.2799076>, pp. 4-5

<sup>27</sup> Yunhua Liu: A Comparison of China’s State-Owned Enterprises and Their Counterparts in the United States: Performance and Regulatory Policy, p. S47

<sup>28</sup> China 2030. Building a Modern, Harmonious, and Creative High-Income Society (2012), published by The World Bank and the Development Research Center of the State Council, the People’s Republic of China, p. 111

<sup>29</sup> Chu Daye and Zhang Dan: Results underpin economy amid downward pressure, Global Times, 17.1.2019, <http://www.globaltimes.cn/content/1136176.shtml>; see also SCMP: China’s state-owned companies enjoy record profits, even as private sector flounders, 18 January, 2019, <https://www.scmp.com/economy/china-economy/article/2182552/chinas-state-owned-companies-enjoy-recordprofits-even-private>

<sup>30</sup> Karl Marx: *Capital*, Volume III, in: Collected Works of Marx and Engels, Vol. 37, Progress Publishing Group Corporation, Moscow 1958, p. 240

Hence, the gap in the profit rate between large and smaller enterprises is not only relevant in China but also in other capitalist countries.

The capitalist character of China's SOEs is also confirmed when we compare these corporations with those of other imperialist powers. Let us take the largest monopolies which rank in the latest *Fortune Global 500* list. As we have pointed out in our works, China has constantly increased its share among these largest monopolies and has now even become the number 1. In our last reply to the PTS/FT we provided a table on this issue. Let us now compare the profitability of these corporations.

A recently published study on this issue reports that China's monopolies in this list – of which two-third are state-owned – have a lower profitability than those from the U.S. or Swiss but a higher or similar one than Japan and Western European rivals. China's "profit margin" in 2020 was 4.5%, about half of the U.S. but higher than France (4.3%), Germany (3.3%) and Japan (2.7%). There is a similar result when we compare the "Return on Assets": the U.S. leads with 4.9%, Germany (2.2%), China has 1.9% - the same like France – and Japan has 1.4%. <sup>31</sup> (See Table 2 and 3)

**Table 2. Profit Margin of the Fortune Global 500 Corporations, 2020** <sup>32</sup>

U.S.	8.9%
UK	5.9%
China	4.5%
France	4.3%
Germany	3.3%
South Korea	2.8%
Japan	2.7%

**Table 3. Return on Assets of the Fortune Global 500 Corporations, 2020** <sup>33</sup>

U.S.	4.9%
Germany	2.2%
UK	2.1%
China	1.9%
France	1.9%
South Korea	1.7%
Japan	1.4%

We ask the comrades of the PTS/FT: if China's state-owned enterprises are not really capitalist, if they do not really operate on the basis of the law of value, how on earth is it possible that they have a similar profitability like the capitalist monopolies of long-standing imperialist powers like Germany,

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<sup>31</sup> Scott Kennedy: The Biggest But Not the Strongest: China's Place in the Fortune Global 500, August 18, 2020, <https://www.csis.org/blogs/trustee-china-hand/biggest-not-strongest-chinas-place-fortune-global-500>

<sup>32</sup> Ibid

<sup>33</sup> Ibid

France or Japan?! Is it not obvious that all these talk about China's "non-capitalist" SOEs is simply nonsense?!

### **The State-Owned Enterprises represent a fusion of state and capitalist class**

Furthermore, it would be mistaken to imagine China's SOEs as a kind of state-commanding economy. In fact, the SOEs mostly represent a kind of symbiosis of state and private capitalists, state managers with large autonomy, private minority shareholders, etc. Numerous close bonds between the growing capitalist class and the state enterprises have come into existence since the beginning of China's capitalist restoration, resulting in mutual benefit. An article on China's new class of super-rich observed already in 2013: *"What's unique about China's super-rich is that most of their fortune come from stakes in some of China's 145,000 state-owned enterprises (SOEs), which dominate the economy. (These include Fortune 500 companies like petroleum firm Sinopec, the bank ICBC, and China National Petroleum.) Wealth-X predicts that the ultra-wealthy population will grow by another 1,000 people in 2013 as a result of SOE activity. 'Partnerships with state-owned enterprises is one of the key factors driving growth,' says David Friedman, president of Wealth-X."*<sup>34</sup>

It would be also wrong to understand the state's role as an institution which permanently intervenes. An interesting investigation of China's state capitalism arrived at the conclusion: *"To the extent that the state does successfully intervene in SOE operations to achieve policy objectives, it typically does so as a regulator, not as a controlling shareholder."*<sup>35</sup>

Furthermore, most of the SOE's dividends do not go into the pockets of the state but rather remain in the hands of the corporation respectively its managers and shareholders. *"Moreover, the dividend rates paid by central SOEs to the government in its capacity as shareholder are lower than those paid to private shareholders by Chinese SOEs listed in Hong Kong. Most importantly, perhaps, virtually all of the dividends paid by SOEs to the government are eventually recycled back to them: More than 92% of the dividends paid by central SOEs to the government in 2012 were remitted back to the SOEs in the form of subsidies"*<sup>36</sup>

Another study also draws attention to the close bonds of the SOEs and the capitalist class. *"This process of financial expansion arose in the mid-1990s and gained spectacular impetus after the global financial crisis in 2008. While the state maintains strict control over capital account, private capitalists have penetrated China's financial circuits in two ways. First, private capitalists participated in shareholding with state corporations through direct purchase of shares or via financial holding companies, investment funds, and insurance companies. This new bourgeoisie pressed for further capital opening of large SOEs under central management, most of which are now listed in stock markets with limits to non-tradable shares. Investment funds and new holdings were established to allow for the sale of shares and became fast vehicles for the formation of large fortunes. (...) Second, private capitalists speculated on real estate. Financial overdevelopment in China*

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<sup>34</sup> Lily Kuo: China's mega-rich are worth more than the annual output of South Korea and Taiwan, 25 January 2013, <https://qz.com/47292/chinas-mega-rich-are-worth-more-than-the-annual-output-of-south-korea-and-taiwan/>

<sup>35</sup> Curtis J. Milhaupt and Wentong Zheng: Beyond Ownership: State Capitalism and the Chinese Firm, in: 103 Georgetown Law Journal 665 (2015), p. 682

<sup>36</sup> Ibid, p. 679

*mobilized and channeled domestic resources via the financial system for major infrastructure and urbanization works, especially after 2008.”*<sup>37</sup>

In summary, China’s State-Owned Enterprises are not non-capitalist enterprises of a kind of semi-socialist character. They are capitalist monopolies with the state as a regulating force.

### **Some additional counterarguments**

Comrade Mercatante suggests that various SOEs are loss-making which in his opinion would indicate that they are not operating on the basis of the law of value. However, it is a gross misconception to imagine that capitalist monopolies would always make profit. A study which compared U.S. and Chinese corporations arrived at the following result: *“In terms of loss rates, in 2005, a sample of 6,000 companies on the New York Stock Exchange and the tech-weighted NASDAQ exchange showed that 36.2 percent of those U.S. firms were found to be loss makers, and the loss was 1 percent of national total gross domestic product. In the same year, 32.4 percent of SOEs in China showed a loss, and the loss accounted for only 0.5 percent of national gross domestic product.”*<sup>38</sup>

Another objection of the PTS/FT author is that China’s SOEs have substantially increased their debts. Of course, this is true and we have pointed out this fact in other works.<sup>39</sup> However, debts have increased not only in China but in all imperialist countries! As a result, the non-financial and the financial sector are highly indebted in all imperialist states as Table 4 demonstrates. (Bear in mind that these figures are from the last quarter of 2019, i.e. before the beginning of the COVID-19 crisis which provoked unprecedented large state capitalist financial aid program. Hence, indebtedness is substantially higher today.)

**Table 4. Total Global Debt by Sector as Percent of GDP, Q4 2019**<sup>40</sup>

<b>Country</b>	<b>Non-Financial Corporations</b>	<b>Financial Sector</b>
Global	91.6%	81.3%
U.S.	73.9%	76.9%
Euro Area	108.2%	123.7%
Japan	104.7%	156.8%
UK	80.2%	175.3%
China	150.3%	42.2%

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<sup>37</sup> Isabela Nogueira and Hao Qi: State and Capitalist Class in China’s Economic Transition: From Great Compromise to Strained Alliance, September 2018, Political Economy Research Institute, Working Paper Series No. 467, pp. 17-18

<sup>38</sup> Yunhua Liu: A Comparison of China’s State-Owned Enterprises and Their Counterparts in the United States: Performance and Regulatory Policy, p. S48

<sup>39</sup> See on this e.g. our book by Michael Pröbsting: The COVID-19 Global Counterrevolution: What It Is and How to Fight It, pp. 17-19

<sup>40</sup> The Institute of International Finance: Global Debt Monitor: COVID-19 Lights a Fuse, 6 April 2020, p. 4

Comrade Mercatante also questions to which degree there unemployment exists today in China. As we quoted above he claims: *“Historically, the SOE ensured employment and wages, making the threat of unemployment virtually nonexistent. The functioning of capitalism requires not only that this threat be real but also that it form “a disposable industrial reserve army.”* However, any suggestion that this capitalist scourge would be absent in China belongs in the realm of fantasy. As we demonstrated already, the SOE’s laid-off about 50 million workers between 1993 and 2004. Today, unemployment is widespread in China and has substantially increased with the onset of the Great Depression in late 2019. We referred to this development already in our latest book on the COVID-19 crisis. According to estimations of Liu Chenjie, chief economist at fund manager Upright Asset, *“the pandemic may have pushed 205 million workers into “frictional unemployment”, where they want to work but cannot or are unable to go back to work. If true, that figure would represent more than a quarter of China’s 775 million workforce and would be vastly higher than the 6.2 per cent figure posited by the government’s survey.”*<sup>41</sup>

### **The PTS/FT, PO and the temptations of Kirchnerism**

What is the explanation of the PTS/FT’s refusal to recognize China’s imperialist character and its inability to elaborate an analysis of the capitalist restoration process that arrives at clear conclusions? We have already pointed out in our last reply that the PTS/FT is increasingly infested by the method of eclectic empiricism and post-modernist arbitrariness which has been introduced under the banner of Gramscianism. We also drew attention to the fact the PTS/FT seems to accommodate to its most important partner in FIT-U – the *Partido Obrero* – which is an undisguised standard bearer of Chinese social-imperialism.

It is not necessary to repeat this criticism at this place. However, we want to point out the broader context of this development. As the FIT-U – and particular its two largest components PTS and PO – experienced some electoral success in the past decade, this has resulted in a certain process of integration of leading cadres both in the bourgeois parliamentary system as well as the trade union bureaucracy. The scandalous vote of the Buenos Aires deputies of PTS and PO for a pro-Zionist bill in June this year has been the most outrageous but not the only indicator of this process of integration into the bureaucratic institutions of capitalism.<sup>42</sup>

The strongest force in Argentina’s trade union movement and among the progressive forces in general has been traditionally left Peronism, or as it called since the 2001-02 crisis, Kirchnerism. The ruling class of Argentina, an advanced capitalist semi-colony, has been increasingly looking for some time for alternatives to their traditional patron, Gringo imperialism. The advance of China as an emerging Great Power has offered Argentina – as well as other Latin American countries – a potential alternative to the U.S since some time. As we have pointed out in our works, Chinese imperialism has become one of the most important trade partners as well as foreign investors in Latin America in the past decade.

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<sup>41</sup> Frank Tang: Coronavirus: China’s unemployment crisis mounts, but nobody knows true number of jobless, 3 April 2020, <https://www.scmp.com/economy/china-economy/article/3078251/coronavirus-chinas-unemployment-crisis-mounts-nobody-knows>

<sup>42</sup> See on this e.g. RCIT and CEP: FIT (Argentina): A Scandalous Betrayal of the Heroic Palestinian Masses!



This process has accelerated in recent past since the Kirchnerists regained power after the elections last year. A few weeks ago, Argentina's central bank announced that it will renew a currency cooperation agreement with the People's Bank of China to swap US\$ 18.2 billion worth of each other's currencies. This amount represents staggering 42% of Argentina's stock of foreign reserves!<sup>43</sup>

More generally, it is well known that China and Russia are viewed by Latin America's Bolivarian parties as "progressive" and "anti-imperialist" counterforce against Washington's pressure. Venezuela and Bolivia (until the overthrow of Evo Morales last year) have closely aligned to Beijing and Moscow and their supporters in Latin America shared their political accommodation to these emerging Great Powers. As we already noted, the PO has already capitulated to this pressure. It seems that the PTS/FT is following this trend and hopes to increase its opportunities for political realignment with such forces in this way.

## Conclusions

We conclude by repeating that the "China question" represents one of the most important issues of world politics in the current historic period. As we have elaborated in our works, the historic period which opened in 2008 has been one of deepening crisis of capitalism with numerous dramatic events and revolutionary as well as counterrevolutionary upheavals.<sup>44</sup> In such a historic revolutionary

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<sup>43</sup> Argentina and China renew US\$ 18 billion swap; Beijing will pay for agriculture imports in Yuan, 7 August 2020, <https://en.mercopress.com/2020/08/07/argentina-and-china-renew-us-18-billion-swap-beijing-will-pay-for-agriculture-imports-in-yuan>

<sup>44</sup> On the RCIT's analysis of the current historic period see e.g. chapter 14 in Michael Pröbsting: *The Great Robbery of the South. Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital Consequences for the Marxist Theory of Imperialism*, RCIT Books, Vienna 2013, <http://www.great-robbery-of-the-south.net/>. See also the annual *World Perspectives* documents which the RCIT has published in the past years: RCIT: *World Perspectives 2020: A Pre-Revolutionary Global Situation. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries*, 8 February 2020, <https://www.thecommunists.net/theory/world-perspectives-2020/>; RCIT: *World Perspectives 2019: Heading Towards a Volcanic Political Eruption. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries*, 2 March 2019, <https://www.thecommunists.net/theory/world-perspectives-2019/>; Michael Pröbsting: *World Perspectives 2018: A World Pregnant with Wars and Popular Uprisings. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries*, RCIT Books, Vienna 2018, <https://www.thecommunists.net/theory/world-perspectives-2018/>; RCIT: *World Perspectives 2017: The Struggle against the Reactionary Offensive in the Era of Trumpism*, 18 December 2016, <https://www.thecommunists.net/theory/world-perspectives-2017/>; RCIT: *World Perspectives 2016: Advancing Counterrevolution and Acceleration of Class Contradictions Mark the Opening of a New Political Phase*, 23 January 2016, <https://www.thecommunists.net/theory/worldperspectives-2016/>; RCIT: *Perspectives for the Class Struggle in Light of the Deepening Crisis in the Imperialist World Economy and Politics*, 11 January 2015, <https://www.thecommunists.net/theory/world-situation-january-2015/>; RCIT: *Escalation of Inner-Imperialist Rivalry Marks the Opening of a New Phase of World Politics. Theses on Recent Major Developments in the World Situation Adopted by the RCIT's International Executive Committee*, April 2014, in: *Revolutionary Communism* (English-language Journal of the RCIT) No. 22, <http://www.thecommunists.net/theory/world-situation-april-2014/>; RCIT: *Aggravation of Contradictions, Deepening of Crisis of Leadership. Theses on Recent Major Developments in the World Situation Adopted by the RCIT's International Executive Committee*, 9.9.2013, in: *Revolutionary Communism* No. 15, <http://www.thecommunists.net/theory/world-situation-september2013/>; RCIT: *The World Situation and the Tasks of the Bolshevik-Communists. Theses of the International Executive Committee of the Revolutionary Communist International Tendency*, March 2013, in: *Revolutionary Communism* No. 8, [www.thecommunists.net/theory/world-situation-march-2013/](http://www.thecommunists.net/theory/world-situation-march-2013/); see also Michael Pröbsting: *A Powerful*

period it is inevitable that the rivalry between the Great Powers accelerates massively and that the issue of war between imperialist states again becomes a key question. In such a period it is a political life and death question for a revolutionary organization to possess a correct theory in order to guide a correct practice.

Trotsky once observed that a theory is tested by political events and that this is particularly true in period of sharp clashes between states and classes. *“The vast practical importance of a correct theoretical orientation is most strikingly manifestos in a period of acute social conflict of rapid political shifts, of abrupt changes in the situation.”*<sup>45</sup> This statement is particularly relevant in the current world situation.

The failure of the PTS/FT to recognize the imperialist – or even the capitalist – character of China has massive consequences for its strategy and tactics. Understanding China’s capitalist and imperialist character allows Marxists to take a position of revolutionary defeatism, i.e. to intransigently oppose *all* imperialist Great Powers – the U.S., China, Russia, EU and Japan.

The PTS/FT’s inability to understand this capitalist and imperialist character pushes this organization inevitable towards siding with China against the U.S. This means, that the PTS/FT is sliding into a position of pro-Chinese social-imperialism, i.e. a 4 August policy similar to the social-patriotic failure of European social democracy in 1914. We hope that the comrades of the PTS/FT will quickly open a discussion in their ranks and reverse such a disastrous position.

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Confirmation. A bourgeois study on the revolutionary character of the current historic period, 12 March 2020, <https://www.thecommunists.net/worldwide/global/confirmation-of-revolutionary-character-of-historic-period/>.

<sup>45</sup> Leon Trotsky: Bonapartism and Fascism (July 1934), in: Trotsky Writings 1934-35, p. 35